

**MOUNTAINS TO SOUND
GREENWAY TRUST**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013 AND 2012



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Mountains to Sound Greenway Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Mountains to Sound Greenway Trust as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jones & Associates LLC, CPAs".

Jones & Associates, LLC CPAs
October 15, 2013

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MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

| | 2013 | 2012 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 865,445 | \$ 440,583 |
| Accounts receivable | 338,354 | 434,925 |
| Prepaid expenses | 14,758 | 13,276 |
| Pledges receivable | 106,906 | 183,685 |
| Certificates of deposit | 306,347 | 460,001 |
| Property and equipment, net | 15,216 | 8,054 |
| | \$ 1,647,026 | \$ 1,540,524 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 58,684 | \$ 54,936 |
| Payroll liabilities | 92,163 | 86,308 |
| Accrued expenses | 15,469 | 8,521 |
| Deferred revenue | 51,310 | 87,685 |
| | 217,626 | 237,450 |
| NET ASSETS | | |
| Unrestricted | | |
| Unrestricted - undesignated | 951,550 | 912,892 |
| Board designated - stewardship | 2,008 | 33,249 |
| | 953,558 | 946,141 |
| Temporarily restricted | 475,842 | 356,933 |
| | 1,429,400 | 1,303,074 |
| | \$ 1,647,026 | \$ 1,540,524 |

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

| | Unrestricted | | Temporarily Restricted | Total |
|--------------------------------------|-------------------|---------------------|---------------------------|---------------------|
| | Undesignated | Board Designated | | |
| SUPPORT AND REVENUES | | | | |
| Contributions | \$ 713,511 | \$ - | \$ 538,775 | \$ 1,252,286 |
| Government grants | 996,936 | - | - | 996,936 |
| In-kind contributions | 29,802 | - | - | 29,802 |
| Interest income and other | 6,641 | - | - | 6,641 |
| | <u>1,746,890</u> | <u>-</u> | <u>538,775</u> | <u>2,285,665</u> |
| Net assets released from restriction | | | | |
| Satisfaction of program restriction | 321,087 | - | (321,087) | - |
| Satisfaction of time restriction | 98,779 | - | (98,779) | - |
| Transfer of Board designated funds | 31,241 | (31,241) | - | - |
| | <u>451,107</u> | <u>(31,241)</u> | <u>(419,866)</u> | <u>-</u> |
| Total support and revenues | <u>2,197,997</u> | <u>(31,241)</u> | <u>118,909</u> | <u>2,285,665</u> |
| EXPENSES | | | | |
| Program | 1,846,046 | - | - | 1,846,046 |
| Management and general | 183,999 | - | - | 183,999 |
| Fundraising | 129,294 | - | - | 129,294 |
| Total expenses | <u>2,159,339</u> | <u>-</u> | <u>-</u> | <u>2,159,339</u> |
| CHANGE IN NET ASSETS | 38,658 | (31,241) | 118,909 | 126,326 |
| NET ASSETS | | | | |
| Beginning of the year | <u>912,892</u> | <u>33,249</u> | <u>356,933</u> | <u>1,303,074</u> |
| End of the year | <u>\$ 951,550</u> | <u>\$ 2,008</u> | <u>\$ 475,842</u> | <u>\$ 1,429,400</u> |

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

| | Unrestricted | | | Total |
|--------------------------------------|-------------------|---------------------|---------------------------|---------------------|
| | Undesignated | Board Designated | Temporarily Restricted | |
| SUPPORT AND REVENUES | | | | |
| Contributions | \$ 643,215 | \$ - | \$ 371,114 | \$ 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>2,047,800</u> | <u>-</u> | <u>371,114</u> | <u>2,418,914</u> |
| Net assets released from restriction | | | | |
| Satisfaction of program restriction | 268,143 | - | (268,143) | - |
| Satisfaction of time restriction | 55,315 | - | (55,315) | - |
| Transfer of Board designated funds | 57,207 | (57,207) | - | - |
| | <u>380,665</u> | <u>(57,207)</u> | <u>(323,458)</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 | <u>910,053</u> | <u>90,456</u> | <u>309,277</u> | <u>1,309,786</u> |
| 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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

| | Program | Management and General | Fundraising | Total |
|----------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salary, taxes and benefits | \$ 818,255 | \$ 87,990 | \$ 98,583 | \$ 1,004,828 |
| Outside services | 657,173 | 7,752 | 220 | 665,145 |
| Field project materials | 114,564 | - | - | 114,564 |
| Office | 63,462 | 39,394 | 10,149 | 113,005 |
| Meals and meetings | 41,352 | 9,938 | 813 | 52,103 |
| Transportation | 47,888 | 877 | 1,754 | 50,519 |
| Printing | 21,333 | 9,134 | 16,180 | 46,647 |
| Professional fees | 24,000 | 9,671 | - | 33,671 |
| Advertising and promotion | 20,615 | - | - | 20,615 |
| Insurance | 14,903 | 5,644 | - | 20,547 |
| Volunteer | 11,915 | - | - | 11,915 |
| Depreciation | 6,975 | 3,699 | - | 10,674 |
| Bad debt | - | 8,850 | 1,000 | 9,850 |
| Conferences and training | 3,611 | 50 | 595 | 4,256 |
| Project support | - | 1,000 | - | 1,000 |
| | <u>\$ 1,846,046</u> | <u>\$ 183,999</u> | <u>\$ 129,294</u> | <u>\$ 2,159,339</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 |
| Field project materials | 112,237 | - | - | 112,237 |
| Office | 71,524 | 35,444 | 12,771 | 119,739 |
| Meals and meetings | 61,411 | 8,020 | 102 | 69,533 |
| Transportation | 38,138 | 1,011 | 1,194 | 40,343 |
| Printing | 29,817 | 10,413 | 7,845 | 48,075 |
| Professional fees | - | 26,555 | 4,756 | 31,311 |
| Advertising and promotion | 75,983 | - | - | 75,983 |
| Insurance | 9,741 | 5,267 | - | 15,008 |
| Volunteer | 27,436 | - | - | 27,436 |
| Depreciation | 4,195 | 3,044 | - | 7,239 |
| Bad debt | - | 144,000 | - | 144,000 |
| 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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

