

**MOUNTAINS TO SOUND
GREENWAY TRUST**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 PLLC, CPAs

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February 13, 2020

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MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,667,393	\$ 829,245
Accounts receivable	568,698	415,296
Prepaid expenses	74,935	50,427
Pledges receivable, net	499,446	514,675
Total current assets	2,810,472	1,809,643
Investments	716,928	682,220
Pledges receivable, net of current	382,649	661,584
Property and equipment, net	135,573	133,350
	\$ 4,045,622	\$ 3,286,797
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 235,951	\$ 75,836
Payroll liabilities	136,040	101,632
Deferred revenue	67,027	122,513
	439,018	299,981
 NET ASSETS		
Without donor restrictions		
Undesignated	1,931,182	1,070,013
Board designated	43,459	65,119
	1,974,641	1,135,132
With donor restrictions	1,631,963	1,851,684
	3,606,604	2,986,816
	\$ 4,045,622	\$ 3,286,797

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,882,654	\$ 354,595	\$ 2,237,249
Government grants	1,302,136	-	1,302,136
Special events, net	119,675	-	119,675
In-kind contributions	30,119	-	30,119
Investment return and other	82,182	-	82,182
	<u>3,416,766</u>	<u>354,595</u>	<u>3,771,361</u>
Net assets released from restriction			
Satisfaction of program restriction	544,141	(544,141)	-
Satisfaction of time restriction	30,175	(30,175)	-
	<u>574,316</u>	<u>(574,316)</u>	<u>-</u>
Total support and revenues	<u>3,991,082</u>	<u>(219,721)</u>	<u>3,771,361</u>
EXPENSES			
Program	2,680,204	-	2,680,204
Management and general	246,592	-	246,592
Fundraising	224,777	-	224,777
Total expenses	<u>3,151,573</u>	<u>-</u>	<u>3,151,573</u>
 CHANGE IN NET ASSETS	 839,509	 (219,721)	 619,788
NET ASSETS			
Beginning of the year	<u>1,135,132</u>	<u>1,851,684</u>	<u>2,986,816</u>
End of the year	<u>\$ 1,974,641</u>	<u>\$ 1,631,963</u>	<u>\$ 3,606,604</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 853,618	\$ 1,576,575	\$ 2,430,193
Government grants	1,267,567	-	1,267,567
Special events, net	113,782	-	113,782
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	931,450	822,370	1,753,820
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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services						Support Services		
	General	Communication	Stewardship	Volunteer	Education	Total	Management and General	Fundraising	Total
Salary, taxes and benefits	\$ 394,153	\$ 92,712	\$ 685,582	\$ 26,819	\$ 100,329	\$ 1,299,595	\$ 159,871	\$ 168,811	\$1,628,277
Outside services	29,410	23,588	747,656	17,363	17,483	835,500	69,864	4,500	909,864
Office	44,836	13,500	66,057	2,091	10,428	136,912	10,659	19,968	167,539
Field project materials	637	1,221	159,527	276	2,284	163,945	-	-	163,945
Meals and meetings	57,953	3,708	8,848	629	884	72,022	829	1,626	74,477
Transportation	18,445	2,703	26,512	401	16,499	64,560	523	2,036	67,119
Printing	1,982	14,510	1,911	1,419	9,737	29,559	110	11,209	40,878
Depreciation	6,899	1,533	21,456	332	1,763	31,983	1,993	2,913	36,889
Insurance	8,945	1,988	13,755	431	2,286	27,405	2,584	3,777	33,766
Fees	338	78	7,378	362	185	8,341	101	9,771	18,213
Conferences and training	1,538	145	6,107	75	2,517	10,382	58	166	10,606
Total expenses	565,136	155,686	1,744,789	50,198	164,395	2,680,204	246,592	224,777	3,151,573
Plus expenses included with revenues on the statement of activities									
Special event direct donor benefit	-	-	-	-	-	-	-	40,204	40,204
Total functional expenses	<u>\$565,136</u>	<u>\$ 155,686</u>	<u>\$1,744,789</u>	<u>\$ 50,198</u>	<u>\$ 164,395</u>	<u>\$2,680,204</u>	<u>\$ 246,592</u>	<u>\$ 264,981</u>	<u>\$3,191,777</u>

See accompanying notes to financial statements.

