
GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Great Peninsula Conservancy
Bremerton, WA

Report on the Financial Statements

We have audited the accompanying financial statements of Great Peninsula Conservancy (the Organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audits 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 the Organization, as of December 31, 2019 and 2018, and changes in 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 "Aiken & Sanders".

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

April 16, 2021

Montesano, Washington

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2019 and December 31, 2018

	Assets	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 456,096	\$ 430,155
Accounts and pledges receivable	100	156,388
Prepaid expenses	<u>10,711</u>	<u>9,633</u>
Total Current Assets	<u>466,907</u>	<u>596,176</u>
 Fixed Assets:		
Equipment and improvements	31,272	31,272
Land	<u>12,081,518</u>	<u>10,936,518</u>
	12,112,790	10,967,790
Less: Accumulated depreciation	<u>(17,701)</u>	<u>(14,014)</u>
Fixed assets, net	<u>12,095,089</u>	<u>10,953,776</u>
 Other Assets:		
Investments	1,226,299	1,085,102
Cash restricted for long term purposes	<u>175,233</u>	<u>297,994</u>
Total Other Assets	<u>1,401,532</u>	<u>1,383,096</u>
 Total Assets	 <u>\$ 13,963,528</u>	 <u>\$ 12,933,048</u>

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2019 and December 31, 2018

	2019	2018
Liabilities & Net Assets		
Current Liabilities:		
Accrued expenses	\$ 16,733	\$ 17,737
Capital lease liabilities, current portion	<u>1,603</u>	<u>2,602</u>
Total Current Liabilities	<u>18,336</u>	<u>20,339</u>
 Long-Term Liabilities:		
Note Payable	427,343	-
Capital lease liabilities, net	<u>-</u>	<u>1,627</u>
Total Long-Term Liabilities	<u>427,343</u>	<u>1,627</u>
 Net Assets:		
Without donor restrictions	814,182	767,794
With donor restrictions	<u>12,703,667</u>	<u>12,143,288</u>
Total Net Assets	<u>13,517,849</u>	<u>12,911,082</u>
 Total Liabilities & Net Assets	 <u>\$ 13,963,528</u>	 <u>\$ 12,933,048</u>

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>
Support and Revenues:			
Contributions	\$ 409,302	\$ 741,913	\$ 1,151,215
Donated goods and services	-	16,320	16,320
Merchandise sales and special events	114,631	-	114,631
Interest income	6,090	21,581	27,671
Investment income (loss)	25,205	148,408	173,613
Other revenue	27	-	27
Net assets released from restriction	367,843	(367,843)	-
Total Support and Revenue	<u>923,098</u>	<u>560,379</u>	<u>1,483,477</u>
Expenses:			
Program services	677,118	-	677,118
Management and general	111,450	-	111,450
Fundraising	88,142	-	88,142
Total Expenses	<u>876,710</u>	<u>-</u>	<u>876,710</u>
Change in Net Assets	46,388	560,379	606,767
Net Assets, Beginning of Year	<u>767,794</u>	<u>12,143,288</u>	<u>12,911,082</u>
Net Assets, End of Year	<u>\$ 814,182</u>	<u>\$ 12,703,667</u>	<u>\$ 13,517,849</u>

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Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>
Support and Revenues:			
Contributions	\$ 326,894	\$ 846,103	\$ 1,172,997
Donated goods and services	-	1,891,009	1,891,009
Merchandise sales and special events	113,130	-	113,130
Interest income	7,176	18,129	25,305
Investment income (loss)	(15,021)	(98,383)	(113,404)
Other income	1,512	-	1,512
Net assets released from restriction	240,148	(240,148)	-
Total Support and Revenue	<u>673,839</u>	<u>2,416,710</u>	<u>3,090,549</u>
Expenses:			
Program services	615,676	-	615,676
Management and general	78,696	-	78,696
Fundraising	73,873	-	73,873
Total Expenses	<u>768,245</u>	<u>-</u>	<u>768,245</u>
Change in Net Assets	(94,406)	2,416,710	2,322,304
Net Assets, Beginning of Year	<u>862,200</u>	<u>9,726,578</u>	<u>10,588,778</u>
Net Assets, End of Year	<u>\$ 767,794</u>	<u>\$ 12,143,288</u>	<u>\$ 12,911,082</u>

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
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Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2019 Total</u>
Salaries and wages	\$ 320,371	\$ 67,446	\$ 42,565	\$ 430,382
Payroll taxes	29,337	3,673	2,959	35,969
Employee benefits	12,600	18,530	1,088	32,218
Bank fees	3,383	478	385	4,246
Contract labor	-	218	-	218
Depreciation	-	3,687	-	3,687
Dues, fees, and licenses	14,151	162	141	14,454
Equipment rental	2,689	389	314	3,392
Events	26,656	234	31,915	58,805
Insurance	10,272	700	564	11,536
Interest	15,561	32	25	15,618
Meetings	3,654	1,170	-	4,824
Miscellaneous	2,175	2,009	-	4,184
Office expense	15,969	3,461	1,350	20,780
Postage	3,035	540	252	3,827
Printing	9,243	87	183	9,513
Professional fees	19,150	2,788	2,246	24,184
Property costs and maintenance	142,637	68	-	142,705
Rents	27,352	4,019	3,238	34,609
Travel	5,485	614	226	6,325
Utilities	13,398	1,145	691	15,234
Total Expenses	<u>\$ 677,118</u>	<u>\$ 111,450</u>	<u>\$ 88,142</u>	<u>\$ 876,710</u>

