
NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2013 and 2012

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets-2013.....	4
Statement of Activities and Changes in Net Assets-2012.....	5
Statement of Cash Flows.....	6
Statement of Functional Expenses-2013.....	7
Statement of Functional Expenses-2012.....	8
Notes to Financial Statements.....	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Olympic Land Trust
PO Box 2013
Port Angeles, WA 98362

Report on the Financial Statements

We have audited the accompanying financial statements of North Olympic Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

Aberdeen, WA

April 14, 2014

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,	2013	2012
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 467,954	\$ 760,498
Grants Receivable	24,900	5,075
Accounts Receivable	-	825
Pledge Receivable	1,800	3,000
Prepaid Expense	550	600
Deposits and Advances	500	500
Total Current Assets	495,704	770,498
Property & Equipment:		
Land	2,045,648	1,795,862
Total Property & Equipment	2,045,648	1,795,862
Other Assets:		
Investments	584,094	465,106
Total Other Assets	584,094	465,106
Total Assets	\$ 3,125,446	\$ 3,031,466
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 147	\$ 1,927
Vacation Payable	5,917	9,255
Payroll Taxes & Benefits Payable	4,877	377
Total Current Liabilities	10,941	11,559
Net Assets:		
Unrestricted-Undesignated	278,127	32,022
Opportunity Fund-Board Designated	80,763	80,161
Stewardship Fund-Board Designated	5,000	5,000
Operations Fund-Board Designated	192,493	195,887
Total Unrestricted	556,383	313,070
Temporarily Restricted	790,601	939,316
Permanently Restricted	1,767,521	1,767,521
Total Net Assets	3,114,505	3,019,907
Total Liabilities and Net Assets	\$ 3,125,446	\$ 3,031,466

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31,	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Grants	\$ 39,205	\$ -	\$ -	\$ 39,205
Contributions	62,554	53,255	-	115,809
Fundraising-net of \$6,490 in Direct				
Benefits to Donors	45,040	-	-	45,040
Interest & Dividend Income	2,249	5,540	-	7,789
Inkind Donations	364,704	-	-	364,704
Other Income	169	-	-	169
Released from Restrictions	265,006	(265,006)	-	-
Total Support and Revenue	778,927	(206,211)	-	572,716
Expenses:				
Program Services	416,665	-	-	416,665
Management and General	120,216	-	-	120,216
Fundraising	21,582	-	-	21,582
Total Expenses	558,463	-	-	558,463
Other Revenue & Expenses:				
Investment Income (Loss)	22,849	57,496	-	80,345
Total Other Revenue & Expenses	22,849	57,496	-	80,345
Increase (Decrease) in Net Assets	243,313	(148,715)	-	94,598
Net Assets, Beginning of Year	313,070	939,316	1,767,521	3,019,907
Net Assets, End of Year	\$ 556,383	\$ 790,601	\$ 1,767,521	\$ 3,114,505

The accompanying notes are an integral part of these financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31,	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Grants	\$ 715,863	\$ 10,000	\$ -	\$ 725,863
Contributions	27,758	306,905	-	334,663
Fundraising-net of \$13,531 in Direct				
Benefits to Donors	48,701	-	-	48,701
Fee for Service	10,273	-	-	10,273
Interest & Dividend Income	7,966	393	-	8,359
Inkind Donations	738,217	-	-	738,217
Other Income	3,583	-	-	3,583
Released from Restrictions	118,669	(118,669)	-	-
Total Support and Revenue	1,671,030	198,629	-	1,869,659
Expenses:				
Program Services	1,549,920	-	-	1,549,920
Management and General	78,266	-	-	78,266
Fundraising	30,245	-	-	30,245
Total Expenses	1,658,431	-	-	1,658,431
Other Revenue & Expenses:				
Investment Income (Loss)	4,218	43,269	-	47,487
Total Other Revenue & Expenses	4,218	43,269	-	47,487
Increase (Decrease) in Net Assets	16,817	241,898	-	258,715
Net Assets, Beginning of Year	<u>296,253</u>	<u>697,418</u>	<u>1,767,521</u>	<u>2,761,192</u>
Net Assets, End of Year	<u>\$ 313,070</u>	<u>\$ 939,316</u>	<u>\$ 1,767,521</u>	<u>\$ 3,019,907</u>

The accompanying notes are an integral part of these financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Cash Flows

