

**MOUNTAINS TO SOUND
GREENWAY TRUST**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND 2017



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, 2018 and 2017, 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 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 Mountains to Sound Greenway Trust as of June 30, 2018 and 2017, 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 PLLC, CPAs".

Jones & Associates PLLC, CPAs
January 23, 2019

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MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 829,245	\$ 443,076
Accounts receivable	415,296	666,762
Prepaid expenses	50,427	51,020
Investments	682,220	642,305
Pledges receivable, net	1,176,259	317,798
Property and equipment, net	133,350	94,813
	\$ 3,286,797	\$ 2,215,774
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 75,836	\$ 338,429
Payroll liabilities	101,632	99,451
Deferred revenue	122,513	24,074
	299,981	461,954
 NET ASSETS		
Unrestricted		
Unrestricted - undesignated	1,070,013	850,442
Board designated	65,119	81,008
	1,135,132	931,450
Temporarily restricted	1,851,684	822,370
	2,986,816	1,753,820
	\$ 3,286,797	\$ 2,215,774

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 726,579	\$ 1,576,575	\$ 2,303,154
Government grants	1,267,567	-	1,267,567
Special events, net	240,821	-	240,821
In-kind contributions	148,420	409,500	557,920
Investment return and other	94,137	-	94,137
	<u>2,477,524</u>	<u>1,986,075</u>	<u>4,463,599</u>
Net assets released from restriction			
Satisfaction of program restriction	886,051	(886,051)	-
Satisfaction of time restriction	70,710	(70,710)	-
	<u>956,761</u>	<u>(956,761)</u>	<u>-</u>
Total support and revenues	<u>3,434,285</u>	<u>1,029,314</u>	<u>4,463,599</u>
EXPENSES			
Program	2,694,851	-	2,694,851
Management and general	273,522	-	273,522
Fundraising	262,230	-	262,230
Total expenses	<u>3,230,603</u>	<u>-</u>	<u>3,230,603</u>
 CHANGE IN NET ASSETS	 203,682	 1,029,314	 1,232,996
NET ASSETS			
Beginning of the year	<u>931,450</u>	<u>822,370</u>	<u>1,753,820</u>
End of the year	<u>\$ 1,135,132</u>	<u>\$ 1,851,684</u>	<u>\$ 2,986,816</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 523,294	\$ 939,863	\$ 1,463,157
Government grants	1,684,196	-	1,684,196
Special events, net	164,164	-	164,164
In-kind contributions	56,141	7,052	63,193
Investment return and other	60,758	-	60,758
	<u>2,488,553</u>	<u>946,915</u>	<u>3,435,468</u>
Net assets released from restriction			
Satisfaction of program restriction	763,739	(763,739)	-
Satisfaction of time restriction	158,878	(158,878)	-
	<u>922,617</u>	<u>(922,617)</u>	<u>-</u>
Total support and revenues	<u>3,411,170</u>	<u>24,298</u>	<u>3,435,468</u>
EXPENSES			
Program	2,858,662	-	2,858,662
Management and general	258,548	-	258,548
Fundraising	175,740	-	175,740
Total expenses	<u>3,292,950</u>	<u>-</u>	<u>3,292,950</u>
 CHANGE IN NET ASSETS	 118,220	 24,298	 142,518
NET ASSETS			
Beginning of the year	813,230	798,072	1,611,302
End of the year	<u>\$ 931,450</u>	<u>\$ 822,370</u>	<u>\$ 1,753,820</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 1,184,183	\$ 125,696	\$ 171,824	\$ 1,481,703
Outside services	1,068,169	73,138	30,857	1,172,164
Office	87,990	51,632	19,423	159,045
Field project materials	147,141	-	-	147,141
Meals and meetings	69,279	885	5,898	76,062
Transportation	67,253	4,076	4,683	76,012
Printing	23,639	208	12,199	36,046
Depreciation	19,161	7,122	2,122	28,405
Insurance	14,796	10,000	2,980	27,776
Conferences and training	9,370	765	11,987	22,122
Bad debt	3,870	-	257	4,127
	<u>\$ 2,694,851</u>	<u>\$ 273,522</u>	<u>\$ 262,230</u>	<u>\$ 3,230,603</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 1,307,465	\$ 107,460	\$ 125,334	\$ 1,540,259
Outside services	1,058,988	92,877	2,037	1,153,902
Office	140,381	12,715	16,206	169,302
Field project materials	183,773	-	-	183,773
Meals and meetings	58,736	10,500	1,287	70,523
Transportation	44,384	1,254	992	46,630
Printing	41,885	814	9,072	51,771
Depreciation	9,560	4,557	-	14,117
Insurance	292	27,382	-	27,674
Conferences and training	4,469	200	-	4,669
Bad debt	-	-	10,700	10,700
Other fees	8,266	584	10,112	18,962
Advertising and promotion	463	205	-	668
	<u>\$ 2,858,662</u>	<u>\$ 258,548</u>	<u>\$ 175,740</u>	<u>\$ 3,292,950</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 3,302,986	\$ 3,228,798
Cash received from investment return and other	67,143	14,186
Cash paid to employees and suppliers	(2,904,097)	(3,052,288)
	466,032	190,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,921)	(7,066)
Purchase of property and equipment	(66,942)	(52,071)
	(79,863)	(59,137)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 386,169	 131,559
 CASH AND CASH EQUIVALENTS		
Beginning of the year	443,076	311,517
End of the year	\$ 829,245	\$ 443,076

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017.