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
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Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2018 Total</u>
Salaries and wages	\$ 301,685	\$ 56,621	\$ 31,674	\$ 389,980
Payroll taxes	28,178	3,058	2,592	33,828
Employee benefits	8,830	1,599	963	11,392
Bank fees	3,771	474	401	4,646
Depreciation	-	3,687	-	3,687
Dues, fees, and licenses	1,192	37	32	1,261
Equipment rental	2,834	356	312	3,502
Events	16,837	247	29,561	46,645
Insurance	10,239	616	522	11,377
Interest	404	51	43	498
Meetings	1,906	736	-	2,642
Miscellaneous	140	115	-	255
Office expense	14,709	2,796	1,133	18,638
Postage	3,313	25	499	3,837
Printing	7,006	165	156	7,327
Professional fees	21,941	2,765	2,344	27,050
Property costs and maintenance	135,870	1,406	-	137,276
Rents	25,939	3,269	2,772	31,980
Travel	5,968	85	371	6,424
Utilities	24,914	588	498	26,000
Total Expenses	<u>\$ 615,676</u>	<u>\$ 78,696</u>	<u>\$ 73,873</u>	<u>\$ 768,245</u>

The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows
For the Years Ended December 31, 2019 and December 31, 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 606,767	\$ 2,322,304
Adjustments:		
Depreciation expense	3,687	3,687
Inkind contributions of property	-	(1,881,500)
Unrealized (gain)/loss on investments	(149,726)	141,016
Realized (gain)/loss on investments	(41,731)	(44,618)
Changes in assets and liabilities:		
(Increase) decrease in pledges and accounts receivable	156,288	(145,799)
(Increase) decrease in prepaid expense	(1,078)	(2,203)
(Increase) decrease in cash for restricted purposes	122,761	(43,082)
Increase (decrease) in accrued expenses	14,339	2,298
Net cash provided (used) by operating activities	<u>\$ 711,307</u>	<u>\$ 352,103</u>
Cash flows from investing activities:		
Payments for purchase of property and equipment	(1,145,000)	(400,000)
Proceeds from interest and dividend income	(26,167)	(22,404)
Payment of investment expenses	17,240	16,984
Cash received from investments	59,400	29,500
Cash paid for investments	(213)	(41,040)
Net cash provided (used) by investing activities	<u>(1,094,740)</u>	<u>(416,960)</u>
Cash flows from financing activities:		
Cash received from note issuance	412,000	-
Principal payments on capital lease	(2,626)	(2,378)
Net cash provided (used) by financing activities	<u>409,374</u>	<u>(2,378)</u>
Net increase (decrease) in cash & cash equivalents	25,941	(67,235)
Cash & cash equivalents at beginning of year	<u>430,155</u>	<u>497,390</u>
Cash & cash equivalents at end of year	<u>\$ 456,096</u>	<u>\$ 430,155</u>
Supplemental Information:		
Cash paid for interest	<u>\$ 275</u>	<u>\$ 498</u>

The accompanying notes are an integral part of these financial statements

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Great Peninsula Conservancy (the Conservancy) is a not-for-profit corporation governed by a volunteer Board of Directors. The Conservancy was organized under the laws of the State of Washington with Articles of Incorporation dated January 1980 as Indianola Land Trust. Articles of Merger dated May 12, 2000 merged Hood Canal Land Trust, Indianola Land Trust, Kitsap Land Trust, and Peninsula Heritage Land Trust under the new name of Great Peninsula Conservancy.

Nature of Activities

Great Peninsula Conservancy is dedicated to preserving in perpetuity natural habitats, rural landscapes, open space and land with scenic or educational value in Kitsap County (except for Bainbridge Island), Mason County, and Pierce County west of the Tacoma Narrows. The Conservancy purchases or accepts transfers of title to property whereby the Conservancy becomes the owner and steward of the land. Preservation activities also include the development of conservation easements on selected properties where the owner continues to use the land subject to permanent restrictions agreed to with the Conservancy.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Great Peninsula Conservancy follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, the Conservancy is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Conservancy is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Conservancy.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of land are reported as donor restricted if the Conservancy intends to protect the land in perpetuity. Gifts of land, which the donor stipulates may be sold, are reported as without donor restriction.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

Functional Allocation of Expenses

The Conservancy records its expenses by function. Expenses are allocated amongst the functions based on that function's incurrence of actual expenses. Expenses that are shared between functions are allocated on a pro-rata basis.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conservancy considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use to special funds and projects as designated by their donor and are considered restricted until used for their designated purpose.

