

**MOUNTAINS TO SOUND
GREENWAY TRUST**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016 AND 2015



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, 2016 and 2015, 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, 2016 and 2015, 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.

Jones & Associates LLC, CPAs

Jones & Associates, LLC CPAs
December 28, 2016

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MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 311,517	\$ 825,552
Investments	588,667	308,614
Accounts receivable	460,778	165,958
Prepaid expenses	60,062	12,029
Pledges receivable	433,675	256,990
Property and equipment, net	56,859	8,964
	\$ 1,911,558	\$ 1,578,107
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 157,665	\$ 48,679
Payroll liabilities	125,905	73,128
Deferred revenue	16,686	38,040
	300,256	159,847
 NET ASSETS		
Unrestricted		
Unrestricted - undesignated	811,222	890,592
Board designated - stewardship	2,008	2,008
	813,230	892,600
Temporarily restricted	798,072	525,660
	1,611,302	1,418,260
	\$ 1,911,558	\$ 1,578,107

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 366,821	\$ 1,030,919	\$ 1,397,740
Government grants	1,319,425	-	1,319,425
Special events, net	132,848	-	132,848
In-kind contributions	7,099	22,813	29,912
Investment return and other	33,402	-	33,402
	<u>1,859,595</u>	<u>1,053,732</u>	<u>2,913,327</u>
Net assets released from restriction			
Satisfaction of program restriction	671,843	(671,843)	-
Satisfaction of time restriction	109,477	(109,477)	-
	<u>781,320</u>	<u>(781,320)</u>	<u>-</u>
Total support and revenues	<u>2,640,915</u>	<u>272,412</u>	<u>2,913,327</u>
EXPENSES			
Program	2,383,609	-	2,383,609
Management and general	161,941	-	161,941
Fundraising	174,735	-	174,735
Total expenses	<u>2,720,285</u>	<u>-</u>	<u>2,720,285</u>
CHANGE IN NET ASSETS	(79,370)	272,412	193,042
NET ASSETS			
Beginning of the year	<u>892,600</u>	<u>525,660</u>	<u>1,418,260</u>
End of the year	<u>\$ 813,230</u>	<u>\$ 798,072</u>	<u>\$ 1,611,302</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 312,583	\$ 875,978	\$ 1,188,561
Government grants	736,181	-	736,181
Special events, net	86,883	-	86,883
In-kind contributions	39,653	-	39,653
Program income	21,385	-	21,385
Investment return and other	6,227	-	6,227
	<u>1,202,912</u>	<u>875,978</u>	<u>2,078,890</u>
Net assets released from restriction			
Satisfaction of program restriction	463,082	(463,082)	-
Satisfaction of time restriction	215,166	(215,166)	-
	<u>678,248</u>	<u>(678,248)</u>	<u>-</u>
Total support and revenues	<u>1,881,160</u>	<u>197,730</u>	<u>2,078,890</u>
EXPENSES			
Program	1,657,869	-	1,657,869
Management and general	119,851	-	119,851
Fundraising	175,152	-	175,152
Total expenses	<u>1,952,872</u>	<u>-</u>	<u>1,952,872</u>
CHANGE IN NET ASSETS	(71,712)	197,730	126,018
NET ASSETS			
Beginning of the year	<u>964,312</u>	<u>327,930</u>	<u>1,292,242</u>
End of the year	<u>\$ 892,600</u>	<u>\$ 525,660</u>	<u>\$ 1,418,260</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 1,091,620	\$ 95,922	\$ 131,001	\$ 1,318,543
Outside services	761,496	-	1,570	763,066
Office	96,144	31,718	13,463	141,325
Field project materials	129,044	27	8	129,079
Professional fees	90,016	24,406	7,258	121,680
Meals and meetings	63,819	2,776	2,735	69,330
Transportation	57,912	613	1,371	59,896
Printing	37,768	1,489	7,974	47,231
Volunteer	19,936	-	37	19,973
Insurance	11,886	4,611	1,505	18,002
Other fees	6,673	67	7,625	14,365
Conferences and training	10,094	143	138	10,375
Depreciation	6,168	87	26	6,281
Advertising and promotion	1,033	82	24	1,139
	<u>\$ 2,383,609</u>	<u>\$ 161,941</u>	<u>\$ 174,735</u>	<u>\$ 2,720,285</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 881,108	\$ 78,232	\$ 129,230	\$ 1,088,570
Outside services	318,900	-	1,071	319,971
Office	78,178	21,548	16,011	115,737
Field project materials	42,169	-	-	42,169
Professional fees	158,268	10,964	4,513	173,745
Meals and meetings	51,749	2,428	1,767	55,944
Transportation	54,160	224	1,759	56,143
Printing	38,970	1,174	10,725	50,869
Volunteer	4,173	-	25	4,198
Insurance	14,017	3,985	1,640	19,642
Other fees	4,996	843	7,958	13,797
Conferences and training	3,840	65	192	4,097
Depreciation	6,824	315	130	7,269
Advertising and promotion	517	73	131	721
	<u>\$ 1,657,869</u>	<u>\$ 119,851</u>	<u>\$ 175,152</u>	<u>\$ 1,952,872</u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 2,357,154	\$ 2,007,170
Cash received from investment return and other	21,593	6,227
Cash paid to employees and suppliers	(2,570,362)	(1,941,374)
	(191,615)	72,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificates of deposit	308,614	153,662
Purchase of investments	(576,858)	(3,265)
Purchase of property and equipment	(54,176)	-
	(322,420)	150,397
NET CHANGE IN CASH AND CASH EQUIVALENTS	(514,035)	222,420
CASH AND CASH EQUIVALENTS		
Beginning of the year	825,552	603,132
End of the year	\$ 311,517	\$ 825,552