Year Ended December 31,	2013	2012
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 94,598	\$ 258,715
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Capitalized Inkind Donations	(249,786)	-
Unrealized (Gains) Losses on Investments	(69,578)	(47,487)
Realized (Gains) Losses on Investments	(10,767)	-
(Increase) Decrease in Grants Receivable	(19,825)	49,062
(Increase) Decrease in Accounts Receivable	825	(825)
(Increase) Decrease in Pledges Receivable	1,200	3,030
(Increase) Decrease in Prepaid Expense	50	(600)
(Increase) Decrease in Deposits and Advances	-	600
Increase (Decrease) in Accounts Payable	(1,780)	(1,604)
Increase (Decrease) in Vacation Payable	(3,338)	2,240
Increase (Decrease) in Payroll Taxes & Benefits Payable	4,500	377
Net Cash Provided (Used) by Operating Activities	(253,901)	263,508
Cash Flows from Investing Activities:		
Purchase of Investments	(69,420)	(53,819)
Sale of Investments	30,777	169,952
Net Cash Provided (Used) by Investing Activities	(38,643)	116,133
Cash Flows from Financing Activities:		
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(292,544)	379,641
Cash at Beginning of Year	760,498	380,857
Cash at End of Year	\$ 467,954	\$ 760,498
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Functional Expenses

Year Ended December 31,

2013

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 68,414	\$ 84,835	\$ 13,869	\$ 167,118
Employee Benefits	1,850	2,293	375	4,518
Payroll Taxes	5,859	7,165	1,106	14,130
Occupancy	4,911	6,085	996	11,992
Insurance	4,812	1,800	294	6,906
Supplies	6,065	525	1,173	7,763
Printing & Publications	2,558	250	2,339	5,147
Licenses and Taxes	2,185	-	-	2,185
Professional Services	22,355	10,276	-	32,631
Information Technology	687	851	139	1,677
Easement Acquisition Expense	175,716	-	-	175,716
Conferences, Meetings, & Events	3,043	1,560	-	4,603
Travel, Mileage, and Meals	3,442	1,855	426	5,723
Dues & Subscriptions	-	2,050	-	2,050
Bank & Credit Card Charges	380	141	865	1,386
Inkind Expense	114,388	530	-	114,918
Total	\$ 416,665	\$ 120,216	\$ 21,582	\$ 558,463

The accompanying notes are an integral part of these financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Functional Expenses

Year Ended December 31,

2012

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 69,888	\$ 44,446	\$ 20,225	\$ 134,559
Employee Benefits	3,812	2,447	1,103	7,362
Payroll Taxes	5,616	3,571	1,625	10,812
Occupancy	5,052	3,213	1,462	9,727
Insurance	1,784	1,135	516	3,435
Supplies	8,835	3,782	420	13,037
Printing & Publications	527	58	1,809	2,394
Licenses and Taxes	18,421	1,710	-	20,131
Professional Services	88,969	12,437	1,578	102,984
Information Technology	-	1,458	-	1,458
Easement Acquisition Expense	604,510	-	-	604,510
Conferences, Meetings, & Events	131	1,265	-	1,396
Travel, Mileage, and Meals	4,258	1,644	45	5,947
Advertising	173	312	677	1,162
Bank & Credit Card Charges	492	23	785	1,300
Inkind Expense	737,452	765	-	738,217
Total	\$ 1,549,920	\$ 78,266	\$ 30,245	\$ 1,658,431

The accompanying notes are an integral part of these financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal program--

The mission of the North Olympic Land Trust (The Trust) is to preserve land and wildlife habitat. The Trust receives conservation easements on various properties and receives grant funds for landowner education, easement purchases, property acquisitions, and general operations. The Trust has voluntarily adopted and implemented the Land Trust Standards and Practices as promulgated by the Land Trust Alliance (a National Land Trust Organization).

The Trust receives a substantial amount of its annual support in the form of government grants. In the event one or more of the government programs from which the grants are received were to end or experience significant budget cuts, The Trust could experience a significant loss of support.

Basis of accounting--

The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred.

Grant funds are accounted for as unrestricted, temporarily restricted, or permanently restricted as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is The Trust's policy to record the grant funds as unrestricted on the statement of activities and changes in net assets.

Property and equipment--

Property and equipment are recorded at cost. Property and equipment donated to The Trust are capitalized at their estimated fair market value. Depreciation is provided using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in income.

Management has elected to capitalize only equipment purchases in excess of \$5,000. As of December 31, 2013 and 2012, no equipment purchases exceeded this policy.

Estimates--

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Advertising--

The Trust's policy is to expense advertising costs as they are incurred.

Cash and Cash Equivalents--

For purposes of the Statement of Cash Flows, The Trust considers cash, checking, and money market accounts to be cash and cash equivalents.

B. RECOGNITION OF CONTRIBUTION REVENUE:

The Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

The Trust reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets having explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets to be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, The Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on a contribution are met in the same year that the contribution is received, it is The Trust's policy to record the contribution as unrestricted on the statement of activities and changes in net assets.

C. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets include land that was purchased with grant contracts and donor contributions that permanently restrict the land use. As of December 31, 2013 and 2012, the permanently restricted net assets balance was \$1,767,521 and \$1,767,521, respectively.

