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**CAPITOL LAND TRUST**  
A Washington Not For Profit Organization

**Financial Statements**

For the Years Ended December 31, 2018 and 2017

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**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  
Lacey, 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, 2018 and 2017, 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, 2018 and 2017, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Very truly yours,

A handwritten signature in cursive script that reads "Aiken & Sanders".

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

April 15, 2019

**Capitol Land Trust**  
A Washington Not For Profit Organization

**Statement of Financial Position**

<b>December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 454,498	\$ 285,573
Grants Receivable	87,452	153,992
Pledges Receivable	163	15,267
Prepaid Expenses	3,125	3,125
<b>Total Current Assets</b>	<b>545,238</b>	<b>457,957</b>
<b>Property &amp; Equipment:</b>		
Land Under Conservancy	15,379,877	14,550,290
Trade Land	660,000	-
Equipment	23,753	23,753
Accumulated Depreciation	(19,664)	(14,380)
<b>Total Property &amp; Equipment</b>	<b>16,043,966</b>	<b>14,559,663</b>
<b>Other Assets:</b>		
Investments	1,075,353	1,064,182
Maytown Conservation Fund	163,159	209,590
<b>Total Other Assets</b>	<b>1,238,512</b>	<b>1,273,772</b>
<b>Total Assets</b>	<b>\$ 17,827,716</b>	<b>\$ 16,291,392</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 17,308	\$ 37,090
Accrued Vacation	18,396	16,329
Payroll Expenses & Benefits Payable	23,267	19,753
<b>Total Current Liabilities</b>	<b>58,971</b>	<b>73,172</b>
<b>Long Term Liabilities:</b>		
Custodial Funds-Maytown Conservation Fund	163,159	209,590
<b>Total Long Term Liabilities</b>	<b>163,159</b>	<b>209,590</b>
<b>Net Assets:</b>		
Without Donor Restrictions	1,291,906	579,785
With Donor Restrictions	16,313,680	15,428,845
<b>Total Net Assets</b>	<b>17,605,586</b>	<b>16,008,630</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,827,716</b>	<b>\$ 16,291,392</b>

*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**

<b>Year Ended December 31,</b>	<b>2018</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Grants	\$ 544,384	\$ 700,325	\$ 1,244,709
Contributions	187,033	360,094	547,127
Fundraising	182,420	-	182,420
Less: Costs of Direct Benefits to Donors	(30,578)	-	(30,578)
Interest & Dividend Income	7,722	16,650	24,372
Inkind Donations	662,977	124,000	786,977
Miscellaneous Income	7,034	-	7,034
Gain on Sale of Assets	13,450	-	13,450
Released from Restrictions	267,358	(267,358)	-
<b>Total Support and Revenue</b>	<b>1,841,800</b>	<b>933,711</b>	<b>2,775,511</b>
<b>Expenses:</b>			
Program Services	904,202	-	904,202
Management and General	127,376	-	127,376
Fundraising	76,372	-	76,372
<b>Total Expenses</b>	<b>1,107,950</b>	<b>-</b>	<b>1,107,950</b>
<b>Other Revenue &amp; Expenses:</b>			
Investment Income (Loss)	(21,729)	(48,876)	(70,605)
<b>Total Other Revenue &amp; Expenses</b>	<b>(21,729)</b>	<b>(48,876)</b>	<b>(70,605)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>712,121</b>	<b>884,835</b>	<b>1,596,956</b>
Net Assets, Beginning of Year	579,785	15,428,845	16,008,630
<b>Net Assets, End of Year</b>	<b>\$ 1,291,906</b>	<b>\$ 16,313,680</b>	<b>\$ 17,605,586</b>

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**Capitol Land Trust**  
**A Washington Not For Profit Organization**

