
CAPITOL LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2014 and 2013

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitol Land Trust
Olympia, WA

Report on the Financial Statements

We have audited the accompanying financial statements of Capitol Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2014 and 2013, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2015 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



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

Aberdeen, WA

March 7, 2015

Capitol Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,	2014	2013
Assets		
Current Assets:		
Cash	\$ 199,273	\$ 250,989
Grants Receivable	35,133	47,485
Prepaid Expenses	1,264	5,926
Total Current Assets	235,670	304,400
Property & Equipment:		
Land	11,557,976	9,248,284
Equipment	10,113	-
Accumulated Depreciation	(1,446)	-
Total Property & Equipment	11,566,643	9,248,284
Other Assets:		
Investments	705,539	630,213
Maytown Conservation Fund	247,721	273,917
Total Other Assets	953,260	904,130
Total Assets	\$ 12,755,573	\$ 10,456,814
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 12,824	\$ 4,757
Accrued Vacation	13,079	14,552
Payroll Expenses & Benefits Payable	17,124	17,045
Total Current Liabilities	43,027	36,354
Long Term Liabilities:		
Custodial Funds-Maytown Conservation Fund	247,721	273,917
Net Assets:		
Unrestricted	251,238	286,560
Temporarily Restricted	551,325	629,449
Permanently Restricted	11,662,262	9,230,534
Total Net Assets	12,464,825	10,146,543
Total Liabilities and Net Assets	\$ 12,755,573	\$ 10,456,814

The accompanying notes are an integral part of these financial statements

Capitol Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31,	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Grants	\$ 269,038	\$ -	\$ 2,431,728	\$ 2,700,766
Contributions	121,594	60,451	-	182,045
Dues	53,628	-	-	53,628
Fundraising	91,975	8,800	-	100,775
Less: Costs of Direct Benefits to Donors	(12,896)	-	-	(12,896)
Interest & Dividend Income	3,270	8,660	-	11,930
Inkind Donations	2,564	-	-	2,564
Rental Income	5,496	-	-	5,496
Miscellaneous Income	433	-	-	433
Released from Restrictions	159,437	(159,437)	-	-
Total Support and Revenue	694,539	(81,526)	2,431,728	3,044,741
Expenses:				
Program Services	566,193	-	-	566,193
Management and General	62,190	-	-	62,190
Fundraising	101,027	-	-	101,027
Total Expenses	729,410	-	-	729,410
Other Revenue & Expenses:				
Investment Income (Loss)	(451)	3,402	-	2,951
Total Other Revenue & Expenses	(451)	3,402	-	2,951
Increase (Decrease) in Net Assets	(35,322)	(78,124)	2,431,728	2,318,282
Net Assets, Beginning of Year	286,559.53	629,449.00	9,230,534.00	10,146,542.53
Net Assets, End of Year	\$ 251,238	\$ 551,325	\$ 11,662,262	\$ 12,464,825

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

Capitol Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31,				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants	\$ 218,677	\$ -	\$ 398,655	\$ 617,332
Contributions	105,511	59,253	-	164,764
Dues	35,152	-	-	35,152
Fundraising	102,676	5,500	-	108,176
Less Costs of Direct Benefits to Donors	(12,541)	-	-	(12,541)
Interest & Dividend Income	1,116	8,393	-	9,509
Inkind Donations	57,834	-	-	57,834
Rental Income	4,675	-	-	4,675
Miscellaneous Income	1,116	-	-	1,116
Released from Restrictions	191,244	(191,244)	-	-
Total Support and Revenue	705,460	(118,098)	398,655	986,017
Expenses:				
Program Services	449,426	-	-	449,426
Management and General	76,824	-	-	76,824
Fundraising	89,371	-	-	89,371
Total Expenses	615,621	-	-	615,621
Other Revenue & Expenses:				
Investment Income (Loss)	1,366	34,620	-	35,986
Total Other Revenue & Expenses	1,366	34,620	-	35,986
Increase (Decrease) in Net Assets	91,205	(83,478)	398,655	406,382
Net Assets, Beginning of Year	195,355	712,927	8,831,879	9,740,161
Net Assets, End of Year	\$ 286,560	\$ 629,449	\$ 9,230,534	\$ 10,146,543

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

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Statement of Cash Flows

Years Ended December 31,	2014	2013
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 2,318,282	\$ 406,382
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	1,446	-
Net Change in Investment Values	2,951	35,986
(Increase) Decrease in Grants Receivable	12,352	(29,080)
(Increase) Decrease in Prepaid Expense	4,662	1,855
Increase (Decrease) in Accounts Payable	8,067	(3,992)
Increase (Decrease) in Accrued Vacation	(1,473)	7,294
Increase (Decrease) in Payroll Taxes Withheld	79	2,149
	<u>2,346,366</u>	<u>420,594</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Investments	(78,276)	(203,321)
Cash Paid for Equipment	(10,113)	-
Cash Paid for Land Purchases	(2,309,693)	(398,655)
	<u>(2,398,082)</u>	<u>(601,976)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows from Financing Activities:		
	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
	(51,716)	(181,382)
Cash at Beginning of Year	<u>250,989</u>	<u>432,371</u>
Cash at End of Year	<u>\$ 199,273</u>	<u>\$ 250,989</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	<u>\$ -</u>	<u>\$ -</u>