D. ECONOMIC DEPENDENCY:

For 2013 and 2012, the funding used to acquire land and conservation easements was primarily provided by Clallam County and the State of Washington Recreation and Conservation Office.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

E. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2013 and 2012, were \$790,601 and \$939,316, respectively, and were comprised of \$512,713 and \$459,144, respectively, of donor contributions that are restricted for use in stewardship activities, \$141,763 and \$298,552, respectively, in funds restricted to use for farmland acquisition, farmland development rights acquisition, and activities and projects directly associated with sustaining agriculture and \$135,975 and \$181,620, respectively, in donor contributions which can be used for Trust operating expenses excluding salary and personnel costs. As of December 31, 2013, temporarily restricted net assets also include an additional \$150 in opportunity funds.

The Trust board has designated funds for the following specific purposes:

Opportunity Fund: Board Designated to provide landowners with assistance during property and easement acquisitions and to aid in acquisitions. The fund had a balance of \$80,763 and \$80,161 as of December 31, 2013 and 2012, respectively.

Stewardship Fund: Board Designated for stewardship activities. \$5,000 balance as of December 31, 2013 and 2012.

Operations Fund: Board Designated as an operating reserve. \$192,493 and \$195,887 balance as of December 31, 2013 and 2012, respectively.

F. LEASES:

The Trust conducts its operations from leased facilities. The office lease expense for the years ended December 31, 2013 and 2012 was \$6,600 and \$6,600, respectively. The lease is a month to month lease.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and common stock are accounted for at fair value. As of December 31, 2013 and 2012, the investments had a cost basis of \$449,516 and \$400,106 and a fair value of \$584,094 and \$465,106, respectively. Investment income on the statement of activities and changes in net assets is the following:

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

	<u>2013</u>	<u>2012</u>
Unrealized Gain (Loss)	\$ 69,578	\$ 47,487
Realized Gain (Loss)	<u>10,767</u>	<u>-</u>
Total	\$ <u>80,345</u>	\$ <u>47,487</u>

The Trust adopted Accounting Standards Codification 958 as of January 1, 2009. ASC 958, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 958 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Trust has the ability to access.

Level 2: Inputs to valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

Mutual funds: Valued at the net asset value (NAV) of shares held by The Trust at year end.

Common Stock: Quoted market prices on public exchanges.

Certificates of Deposit: Original cost with market adjustment based on current rates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2013:

Assets at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 496,012	\$ -	\$ -	\$ 496,012
Certificates of Deposit	-	88,082	-	88,082
Total Assets at Fair Value:	\$ 496,012	\$ 88,082	\$ -	\$ 584,094

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2012:

Assets at Fair Value as of December 31, 2012				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 437,331	\$ -	\$ -	\$ 437,331
Common Stock	27,775	-	-	27,775
Total Assets at Fair Value:	\$ 465,106	\$ -	\$ -	\$ 465,106

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

H. GRANTS RECEIVABLE:

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. The Trust uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2013 and 2012, respectively, there were bad debts of \$0. As of December 31, 2013, management estimated that all grants receivable were collectible.

Management considers accounts outstanding over 90 days to be past due. No interest is charged on past due receivables. As of December 31, 2013, there were no past due accounts.

I. CONTINGENCIES:

Amounts received or receivable from federal and state government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of The Trust if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

J. INKIND REVENUE:

During 2013, The Trust received donations of property with a fair market value of \$249,786. These donations were recorded as inkind revenue and capitalized as land on the statement of financial position. The Trust also received inkind donations of property easements, professional services and goods during 2013 and 2012. These donations have been recorded both as inkind revenue and expense in the financial records.

K. INCOME TAX & UNCERTAIN TAX POSITION:

The Trust is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The Trust files income tax returns in the U.S. federal jurisdiction. The Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

K. INCOME TAX & UNCERTAIN TAX POSITIONS (CONTINUED):

The Trust adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2009. As of December 31, 2013, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

L. SUBSEQUENT EVENTS:

No events have occurred through April 14, 2014, which is the date the financial statements were available to be issued, based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2013.

M. PLEDGES RECEIVABLE:

The Trust received contribution pledges from various donors during 2013 and 2012. The pledges are scheduled to be collected in 2014. No discount to present value has been presented as the amount is immaterial to the financial statements. No allowance for uncollectible pledges has been recorded as management believes all pledges will be collected as scheduled.

N. EASEMENTS:

The Trust holds a number of conservation easements. The Trust has determined that these easements have no measurable value as they include no affirmative rights and require The Trust to monitor and defend the easements on an ongoing basis. This practice is in line with the approach advocated by the Land Trust Alliance.

O. VACATION LIABILITY:

The Trust provides for vacation benefits in accordance with current policy. As of December 31, 2013 and 2012, respectively, the vacation benefit liability was \$5,917 and \$9,255.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2013 and 2012

P. CONCENTRATIONS OF CREDIT RISK:

The Trust, at times, maintains investment balances that exceed insurance coverage amounts provided by the Securities Investor Protection Corporation. The SIPC provides a maximum of \$500,000 coverage per institution, with a limit of \$250,000 for cash balances. Although the Trust keeps cash balances below insured levels, investment balances at times exceed insurance limits. Management does not believe The Trust is subject to significant risk as a result of these excess balances.