**Statement of Activities and Changes in Net Assets**

<b>Year Ended December 31,</b>	<b>2017</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue:</b>			
Grants	\$ 753,233	\$ 322,391	\$ 1,075,624
Contributions	264,146	283,955	548,101
Fundraising	140,325	11,000	151,325
Less Costs of Direct Benefits to Donors	(28,551)	-	(28,551)
Interest & Dividend Income	6,989	16,681	23,670
Inkind Donations	7,449	-	7,449
Miscellaneous Income	3,721	-	3,721
Released from Restrictions	191,878	(191,878)	-
<b>Total Support and Revenue</b>	<b>1,339,190</b>	<b>442,149</b>	<b>1,781,339</b>
<b>Expenses:</b>			
Program Services	1,043,069	-	1,043,069
Management and General	88,703	-	88,703
Fundraising	92,399	-	92,399
<b>Total Expenses</b>	<b>1,224,171</b>	<b>-</b>	<b>1,224,171</b>
<b>Other Revenue &amp; Expenses:</b>			
Investment Income (Loss)	21,893	56,651	78,544
<b>Total Other Revenue &amp; Expenses</b>	<b>21,893</b>	<b>56,651</b>	<b>78,544</b>
<b>Increase (Decrease) in Net Assets</b>	<b>136,912</b>	<b>498,800</b>	<b>635,712</b>
Net Assets, Beginning of Year	442,873	14,930,045	15,372,918
<b>Net Assets, End of Year</b>	<b>\$ 579,785</b>	<b>\$ 15,428,845</b>	<b>\$ 16,008,630</b>

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**Capitol Land Trust**  
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**Statement of Cash Flows**

<b>Years Ended December 31,</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Donors	\$ 751,685	\$ 713,362
Cash Received From Grantors	1,311,249	1,207,578
Cash Paid For Interest	-	(362)
Cash Paid to Vendors	(690,189)	(815,761)
Cash Paid To/For Employees	(454,279)	(449,587)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>918,466</u></b>	<b><u>655,230</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Paid For Land	(743,587)	(410,436)
Cash Received From Land Sales	51,451	-
Cash Received From Investments	142,146	98,913
Cash Paid For Investments	(199,551)	(185,061)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>(749,541)</u></b>	<b><u>(496,584)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash Paid On Loans	-	(146,988)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b><u>-</u></b>	<b><u>(146,988)</u></b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,925	11,658
BEGINNING CASH AND CASH EQUIVALENTS	<u>285,573</u>	<u>273,915</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 454,498</u></b>	<b><u>\$ 285,573</u></b>

**RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 1,596,956	\$ 635,712
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	5,284	5,284
Donated Land	(784,000)	-
Gain on Sale	(13,450)	-
Net Change in Investment Values	46,233	(102,214)
(Increase) Decrease in Grants Receivable	66,540	131,954
(Increase) Decrease in Pledges Receivable	15,104	10,215
(Increase) Decrease in Prepaid Expense	-	(2,980)
Increase (Decrease) in Accounts Payable	(19,782)	(24,133)
Increase (Decrease) in Accrued Vacation	2,067	3,456
Increase (Decrease) in Payroll Expenses & Benefits Payable	3,514	(2,064)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 918,466</u></b>	<b><u>\$ 655,230</u></b>

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



**Capitol Land Trust**  
**A Washington Not For Profit Organization**

**Statement of Functional Expenses**

<b>Year Ended December 31,</b>	<b>2018</b>			
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries & Wages	\$ 262,137	\$ 84,498	\$ 38,979	\$ 385,614
Employee Benefits	32,913	5,972	3,339	42,224
Payroll Taxes	21,955	6,837	3,230	32,022
Contracted Labor	10,743	1,959	1,313	14,015
Rent Expense	19,413	4,444	5,630	29,487
Telephone	4,855	1,042	789	6,686
Insurance	9,242	1,285	964	11,491
Supplies	3,077	729	1,049	4,855
Printing & Postage	8,900	649	3,182	12,731
Property Taxes	12,095	-	-	12,095
Dues	7,085	1,245	388	8,718
Licenses & Permits	10,976	163	194	11,333
Professional Services	15,393	9,021	2,719	27,133
Land Stewardship & Restoration	433,074	-	-	433,074
Travel	14,344	3,442	588	18,374
Advertising	633	219	-	852
Equipment R&M	8,304	1,590	1,041	10,935
Equipment Rental	2,045	-	8,494	10,539
Property R&M	15,847	-	-	15,847
Inkind Expense	500	-	2,477	2,977
Bank/Commission Fees	58	2,919	1,996	4,973
Depreciation	3,951	1,333	-	5,284
Miscellaneous	6,662	29	-	6,691
<b>Total</b>	<b>\$ 904,202</b>	<b>\$ 127,376</b>	<b>\$ 76,372</b>	<b>\$ 1,107,950</b>