| | 2013 | 2012 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions and grants | \$ 2,386,197 | \$ 2,048,909 |
| Cash received from interest income and other | 6,641 | 10,034 |
| Cash paid to employees and suppliers | (2,103,794) | (2,232,057) |
| | 289,044 | (173,114) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from redemption of certificates of deposit | 153,654 | 301,895 |
| Purchase of property and equipment | (17,836) | (2,382) |
| | 135,818 | 299,513 |
| | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 424,862 | 126,399 |
| | | |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of the year | 440,583 | 314,184 |
| End of the year | \$ 865,445 | \$ 440,583 |

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Nature of Activities – The Mountains to Sound Greenway is the 1.5 million-acre landscape connecting Puget Sound and central Washington that has sustained generations through the abundance of its natural resources. Alpine peaks, wilderness lakes, and lush forests connect by road, rail and trail to rural towns and city high rises, where local residents live, work and play in communities deeply rooted to the land around them. Twenty years of conservation have protected the natural heritage of the Greenway. Today, this network of parks, forests, farms and cities is both our history and our way of life.

The Mountains to Sound Greenway Trust leads and inspires action to conserve and enhance this landscape surrounding Interstate 90, ensuring a long-term balance between people and nature. Founded in 1991, the Greenway Trust coalition works to promote public land acquisitions, connect a continuous regional trail system, teach people of all ages about the importance of conserving forests and wildlife, improve recreation access, create new parks and trails and mobilize thousands of volunteers.

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. There were no permanently restricted net assets as of June 30, 2013 and 2012.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all checking and money market accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

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, 2013 range from .75% to .80%. Interest rates at June 30, 2012 range from 0.8% to 2.0%.

Accounts Receivables – Accounts receivable consist primarily of grants from government agencies. Accounts 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, 2013 AND 2012

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

Pledges Receivable – 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. Pledges receivable that are expected to be collected in more than one year are recorded at the present value of estimated cash flows. No allowance for uncollectible balances has been established by management based on the Organization’s historical experience in the collection of balances due.

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 over the estimated useful life of the asset, generally between 3 to 5 years.

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.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Reclassifications – Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year’s format. Total net assets and changes in net assets are unchanged due to these reclassifications.

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

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:

| | 2013 | 2012 |
|--|------------|--------------|
| Change in net assets | \$ 126,326 | \$ (6,712) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 10,674 | 7,239 |
| Change in: | | |
| Accounts receivable | 96,571 | (173,170) |
| Prepaid expenses | (1,482) | 8,850 |
| Pledges receivable | 76,779 | 5,315 |
| Accounts payable | 3,748 | (34,537) |
| Payroll liabilities | 5,855 | 7,709 |
| Accrued expenses | 6,948 | (924) |
| Deferred revenue | (36,375) | 13,116 |
| | \$ 289,044 | \$ (173,114) |

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 3 – Pledges Receivable

Pledges receivable consist of the following at June 30:

| | 2013 | 2012 |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 63,931 | \$ 86,210 |
| Receivable in one to five years | 48,000 | 102,500 |
| | 111,931 | 188,710 |
| Less discount on pledges | (5,025) | (5,025) |
| | <u>\$ 106,906</u> | <u>\$ 183,685</u> |

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

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

| | 2013 | 2012 |
|-------------------------------|------------------|-----------------|
| Vehicles | \$ 109,531 | \$ 95,631 |
| Computers | 41,644 | 37,708 |
| Field equipment | 6,558 | 6,558 |
| Furniture and equipment | 6,133 | 6,133 |
| | 163,866 | 146,030 |
| Less accumulated depreciation | (148,650) | (137,976) |
| | <u>\$ 15,216</u> | <u>\$ 8,054</u> |

Note 5 – Temporarily Restricted Net Assets

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

| | 2013 | 2012 |
|-----------------|-------------------|-------------------|
| Stewardship | \$ 174,466 | \$ 136,223 |
| Time restricted | 116,906 | 133,685 |
| Other programs | 106,500 | 10,593 |
| Education | 77,970 | 76,432 |
| | <u>\$ 475,842</u> | <u>\$ 356,933</u> |

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 \$33,200 and \$31,323 to the plan during the years ended June 30, 2013 and 2012.

Note 7 – Lease Obligations

The Organization has an operating lease for its office space, ending in February 2015, and a lease for its field base office, ending in April 2015. Rent expense under these leases was \$52,945 and \$48,225 for the years ended June 30, 2013 and 2012, respectively. Future minimum rentals payments under these leases are as follows for the years ending June 30:

| | | |
|------|----|--------|
| 2014 | \$ | 50,220 |
| 2015 | | 31,880 |
| | | 82,100 |
| | \$ | 82,100 |

Note 8 – In-Kind Contributions

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

| | 2013 | 2012 |
|--|-----------|------------|
| Services - program | \$ 12,934 | \$ 144,372 |
| Services - IT and other administrative | 1,781 | 23,970 |
| Goods | 13,567 | 31,375 |
| Facilities | 1,520 | 5,515 |
| | \$ 29,802 | \$ 205,232 |

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, 2013 and 2012.