The Organization’s Board of Directors has designated a portion of unrestricted net assets, composed of cash and cash equivalents for technology infrastructure upgrades.

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.

Investments – The Organization carries investments with readily determinable fair values at their fair values in the statements of financial position. Investments are held for long-term purposes. Investment return is included in the change in net assets in the statements of activities.

Fair Value Measurements – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Fair Value Measurements (Continued)

Level 3 Inputs that are not observable that reflect management’s assumptions and estimates.

Fair value measurements apply to the Organization’s exchange traded funds, which are classified within level 1 of the fair value hierarchy.

Accounts Receivable – Accounts receivable consist primarily of grants from government agencies. Accounts receivable 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.

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 four to five 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.

Program revenue from educational programs and hikes is recognized in the period in which the event occurs. Accordingly, fees received for future events are deferred until the event occurs.

Government Grants – Revenue from government grants is recognized based on billings submitted for reimbursement and is subject to audit and retroactive adjustment made by the funding agencies. 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, 2018 and 2017.

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.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements 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).

Reclassifications – Certain reclassifications were made to the June 30, 2017 financial statements to conform to the 2018 presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

Subsequent Events – Subsequent events were evaluated through January 23, 2019, 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 by operating activities for the years ended June 30:

	2018	2017
Change in net assets	\$ 1,232,996	\$ 142,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,405	14,117
Unrealized gains on investments	(26,994)	(46,572)
Change in:		
Accounts receivable	251,466	(205,984)
Pledges receivable, net	(858,461)	115,877
Prepaid expenses	593	9,042
Accounts payable and accrued expenses	(262,593)	180,764
Payroll liabilities	2,181	(26,454)
Deferred revenue	98,439	7,388
	\$ 466,032	\$ 190,696

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 3 – Investments

Investments consist of the following at June 30:

	2018	2017
Cash held for investments	\$ 11,232	\$ 6,991
Exchange traded funds	670,988	635,314
	\$ 682,220	\$ 642,305

Investment return is as follows for the years ended June 30:

	2018	2017
Interest, dividends and realized gains	\$ 19,833	\$ 14,146
Unrealized gains	26,994	46,572
	\$ 46,827	\$ 60,718

Note 4 – Pledges Receivable

Pledges receivable consist of the following at June 30:

	2018	2017
Receivable in less than one year	\$ 514,675	\$ 245,710
Receivable in one to five years	700,000	75,000
	1,214,675	320,710
Less discount on pledges	(38,416)	(2,912)
	\$ 1,176,259	\$ 317,798

The Organization used a rate of 2% to calculate the present value of receivables due in more than one year.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Vehicles	\$ 178,524	\$ 178,524
Computers	95,810	28,868
Field equipment	12,033	12,033
Furniture and equipment	19,454	19,454
	<u>305,821</u>	<u>238,879</u>
Less accumulated depreciation	(172,471)	(144,066)
	<u>\$ 133,350</u>	<u>\$ 94,813</u>

Note 6 – Temporarily Restricted Net Assets

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

	2018	2017
Middle Fork Snoqualmie Initiative	\$ 1,754,809	\$ 497,320
Policy and coalition	41,700	22,000
Time restricted	30,175	70,710
Education	25,000	21,000
Stewardship	-	211,340
	<u>\$ 1,851,684</u>	<u>\$ 822,370</u>

Note 7 – 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 \$48,639 and \$48,398 to the plan during the years ended June 30, 2018 and 2017.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 8 – Special Events

Special events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the years ended June 30:

	2018	2017
Revenue	\$ 266,475	\$ 188,578
Less: cost of direct donor benefits	(25,654)	(24,414)
	<u>\$ 240,821</u>	<u>\$ 164,164</u>

Note 9 – In-Kind Contributions

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

	2018	2017
Services - program	\$ 537,981	\$ 30,144
Goods	13,294	19,855
Services - legal and other administrative	6,645	13,194
	<u>\$ 557,920</u>	<u>\$ 63,193</u>

	2018	2017
Program	\$ 555,600	\$ 49,999
Fundraising	2,320	-
Management and general	-	13,194
	<u>\$ 557,920</u>	<u>\$ 63,193</u>

Note 10 – Operating Leases

The Organization has an operating lease for its office space, ending in July 2021, and a lease for its field base office, ending in March 2020. Rent expense under these leases was \$88,701 and \$87,032 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ending June 30:

2019	\$ 81,074
2020	80,074
2021	77,074
2022	6,423
	<u>\$ 244,645</u>

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 10 – Operating Leases (Continued)

The Organization subleases office space, expiring July 31, 2020. Future minimum lease receipts are as follows for the years ending June 30:

2019	\$	14,366
2020		15,458
2021		1,364
	\$	<u>31,188</u>

Note 11 – Concentration

For the year ended June 30, 2018, 23% of total revenues was from one grantor. At June 30, 2018, 51% of total receivables are due from one grantor. There are no similar concentrations at June 30, 2017 or for the year then ended.