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**Capitol Land Trust**  
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**Statement of Functional Expenses**

<b>Year Ended December 31,</b>	<b>2017</b>			
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries & Wages	\$ 269,968	\$ 59,324	\$ 45,780	\$ 375,072
Employee Benefits	33,407	6,059	4,855	44,321
Payroll Taxes	22,790	4,947	3,849	31,586
Contracted Labor	7,600	-	-	7,600
Rent Expense	15,665	3,369	3,548	22,582
Telephone	6,094	1,111	953	8,158
Insurance	9,124	774	663	10,561
Supplies	6,056	363	1,472	7,891
Printing & Postage	9,059	2,805	4,954	16,818
Property Taxes	5,886	-	-	5,886
Dues	5,749	167	1,044	6,960
Licenses & Permits	1,218	185	72	1,475
Professional Services	32,827	3,132	3,432	39,391
Acquisition Expense	139,040	-	-	139,040
Land Stewardship & Restoration	419,722	-	-	419,722
Advertising	2,623	-	212	2,835
Travel	15,033	861	1,100	16,994
Depreciation Expense	3,951	1,333	-	5,284
Equipment R&M	11,344	1,250	1,576	14,170
Equipment Rental	911	-	8,420	9,331
Property R&M	23,285	-	-	23,285
Inkind Expense	-	-	7,449	7,449
Bank/Commission Fees	86	2,907	2,834	5,827
Interest Expense	362	-	-	362
Miscellaneous	1,269	116	186	1,571
<b>Total</b>	<b>\$ 1,043,069</b>	<b>\$ 88,703</b>	<b>\$ 92,399</b>	<b>\$ 1,224,171</b>

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

**Capitol Land Trust**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2018 and 2017**

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**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

**Financial Statement Presentation--**

The Trust follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, The Trust is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by The Trust is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of The Trust.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of land are reported as donor restricted if The Trust intends to protect the land in perpetuity. Gifts of land, which the donor stipulates may be sold, are reported as without donor restriction.

**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.

**Capitol Land Trust**  
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**Notes to Financial Statements**

**December 31, 2018 and 2017**

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**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.

**Functional Allocation of Expenses--**

The Trust records its expenses by function. Program expenses represent expenses incurred to fulfill The Trust's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

**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.

**Advertising--**

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

**B. RECOGNITION OF CONTRIBUTION REVENUE:**

Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

**Capitol Land Trust**  
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**Notes to Financial Statements**

**December 31, 2018 and 2017**

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**C. NEW ACCOUNTING PRONOUNCEMENT:**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)–Presentation of Financial Statements of Not-for-Profit Entities. The Trust has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to 2017. The new standards change the following aspects of The Trust's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

<b>Net Asset Classes:</b>	<b>As Originally Presented</b>	<b>After Adoption of ASU 2016-14</b>
Unrestricted net assets	\$ 579,785	\$ -
Temporarily restricted net assets	858,464	-
Permanently restricted net assets	14,570,381	-
Without donor restrictions	-	579,785
With donor restrictions	-	15,428,845
 Total:	 \$ <u>16,008,630</u>	 \$ <u>16,008,630</u>

**D. ECONOMIC DEPENDENCY:**

For 2018 and 2017, the funding used to acquire land was primarily provided by the State of Washington Recreation and Conservation Office and the Thurston County Resource Stewardship office.

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**Notes to Financial Statements**

**December 31, 2018 and 2017**

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**E. NET ASSETS COMPOSITION:**

	<b>2018</b>	<b>2017</b>
<b>Without Donor Restrictions:</b>		
Board designated stewardship fund	\$ 249,580	\$ 235,171
Board designated quasi-endowment fund	11,228	12,012
Undesignated	1,031,098	332,602
 Total:	 \$ 1,291,906	 \$ 579,785
 <b>With Donor Restrictions:</b>		
Donor restricted stewardship fund	\$ 635,811	\$ 687,889
Endowment	18,779	20,091
Rapid fund	4,366	4,358
Conservation breakfast sponsors	4,000	8,000
Gala sponsors	-	3,000
Other restricted purpose donations	270,847	155,217
Conserved land	15,379,877	14,550,290
 Total:	 \$ 16,313,680	 \$ 15,428,845

**F. LEASES:**

The Trust conducts its operations from leased facilities. The Trust entered into a one year agreement on May 1, 2015 for space which was occupied until March of 2017. The office lease expense for the years ended December 31, 2018 and 2017 under this lease was \$0 and \$3,585, respectively.