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
Total expenses	<u>2,694,851</u>	<u>273,522</u>	<u>262,230</u>	<u>3,230,603</u>
Plus expenses included with revenues on the statement of activities				
Special event direct donor benefit	-	-	25,654	25,654
Total functional expenses	<u><u>\$ 2,694,851</u></u>	<u><u>\$ 273,522</u></u>	<u><u>\$ 287,884</u></u>	<u><u>\$ 3,256,257</u></u>

MOUNTAINS TO SOUND GREENWAY TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 3,744,336	\$ 3,302,986
Cash received from investment return and other	93,454	67,143
Cash paid to employees and suppliers	(2,914,550)	(2,904,097)
	923,240	466,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(45,980)	(12,921)
Purchase of property and equipment	(39,112)	(66,942)
	(85,092)	(79,863)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 838,148	 386,169
 CASH AND CASH EQUIVALENTS		
Beginning of the year	829,245	443,076
End of the year	\$ 1,667,393	\$ 829,245

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for technology infrastructure upgrades.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no perpetually restricted net assets at June 30, 2019 and 2018.

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.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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.

- 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 eight years.

Revenue Recognition – Revenue is recognized when earned. 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.

Grants and contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Conditional promises to give are not recognized until the conditions on which they depend have substantially met.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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, 2019 and 2018.

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.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office related expenses, and insurance, which are allocated on a basis of estimates of time and effort.

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, 2018 financial statements to conform to the 2019 presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Organization has adopted the ASU for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events – Subsequent events were evaluated through February 13, 2020, which is the date the financial statements were available to be issued.

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at June 30, 2019:

Financial Assets	
Cash and cash equivalents	\$ 1,667,293
Investments	716,928
Accounts and pledges receivable	1,450,793
	<u>3,835,014</u>
Less those unavailable for general expenditures within one year:	
Receivables collectible beyond one year	(382,649)
Restricted by donors for purpose	(1,621,963)
Board designated funds (require Board approval to use)	(43,459)
	<u>(2,048,071)</u>
Financial assets available within one year	<u><u>\$ 1,786,943</u></u>

The Organization's financial assets have seasonal variations during the year attributed to the timing of receipt of grants, donations and payments for services provided. The Organization has an informal operating reserve that the governing board has dedicated with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. Distress or a liquidity need could result from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 3 – Investments

Investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash held for investments	\$ 8,621	\$ 11,232
Exchange traded funds	708,307	670,988
	<u>\$ 716,928</u>	<u>\$ 682,220</u>

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 4 – Pledges Receivable

Pledges receivable consist of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 499,446	\$ 514,675
Receivable in one to five years	402,050	700,000
	<u>901,496</u>	<u>1,214,675</u>
Less discount on pledges	(19,401)	(38,416)
	<u>\$ 882,095</u>	<u>\$ 1,176,259</u>

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

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Vehicles	\$ 215,735	\$ 178,524
Computers	97,710	95,810
Field equipment	12,033	12,033
Furniture and equipment	19,454	19,454
	<u>344,932</u>	<u>305,821</u>
Less accumulated depreciation	(209,359)	(172,471)
	<u>\$ 135,573</u>	<u>\$ 133,350</u>

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at June 30:

	2019	2018
Middle Fork Snoqualmie Initiative	\$ 1,542,312	\$ 1,754,809
Education	45,000	25,000
Policy and coalition	34,651	41,700
Time restricted	10,000	30,175
	<u>\$ 1,631,963</u>	<u>\$ 1,851,684</u>

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 \$48,765 and \$48,639 to the plan during the years ended June 30, 2019 and 2018.

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:

	2019	2018
Revenue	\$ 159,879	\$ 139,436
Less: cost of direct donor benefits	(40,204)	(25,654)
	\$ 119,675	\$ 113,782

Note 9 – In-Kind Contributions

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

	2019	2018
Services - program	\$ 28,014	\$ 537,981
Goods	2,105	13,294
Services - legal and other administrative	-	6,645
	\$ 30,119	\$ 557,920

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 \$92,427 and \$88,701 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending June 30:

2020	\$ 80,074
2021	77,074
2022	6,423
	\$ 163,571

MOUNTAINS TO SOUND GREENWAY TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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:

2020	\$	15,458
2021		1,364
		<u>16,822</u>

Note 11 – Concentration

For the years ended June 30, 2019 and 2018, 21% and 23% of total revenues were from one grantor. At June 30, 2019, 43% of accounts receivable is due from one grantor. There is no similar concentration at June 30, 2018. At June 30, 2019 and 2018, 72% and 69% of pledges receivables are due from one contributor.