

**MOUNTAINS TO SOUND
GREENWAY TRUST**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012 AND 2011



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountains to Sound Greenway Trust
Seattle, Washington

We have audited the accompanying statements of financial position of Mountains to Sound Greenway Trust (the Organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountains to Sound Greenway Trust as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones & Associates LLC, CPAs

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November 12, 2012

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MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 440,583	\$ 314,184
Certificates of deposit	460,001	761,896
Accounts receivable	434,925	261,755
Pledges receivable	183,685	189,000
Prepaid expenses	13,276	22,126
Property and equipment, net	8,054	12,911
	\$ 1,540,524	\$ 1,561,872
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 54,936	\$ 89,473
Payroll liabilities	86,308	78,599
Accrued expenses	8,521	9,445
Deferred revenue	87,685	74,569
	237,450	252,086
 NET ASSETS		
Unrestricted - undesignated	912,892	910,053
Board designated - stewardship	33,249	90,456
Temporarily restricted	356,933	309,277
	1,303,074	1,309,786
	\$ 1,540,524	\$ 1,561,872

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted		Temporarily Restricted	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUES				
Contributions	\$ 837,633	\$ -	\$ 176,696	\$ 1,014,329
Government grants	1,189,319	-	-	1,189,319
In-kind contributions	205,232	-	-	205,232
Interest income and other	10,034	-	-	10,034
	<u>2,242,218</u>	<u>-</u>	<u>176,696</u>	<u>2,418,914</u>
Net assets related from restriction				
Satisfaction of program restriction	129,040	-	(129,040)	-
Transfer of Board designated funds	57,207	(57,207)	-	-
	<u>186,247</u>	<u>(57,207)</u>	<u>(129,040)</u>	<u>-</u>
Total support and revenues	<u>2,428,465</u>	<u>(57,207)</u>	<u>47,656</u>	<u>2,418,914</u>
EXPENSES				
Program	2,011,321	-	-	2,011,321
Management and general	319,017	-	-	319,017
Fundraising	95,288	-	-	95,288
Total expenses	<u>2,425,626</u>	<u>-</u>	<u>-</u>	<u>2,425,626</u>
CHANGE IN NET ASSETS	2,839	(57,207)	47,656	(6,712)
NET ASSETS				
Beginning of the year	910,053	90,456	309,277	1,309,786
End of the year	<u>\$ 912,892</u>	<u>\$ 33,249</u>	<u>\$ 356,933</u>	<u>\$ 1,303,074</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Unrestricted			Total
	Undesignated	Board Designated	Temporarily Restricted	
SUPPORT AND REVENUES				
Contributions	\$ 689,130	\$ -	\$ 191,434	\$ 880,564
Government grants	828,946	-	-	828,946
In-kind contributions	288,792	-	-	288,792
Interest income and other	15,351	-	-	15,351
	<u>1,822,219</u>	<u>-</u>	<u>191,434</u>	<u>2,013,653</u>
Net assets related from restriction				
Satisfaction of program restriction	80,110	-	(80,110)	-
Transfer of Board designated funds	(15,364)	15,364	-	-
	<u>64,746</u>	<u>15,364</u>	<u>(80,110)</u>	<u>-</u>
Total support and revenues	<u>1,886,965</u>	<u>15,364</u>	<u>111,324</u>	<u>2,013,653</u>
EXPENSES				
Program	1,728,234	-	-	1,728,234
Management and general	167,984	-	-	167,984
Fundraising	84,867	-	-	84,867
Total expenses	<u>1,981,085</u>	<u>-</u>	<u>-</u>	<u>1,981,085</u>
CHANGE IN NET ASSETS	<u>(94,120)</u>	<u>15,364</u>	<u>111,324</u>	<u>32,568</u>
NET ASSETS				
Beginning of the year, as previously stated	1,004,173	75,092	227,522	1,306,787
Prior period adjustment	-	-	(29,569)	(29,569)
Beginning of the year, as restated	<u>1,004,173</u>	<u>75,092</u>	<u>197,953</u>	<u>1,277,218</u>
End of the year	<u>\$ 910,053</u>	<u>\$ 90,456</u>	<u>\$ 309,277</u>	<u>\$ 1,309,786</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 720,466	\$ 79,064	\$ 68,540	\$ 868,070
Outside services	857,639	5,474	-	863,113
Bad debt	-	144,000	-	144,000
Office	71,524	35,444	12,771	119,739
Field project materials	112,237	-	-	112,237
Advertising and promotion	75,983	-	-	75,983
Meals and meetings	61,411	8,020	102	69,533
Printing	29,817	10,413	7,845	48,075
Transportation	38,138	1,011	1,194	40,343
Professional fees	-	26,555	4,756	31,311
Volunteer	27,436	-	-	27,436
Insurance	9,741	5,267	-	15,008
Depreciation	4,195	3,044	-	7,239
Conferences and training	2,384	25	80	2,489
Project support	350	700	-	1,050
	<u>\$ 2,011,321</u>	<u>\$ 319,017</u>	<u>\$ 95,288</u>	<u>\$ 2,425,626</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 678,128	\$ 80,383	\$ 57,173	\$ 815,684
Outside services	604,664	4,150	1,425	610,239
Office	101,287	41,857	10,197	153,341
Field project materials	106,211	-	-	106,211
Meals and meetings	58,481	9,502	616	68,599
Printing	49,639	7,340	8,727	65,706
Transportation	46,976	1,700	1,403	50,079
Professional fees	21,269	12,730	4,852	38,851
Volunteer	34,005	-	-	34,005
Insurance	12,147	4,698	-	16,845
Depreciation	8,744	5,418	-	14,162
Conferences and training	4,683	206	474	5,363
Project support	2,000	-	-	2,000
	<u>\$ 1,728,234</u>	<u>\$ 167,984</u>	<u>\$ 84,867</u>	<u>\$ 1,981,085</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 2,048,909	\$ 1,407,334
Cash received from interest income and other	10,034	15,351
Cash paid to employees and suppliers	<u>(2,232,057)</u>	<u>(1,635,763)</u>
	<u>(173,114)</u>	<u>(213,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificates of deposit	301,895	137,939
Purchase of property and equipment	<u>(2,382)</u>	<u>(1,750)</u>
	<u>299,513</u>	<u>136,189</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	126,399	(76,889)
CASH AND CASH EQUIVALENTS		
Beginning of the year	<u>314,184</u>	<u>391,073</u>
End of the year	<u>\$ 440,583</u>	<u>\$ 314,184</u>