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015.

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 statement of financial position. Investment return is included in the change in net assets in the statement of activities.

The certificates of deposit held at June 30, 2015 are held at various financial institutions and have maturity dates from one to three years. Interest rates at June 30, 2015 range from .75% to .80%. The Organization held no certificates of deposit at June 30, 2016.

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, 2016 AND 2015

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 three 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, 2016 and 2015.

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, 2016 AND 2015

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 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.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. These reclassifications did not affect the total change in net assets for the current or prior year.

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, 2016 AND 2015

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:

	2016	2015
Change in net assets	\$ 193,042	\$ 126,018
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	6,281	7,269
Unrealized gains on investments	(11,809)	-
Change in:		
Accounts receivable	(294,820)	101,166
Pledges receivable	(176,685)	(142,634)
Prepaid expenses	(48,033)	1,289
Accounts payable and accrued expenses	108,986	(9,476)
Payroll liabilities	52,777	(27,237)
Deferred revenue	(21,354)	15,628
	\$ (191,615)	\$ 72,023

Note 3 – Pledges Receivable

Pledges receivable consist of the following at June 30:

	2016	2015
Receivable in less than one year	\$ 290,913	\$ 146,000
Receivable in one to five years	150,000	113,000
	440,913	259,000
Less discount on pledges	(7,238)	(2,010)
	\$ 433,675	\$ 256,990

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, 2016 AND 2015

Note 4 – Investments

Investments consist of the following at June 30:

	2016	2015
Cash held for investments	\$ 8,542	\$ -
Certificates of deposit	-	308,614
Exchange traded funds	580,125	-
	<u>\$ 588,667</u>	<u>\$ 308,614</u>

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

	2016	2015
Interest, dividends and realized gains	\$ 21,413	\$ 4,700
Unrealized gains	11,809	-
	<u>\$ 33,222</u>	<u>\$ 4,700</u>

Note 5 – Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Vehicles	\$ 144,253	\$ 109,531
Computers	41,644	41,644
Field equipment	12,033	12,033
Furniture and equipment	25,587	6,133
	<u>223,517</u>	<u>169,341</u>
Less accumulated depreciation	(166,658)	(160,377)
	<u>\$ 56,859</u>	<u>\$ 8,964</u>

Note 6 – Temporarily Restricted Net Assets

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

	2016	2015
Stewardship	\$ 335,158	\$ 190,024
Middle Fork Snoqualmie Initiative	250,000	-
Time restricted	160,914	198,190
Education	30,000	43,990
Policy and coalition	22,000	48,872
Other programs	-	44,584
	<u>\$ 798,072</u>	<u>\$ 525,660</u>

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 \$30,716 and \$39,628 to the plan during the years ended June 30, 2016 and 2015.

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:

	2016	2015
Revenue	\$ 158,053	\$ 110,118
Less: cost of direct donor benefits	(25,205)	(23,235)
	<u>\$ 132,848</u>	<u>\$ 86,883</u>

Note 9 – In-Kind Contributions

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

	2016	2015
Services - legal and other administrative	\$ 5,000	\$ 21,358
Services - program	15,338	17,800
Goods	9,574	495
	<u>\$ 29,912</u>	<u>\$ 39,653</u>

Note 10 – Lease Obligations

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 \$63,046 and \$52,225 for the years ended June 30, 2016 and 2015, respectively. Future minimum rental payments are as follows for the years ending June 30:

2017	\$ 81,074
2018	81,074
2019	81,074
2020	80,074
2021	77,074
Thereafter	6,423
	<u>\$ 406,793</u>