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

Capitol Land Trust
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Statement of Functional Expenses

Year Ended December 31,	2014			
	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 213,168	\$ 40,441	\$ 42,021	\$ 295,630
Employee Benefits	23,765	4,327	4,947	33,039
Payroll Taxes	17,588	3,298	3,479	24,365
Contracted Labor	26,488	-	20,188	46,676
Rent Expense	14,492	3,113	4,620	22,225
Telephone	1,660	354	250	2,264
Insurance	4,117	749	642	5,508
Supplies	1,461	304	495	2,260
Printing & Postage	15,538	453	10,532	26,523
Property Taxes	3,881	-	-	3,881
Dues	4,863	88	63	5,014
Licenses & Permits	162	71	245	478
Professional Services	6,040	944	1,328	8,312
Acquisition Expense	78,293	-	-	78,293
Land Stewardship & Restoration	20,185	-	-	20,185
Conferences & Meetings	-	164	33	197
Travel	1,964	2,055	381	4,400
Advertising	340	234	500	1,074
Equipment R&M	907	255	134	1,296
Equipment Rental	189	-	4,423	4,612
Property R&M	1,155	2,471	-	3,626
Inkind Expense	1,365	479	720	2,564
Bank/Commission Fees	103	2,208	861	3,172
Easement Expense	126,340	-	-	126,340
Depreciation	1,398	-	48	1,446
Miscellaneous	731	182	5,117	6,030
Total	\$ 566,193	\$ 62,190	\$ 101,027	\$ 729,410

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

Capitol Land Trust
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Statement of Functional Expenses

Year Ended December 31,	2013			
	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 212,745	\$ 48,864	\$ 49,131	\$ 310,740
Employee Benefits	22,291	7,798	4,149	34,238
Payroll Taxes	17,545	4,074	3,949	25,568
Contracted Labor	6,000	-	-	6,000
Rent Expense	12,602	4,399	3,579	20,580
Telephone	1,397	578	219	2,194
Insurance	4,167	1,286	589	6,042
Supplies	2,760	333	580	3,673
Printing & Postage	16,688	403	14,097	31,188
Property Taxes	4,105	20	9	4,134
Dues	13,119	132	60	13,311
Licenses & Permits	10	19	100	129
Professional Services	8,552	3,629	1,236	13,417
Acquisition Expense	49,672	-	-	49,672
Land Stewardship & Restoration	3,700	-	-	3,700
Conferences & Meetings	123	157	77	357
Travel	5,262	829	812	6,903
Advertising	302	39	975	1,316
Equipment R&M	3,436	1,578	683	5,697
Equipment Rental	444	-	8,960	9,405
Property R&M	6,015	-	-	6,015
Inkind Expense	57,834	-	-	57,834
Bank/Commission Fees	87	2,427	35	2,549
Miscellaneous	570	259	131	960
Total	\$ 449,426	\$ 76,824	\$ 89,371	\$ 615,621

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

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Notes to Financial Statements

December 31, 2014 and 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal program--

The mission of Capitol Land Trust (the Trust) is furthering collaborative and strategic conservation of Southwest Washington's essential natural areas and working lands.

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. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset

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.

Land, buildings and equipment--

Land, buildings and equipment are recorded at cost. Property and equipment donated to the Trust are capitalized at their estimated fair market value. It is the Trust's policy to expense the acquisition cost of equipment in the year of purchase for items with a unit cost of less than \$1,000. Depreciation is provided using the straight-line method. A five-year life is used for both purchased and donated equipment. 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.

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.

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Notes to Financial Statements

December 31, 2014 and 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Advertising--

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

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, 2014 and 2013, the permanently restricted net assets balance was \$11,662,262 and \$9,230,534, respectively.

D. ECONOMIC DEPENDENCY:

For 2014 and 2013, the funding used to acquire land was primarily provided by the State of Washington Department of Ecology (Using US Department of Interior and EPA Funding), the State of Washington Recreation and Conservation Office, The Squaxin Island Tribe (Using EPA Funding) and the Thurston County Resource Stewardship office.

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Notes to Financial Statements

December 31, 2014 and 2013

E. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2014 and 2013 were \$551,325 and \$629,449, respectively, and are comprised of the unspent balance of donor contributions that are restricted for use in stewardship or have specific time restrictions. Temporarily restricted net assets also include Steamboat Conservation Partnership Funds.