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The Mountains to Sound Greenway Trust (the Organization), a non-profit corporation, was organized in 1991 to conserve and enhance the landscape from Seattle across the Cascade Mountains to Central Washington, ensuring a long-term balance between people and nature.

The Organization has led a broad, public and private coalition in successfully protecting an additional 200,000 acres of this natural landscape. The Organization continues to convene diverse interests to solve contentious issues along the scenic highway and work to make this “breathing room” accessible to people by mobilizing thousands of volunteers to restore habitats and trails.

Basis of Accounting and Presentation – The financial statements have been prepared on the accrual basis of accounting and report information regarding the Organization’s financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets at June 30, 2012 and 2011 consist of funds to be used in the future. There were no permanently restricted net assets as of June 30, 2012 or 2011.

Accounting principles allow the Organization to treat as unrestricted any restricted revenue where the restrictions are met in the same year. The Organization has elected to follow that reporting method. As a result, all activities in which the restrictions have been fully met in the same year as the contribution are recorded in the unrestricted net asset class. Activities in which all restrictions have not been met by the end of the year are included in the temporarily restricted net asset class.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Certificates of Deposit – The Organization carries investments with readily determinable fair values at their fair values in the statements of financial position. Investments consist of certificates of deposit. Interest income from the certificates of deposit is included in unrestricted net assets in the accompanying statements of activities.

The certificates of deposit are held at various financial institutions and have maturity dates of approximately two years. Interest rates at June 30, 2012 range from 0.8% to 2.0%. Interest rates at June 30, 2011 range from 1.3% to 2.0%.

