
CAPITOL LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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

February 29, 2016

Capitol Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,	2015	2014
Assets		
Current Assets:		
Cash	\$ 158,634	\$ 199,273
Grants Receivable	66,548	35,133
Prepaid Expenses	2,914	1,264
Total Current Assets	228,096	235,670
Property & Equipment:		
Land	11,660,675	11,557,976
Equipment	23,753	10,113
Accumulated Depreciation	(3,812)	(1,446)
Total Property & Equipment	11,680,616	11,566,643
Other Assets:		
Investments	686,557	705,539
Maytown Conservation Fund	226,263	247,721
Total Other Assets	912,820	953,260
Total Assets	\$ 12,821,532	\$ 12,755,573
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 11,365	\$ 12,824
Accrued Vacation	11,811	13,079
Payroll Expenses & Benefits Payable	17,545	17,124
Total Current Liabilities	40,721	43,027
Long Term Liabilities:		
Custodial Funds-Maytown Conservation Fund	226,263	247,721
Net Assets:		
Unrestricted	247,029	251,238
Temporarily Restricted	540,664	551,325
Permanently Restricted	11,766,855	11,662,262
Total Net Assets	12,554,548	12,464,825
Total Liabilities and Net Assets	\$ 12,821,532	\$ 12,755,573

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,	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants	\$ 594,171	\$ -	\$ 87,449	\$ 681,620
Contributions	114,656	58,714	17,144	190,514
Dues	33,857	-	-	33,857
Fundraising	144,801	5,500	-	150,301
Less Costs of Direct Benefits to Donors	(17,727)	-	-	(17,727)
Interest & Dividend Income	620	11,132	-	11,752
Inkind Donations	4,080	-	-	4,080
Rental Income	4,473	-	-	4,473
Miscellaneous Income	6,878	-	-	6,878
Released from Restrictions	52,248	(52,248)	-	-
Total Support and Revenue	938,057	23,098	104,593	1,065,748
Expenses:				
Program Services	786,838	-	-	786,838
Management and General	62,121	-	-	62,121
Fundraising	92,368	-	-	92,368
Total Expenses	941,327	-	-	941,327
Other Revenue & Expenses:				
Investment Income (Loss)	(939)	(33,759)	-	(34,698)
Total Other Revenue & Expenses	(939)	(33,759)	-	(34,698)
Increase (Decrease) in Net Assets	(4,209)	(10,661)	104,593	89,723
Net Assets, Beginning of Year	251,238	551,325	11,662,262	12,464,825
Net Assets, End of Year	\$ 247,029	\$ 540,664	\$ 11,766,855	\$ 12,554,548

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	286,560	629,449	9,230,534	10,146,543
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.

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Statement of Cash Flows

Years Ended December 31,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Donors	\$ 351,643	\$ 279,303
Cash Received From Member Dues	33,857	53,628
Cash Received From Grantors	646,255	2,717,068
Cash Received For Rents	4,473	5,496
Cash Paid to Vendors	(595,796)	(360,603)
Cash Paid To/For Employees	(349,016)	(354,428)
Net Cash Provided (Used) by Operating Activities	<u>91,416</u>	<u>2,340,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid For Land	(102,699)	(2,309,693)
Cash Paid For Equipment	(13,640)	(10,113)
Cash Received From Investments	25,000	-
Cash Paid For Investments	(40,716)	(72,374)
Net Cash Provided (Used) by Investing Activities	<u>(132,055)</u>	<u>(2,392,180)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,639)	(51,716)
BEGINNING CASH AND CASH EQUIVALENTS	<u>199,273</u>	<u>250,989</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 158,634</u>	<u>\$ 199,273</u>

RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 89,723	\$ 2,318,282
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	2,366	1,446
Net Change in Investment Values	34,698	(2,951)
(Increase) Decrease in Grants Receivable	(31,415)	12,352
(Increase) Decrease in Prepaid Expense	(1,650)	4,662
Increase (Decrease) in Accounts Payable	(1,459)	8,067
Increase (Decrease) in Accrued Vacation	(1,268)	(1,473)
Increase (Decrease) in Payroll Expenses & Benefits Payable	421	79
Net Cash Provided (Used) by Operating Activities	<u>\$ 91,416</u>	<u>\$ 2,340,464</u>

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for Interest	\$ <u>-</u>	\$ <u>-</u>
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The accompanying notes are an integral part of these financial statements.