F. LEASES:

The Trust conducts its operations from leased facilities. The Trust entered into a one year agreement on May 1, 2014. The office lease expense for the years ended December 31, 2014 and 2013 was \$18,120 and \$17,640, respectively. Future obligations under currently executed non-cancelable leases are as follows:

December 31:

2015 \$ 6,100

The Trust executed a sublease arrangement on May 1, 2014 to lease a portion of its office space. The sublease expires on April 30, 2015. Payments received under this and the prior sublease for the years ended December 31, 2014 and 2013 were \$4,896 and \$4,675, respectively. Future amounts to be received under currently executed subleases are as follows:

December 31:

2015 \$ 1,648

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and money market funds are accounted for at fair value. As of December 31, 2014, the investments had a cost basis of \$642,880 and a fair value of \$705,539. As of December 31, 2013, the investments had a cost basis of \$563,654 and a fair value of \$630,213. Investment income on the statement of activities and changes in net assets is the following:

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Notes to Financial Statements

December 31, 2014 and 2013

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

	<u>2014</u>		<u>2013</u>
Unrealized Gain (Losses)	\$ (306)	\$	29,259
Realized Gain (Losses)	10,430		12,199
Management Fees	<u>(7,173)</u>		<u>(5,472)</u>
Total	\$ <u>2,951</u>	\$	<u>35,986</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, 2014.

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

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Notes to Financial Statements

December 31, 2014 and 2013

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

Certificates of Deposit: Valued at original investment plus received and accrued interest.

Money Market Funds: The investments are reported at face value plus accrued interest.

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, 2014:

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ -	\$ 573,266	\$ -	\$ 573,266
Certificates of Deposit	-	68,113	-	68,113
Money Market Funds	-	64,160	-	64,160
Total Assets at Fair Value:	<u>\$ -</u>	<u>\$ 705,539</u>	<u>\$ -</u>	<u>\$ 705,539</u>

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	\$ -	\$ 525,417	\$ -	\$ 525,417
Certificate of Deposit	-	54,045	-	54,045
Money Market Funds	-	50,751	-	50,751
Total Assets at Fair Value:	<u>\$ -</u>	<u>\$ 630,213</u>	<u>\$ -</u>	<u>\$ 630,213</u>

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Notes to Financial Statements

December 31, 2014 and 2013

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 2014 and 2013, there were bad debts of \$0. As of December 31, 2014 and 2013, management estimated that all accounts receivable were collectible. The Trust considers all receivables over 90 days as past due. No interest is charged on past due receivables. As of December 31, 2014, no receivable amounts were past due.

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:

The Trust received inkind donations of professional services, supplies, and tools during 2014 and 2013 valued at \$2,564 and \$57,834, respectively. The donations are recorded as inkind revenue and expense in the financial statements.

K. INCOME TAX & UNCERTAIN TAX POSITIONS :

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 2011. Currently, there are no examinations or pending examinations with the Internal Revenue Service (IRS).

The Trust adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2009. As of December 31, 2014, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

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Notes to Financial Statements

December 31, 2014 and 2013

L. SUBSEQUENT EVENTS:

No events have occurred through March 7, 2015, 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, 2014.

M. MAYTOWN CONSERVATION FUND:

The Trust, during 2011, entered into an agreement with the Black Hills Audubon Society (BHAS) to act as fund administrator for a mitigation fund called the Maytown Conservation Fund (Fund). The Fund was created as a result of a settlement agreement with a private company.

The Trust agreed to act as custodian of the Fund and to process invoices submitted by BHAS as qualifying expenditures are made. The Trust, per the agreement, has sole discretion to determine that expenditures submitted for payment are for activities that are consistent with the settlement agreement and an annual work plan submitted by BHAS.

The Fund is presented as a other asset and liability in the statement of financial position.

CAPITOL LAND TRUST
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Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
Department of the Interior			
Passed Through US Fish & Wildlife: Cooperative Agreement	15.630	F12AC00882	\$ 476
Passed Through WA Department of Ecology: National Coastal Wetlands Conservation Program	15.614	C1300139	<u>891,663</u>
Total: Department of the Interior:			<u>892,139</u>
Environmental Protection Agency			
Passed Through WA Department of Ecology: National Estuary Program	66.456	G1300090	251,247
Passed Through National Fish & Wildlife Foundation: National Wetlands Program	66.462	1301.13.038345	<u>13,283</u>
Total: Environmental Protection Agency:			<u>264,530</u>
Department of Commerce			
Passed Through Recreation and Conservation Office: Pacific Coast Salmon Recovery	11.438	NA14NMF4380297 NA11NMF4380267	768 <u>2,944</u>
Total: Department of Commerce:			<u>3,712</u>
Total Expenditures of Federal Awards:			<u>\$ 1,160,381</u>

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Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CAPITOL LAND TRUST
A Washington Not For Profit Organization
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

No matters were reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Capitol Land Trust
Olympia, WA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capitol Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

March 7, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Capitol Land Trust
Olympia, WA

Report on Compliance for Each Major Federal Program

We have audited Capitol Land Trust's (the Trust) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Trust's major federal programs for the year ended December 31, 2014. The Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Trust's compliance.

Opinion on Each Major Federal Program

In our opinion, the Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

March 7, 2015

CAPITOL LAND TRUST
A Washington Not For Profit Organization

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): N/A

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
15.614	National Coastal Wetlands Conservation Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: No.

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.