The Trust signed a five year lease for a new office space in Lacey, Washington, in February of 2017 which commenced in March of 2017. Office lease expense under this arrangement was \$24,500 and \$14,750 for the years ended December 31, 2018 and December 31, 2017, respectively.

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**Notes to Financial Statements**

**December 31, 2018 and 2017**

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Future rental payments under this arrangement are as follows:

<b>Year Ending December 31:</b>		
2019	\$	27,160
2020		27,843
2021		28,542
2022		<u>6,624</u>
<b>Total:</b>	<b>\$</b>	<b><u>90,169</u></b>

**G. INVESTMENTS & FAIR VALUE MEASUREMENTS:**

The investments in mutual funds and money market funds are accounted for at fair value. As of December 31, 2018, the investments had a cost basis of \$992,763 and a fair value of \$1,075,353. As of December 31, 2017, the investments had a cost basis of \$935,358 and a fair value of \$1,064,182. Investment income on the statement of activities and changes in net assets is the following:

	<u>2018</u>	<u>2017</u>
Unrealized gain	\$ (69,163)	\$ 79,266
Realized gain	<u>(1,442)</u>	<u>(722)</u>
<b>Total:</b>	<b><u>\$ (70,605)</u></b>	<b><u>\$ 78,544</u></b>

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.

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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, 2018.

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

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, 2018:



**Capitol Land Trust**  
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**Notes to Financial Statements**

**December 31, 2018 and 2017**

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ -	\$ 743,009	\$ -	\$ 743,009
Certificates of deposit	-	108,942	-	108,942
Money market funds	-	223,402	-	223,402
<b>Total Assets at Fair Value:</b>	<b>\$ -</b>	<b>\$ 1,075,353</b>	<b>\$ -</b>	<b>\$ 1,075,353</b>

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2017:

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ -	\$ 787,363	\$ -	\$ 787,363
Certificates of deposit	-	93,918	-	93,918
Money market funds	-	182,901	-	182,901
<b>Total Assets at Fair Value:</b>	<b>\$ -</b>	<b>\$ 1,064,182</b>	<b>\$ -</b>	<b>\$ 1,064,182</b>

**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 2018 and 2017, there were bad debts of \$0. As of December 31, 2018 and 2017, 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, 2018, no receivable amounts were past due.

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**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 2018, The Trust received property donations with a fair market value of \$784,000. These donations were recorded as inkind revenue and capitalized as land on the statement of financial position. The Trust received inkind donations of professional services, supplies, and miscellaneous items during 2018 and 2017 valued at \$2,977 and \$7,449, 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 2015.

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, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

**L. LONG TERM DEBT:**

The Trust, to facilitate a property acquisition, signed a promissory note on April 22, 2016 for \$536,000 with the Conservation Fund. The note accrued interest at a rate of 3.0% per year and required payment of the entire principal and accrued interest balance on April 22, 2019. The note was paid in full during February of 2017.

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**M. PLEDGES RECEIVABLE:**

The Trust received, in 2018 and 2017, several unconditional promises to give. The promises have been recorded as pledge receivable and contribution revenue for 2018 and 2017. The pledge balance at December 31, 2018 and 2017 totaled \$163 and \$15,267 respectively. All outstanding pledges are expected to be collected during the 2019 year.

**N. SUBSEQUENT EVENTS:**

No events have occurred through April 15, 2019, 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, 2018.

**O. 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 an other asset and liability in the statement of financial position.

**P. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

The Trust, although it expects to receive current support to fund operations for 2019 and later years, has \$422,855 and \$393,276 of financial assets available within one year of the statement of financial position dates on December 31, 2018 and 2017, respectively, to meet cash needs for general operating expenditures of The Trust. The Trust also has \$260,808 and \$247,183, of board designated assets as of December 31, 2018 and 2017, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

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	<u>2018</u>	<u>2017</u>
Financial assets at year end	\$ 1,617,466	\$ 1,519,014
Donor restricted to purpose	(933,803)	(878,555)
Board designations	<u>(260,808)</u>	<u>(247,183)</u>
Financial assets available to meet cash needs within one year	\$ <u>422,855</u>	\$ <u>393,276</u>