Receivables – Accounts receivable consist primarily of grants from government agencies. Pledges receivable from donors are recognized as revenues or gains in the period to which they are committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledge becomes unconditional. Receivables are stated at the amount management expects to collect from the outstanding balances and are due within one year. No allowance for uncollectible balances has been established by management based on the Organization’s historical experience in the collection of balances due.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment – Purchased property and equipment is stated at cost. Donated property and equipment is recognized as revenue and capitalized at its estimated fair value at the date of receipt. The Organization capitalizes assets that have a useful life greater than one year and a value greater than \$1,000. Depreciation is computed using the straight-line method.

Revenue Recognition – Grants and contributions are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. Expirations of temporarily restricted net assets (i.e. donor stipulated purpose has been fulfilled or stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

In-kind Contributions – Donations of facilities, goods and services are recorded as revenue at the estimated fair value at the date of donation if they meet the criteria for recognition. The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Subsequent Events – Subsequent events were evaluated through the independent auditors' report date, which is the date the financial statements were available to be issued.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 2 – Cash Flow Information

The following reconciles the change in net assets to net cash provided (used) by operating activities for the years ended June 30:

	2012	2011
Change in net assets	\$ (6,712)	\$ 32,568
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	7,239	14,162
Prior period adjustment	-	(29,569)
Change in:		
Accounts receivable	(173,170)	(158,176)
Pledges receivable	5,315	(189,000)
Prepaid expenses	8,850	(8,534)
Accounts payable	(34,537)	47,940
Payroll liabilities	7,709	5,578
Accrued expenses	(924)	(2,616)
Deferred revenue	13,116	74,569
	\$ (173,114)	\$ (213,078)

Note 3 – Pledges Receivable

Pledges receivable consist of the following at June 30:

	2012	2011
Receivables in less than one year	\$ 86,210	\$ 189,000
Receivables in one to five years	102,500	-
	188,710	189,000
Less discount on pledges	(5,025)	-
	\$ 183,685	\$ 189,000

The Organization uses a rate of 4.9% to calculate the present value of receivables due in more than one year.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	2012	2011
Vehicles	\$ 95,631	\$ 95,631
Computers	37,708	35,326
Field equipment	6,558	6,558
Furniture and equipment	6,133	6,133
	<u>146,030</u>	<u>143,648</u>
Less accumulated depreciation	<u>(137,976)</u>	<u>(130,737)</u>
	<u><u>\$ 8,054</u></u>	<u><u>\$ 12,911</u></u>

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are composed of the following restrictions at June 30:

	2012	2011
Stewardship	\$ 136,223	\$ 32,161
Kiosk and other	10,593	77,643
Education	76,432	10,473
Time restricted (pledges)	133,685	189,000
	<u>\$ 356,933</u>	<u>\$ 309,277</u>

Note 6 – Retirement Plan and Profit Sharing

The Organization has adopted a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees of the Organization. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. Employer contributions are discretionary. The Organization contributed \$31,323 and \$29,924 to the plan during the years ended June 30, 2012 and 2011.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 7 – Lease Obligations

The Organization has an operating lease for its office space, ending in February 2015. The Organization also leases a photocopier under a noncancelable operating equipment lease. Rent expense was \$48,225 and \$47,986 for the years ended June 30, 2012 and 2011, respectively. Future minimum rentals payments under these leases are as follows for the years ending June 30:

2013	\$	43,820
2014		46,220
2015		31,880
	<u>\$</u>	<u>121,920</u>

Note 8 – In-Kind Contributions

In-kind contributions are composed of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Goods	\$ 31,375	\$ 158,142
Services	168,342	121,755
Facilities	5,515	8,895
	<u>\$ 205,232</u>	<u>\$ 288,792</u>

Note 9 – Government Grant Contingency

Governmental sources compose a substantial portion of the Organization’s revenue. Revenue from governmental sources is subject to audits that could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no adjustments resulting from governmental audits during the years ended June 30, 2012 and 2011.

Note 10 – Prior Period Adjustments

An error resulting in an understatement of deferred revenue liability in the prior year was discovered during the current year. Accordingly, an adjustment of \$74,569 was made to decrease the beginning balance of temporarily restricted net assets. Additionally, an error resulting in the understatement of pledges receivable in the prior year was discovered during the current year. Accordingly, an adjustment of \$45,000 was made to increase the beginning balance of temporarily restricted net assets.