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Statement of Functional Expenses

Year Ended December 31,	2015			
	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 203,676	\$ 42,281	\$ 45,260	\$ 291,217
Employee Benefits	22,657	4,198	5,002	31,857
Payroll Taxes	17,586	3,619	3,888	25,093
Contracted Labor	23,948	-	2,450	26,398
Rent Expense	13,568	2,545	2,795	18,908
Telephone	1,690	600	318	2,608
Insurance	8,491	743	857	10,091
Supplies	2,292	376	2,036	4,704
Printing & Postage	7,844	117	4,509	12,470
Property Taxes	4,021	-	-	4,021
Dues	4,643	565	-	5,208
Licenses & Permits	349	61	60	470
Professional Services	10,727	893	5,353	16,973
Acquisition Expense	425,915	-	-	425,915
Land Stewardship & Restoration	25,451	-	-	25,451
Conferences & Meetings	2,854	170	1,594	4,618
Travel	3,020	3,552	585	7,157
Depreciation Expense	2,206	44	116	2,366
Equipment R&M	1,752	79	282	2,113
Equipment Rental	139	-	12,365	12,504
Property R&M	2,123	-	-	2,123
Inkind Expense	1,470	-	2,610	4,080
Bank/Commission Fees	105	2,128	2,232	4,465
Miscellaneous	311	150	56	517
Total	\$ 786,838	\$ 62,121	\$ 92,368	\$ 941,327

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

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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.

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Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014

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 and donor endowed funds where earnings are used to support operations. As of December 31, 2015 and 2014, the permanently restricted net assets balance was \$11,766,855 and \$11,662,262, respectively.

D. ECONOMIC DEPENDENCY:

For 2015 and 2014, 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, 2015 and 2014

E. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2015 and 2014 were \$540,664 and \$551,325, respectively, and are comprised of the unspent balance of donor contributions that are restricted for use in stewardship or have specific time restrictions..

F. LEASES:

The Trust conducts its operations from leased facilities. The Trust entered into a one year agreement on May 1, 2015. The office lease expense for the years ended December 31, 2015 and 2014 was \$17,535 and \$18,120, respectively. Future obligations under currently executed non-cancelable leases are as follows:

December 31:

2016 \$ 4,780

The Trust executed a sublease arrangement on May 1, 2015 to lease a portion of its office space. The sublease expires on April 30, 2016 but allowed for termination with 60 days notice. Payments received under this and the prior sublease for the years ended December 31, 2015 and 2014 were \$4,473 and \$4,896, respectively. The sublease terminated in September of 2015. The lessor for The Trust office space agreed to assume control of the subleased space and reduce the rent required under the lease to \$1,195 per month from \$1,525.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and money market funds are accounted for at fair value. As of December 31, 2015, the investments had a cost basis of \$682,847 and a fair value of \$686,557. As of December 31, 2014, the investments had a cost basis of \$642,880 and a fair value of \$705,539. 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, 2015 and 2014

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

	<u>2015</u>	<u>2014</u>
Unrealized Gain (Losses)	\$ (58,449)	\$ (306)
Realized Gain (Losses)	31,613	10,430
Management Fees	<u>(7,862)</u>	<u>(7,173)</u>
Total	<u>\$ (34,698)</u>	<u>\$ 2,951</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, 2015.

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, 2015 and 2014

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, 2015:

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ -	\$ 587,880	\$ -	\$ 587,880
Certificates of Deposit	-	68,086	-	68,086
Money Market Funds	-	30,591	-	30,591
Total Assets at Fair Value:	\$ -	\$ 686,557	\$ -	\$ 686,557

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
Certificate of Deposit	-	68,113	-	68,113
Money Market Funds	-	64,160	-	64,160
Total Assets at Fair Value:	\$ -	\$ 705,539	\$ -	\$ 705,539

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Notes to Financial Statements

December 31, 2015 and 2014

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 2015 and 2014, there were bad debts of \$0. As of December 31, 2015 and 2014, 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, 2015, 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 miscellaneous items during 2015 and 2014 valued at \$4,080 and \$2,564, 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 2012. 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, 2015, 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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December 31, 2015 and 2014

L. SUBSEQUENT EVENTS:

No events have occurred through February 29, 2016, 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, 2015.

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.