Credit Risk

The Conservancy maintains its cash in deposit accounts at financial institutions that are insured up to \$250,000 each by the Federal Deposit Insurance Corporation. The Conservancy had cash deposits in excess of insured amounts of \$162,036 and \$111,145 as of December 31, 2019 and 2018, respectively.

Investments

Investments consist of marketable debt and equity securities, which are carried at market value determined at the date of the statement of financial position.

Property and Equipment

Property and equipment are carried at cost or market value at the time of donation, except for conservation easements. Conservation easements are carried at zero value as they do not represent an economic asset and may require organizational resources for future monitoring, enforcement and defense. Depreciation is provided using the straight-line method over the estimated useful lives ranging from five to forty years.

Primary Sources of Support

The primary sources of support for Great Peninsula Conservancy are contributions, grants and memberships.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

Revenue Recognition

All contributions are considered available for the Conservancy's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as having donor restrictions and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Donated Services

Donated services are accounted for using the criteria set forth in ASC 958 Not-for-Profit Entities.

Allocated Expenses

Expenses have been allocated among program and supporting services functional classifications on the basis of estimates made by the Conservancy's management.

Advertising

Advertising costs are expensed when accrued. Advertising costs for the years ended December 31, 2019 and 2018 were \$0 and \$0, respectively.

Federal Income Tax

Great Peninsula Conservancy is exempt from federal income tax on increases in net assets derived from activities related to the Conservancy's tax-exempt purpose under Internal Revenue Code Section 501(c)(3). The Conservancy is subject to taxation on unrelated business income.

The Conservancy has adopted the recognition requirement for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Conservancy believes that income tax filing positions will be sustained upon examination and do not anticipate any adjustment that would result in a material adverse effect on the Conservancy's financial condition, results of operation or cash flows. Accordingly, no reserve or related accruals for interest and penalties for uncertain income tax positions has been recorded at December 31, 2019 and 2018.

The Conservancy is subject to routine income tax audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress. The Conservancy believes that it is no longer subject to income tax examination for years prior to 2016. The Conservancy operates exclusively within Washington State which has no state income tax.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

Subsequent Events

Management has evaluated subsequent events through April 16, 2021, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, net of restricted cash, at December 31, 2019 and 2018 are composed of the following:

	2019	2018
Checking accounts	\$ 225,696	\$ 116,706
Money market accounts	405,583	490,220
Savings accounts	-	121,173
Petty cash	50	50
	<u>631,329</u>	<u>728,149</u>
Restricted cash and cash equivalents	<u>(175,233)</u>	<u>(297,994)</u>
Cash and cash equivalents, net	<u>\$ 456,096</u>	<u>\$ 430,155</u>

NOTE 3 - PLEDGES RECEIVABLE

The pledges receivable consist of operating and capital project fund-raising campaigns. At December 31, 2019 and 2018, all pledges receivable are expected to be collected during the subsequent year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectable accounts is considered necessary at December 31, 2019 and 2018.

NOTE 4 - INVESTMENTS

Investments at December 31, 2019 and 2018 are stated at market value and are composed of the following:

	2019	2018
Investments held by community foundations	\$ <u>1,226,299</u>	\$ <u>1,085,102</u>
Investments Total:	<u>\$ 1,226,299</u>	<u>\$ 1,085,102</u>

The general and stewardship endowments are held in pooled investment accounts at the Greater Tacoma Community Foundation, a not for profit organization, from which Great Peninsula Conservancy receives an annual return of the rolling average investment. The distribution from the foundation is scheduled to be 4.3% in 2020.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

Funds that are donor restricted to stewardship, legal defense, and monitoring of all Conservancy properties and maintenance of Clear Creek Trail are held by the Kitsap Community Foundation. A grant can be requested from the foundation for the return of investment principal and income.

Investment expenses were \$17,240 and \$16,984, for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

There was depreciation expense of \$3,687 and \$3,687 for the years ending December 31, 2019 and 2018, respectively. The Conservancy had property and equipment as of December 31, 2019 and 2018 that consisted of:

	<u>2019</u>	<u>2018</u>
Conservation land	\$ 11,528,568	\$ 10,795,568
Conservation land-debt financed	412,000	-
Non-conservation land	140,950	140,950
Equipment and improvements	<u>31,272</u>	<u>31,272</u>
	12,112,790	10,967,790
Accumulated depreciation	<u>(17,701)</u>	<u>(14,014)</u>
Property and equipment, net	<u><u>\$ 12,095,089</u></u>	<u><u>\$ 10,953,776</u></u>

NOTE 6 - LEASES

Operating Leases

The Conservancy signed a new lease for office space in January of 2014 for a lease that expired on March 31, 2019, but was subsequently extended to March 31, 2024. The office space rent payments amounted to \$31,446 and \$31,620 for the years ended December 31, 2019 and 2018, respectively.

The Conservancy has a five year operating lease for computer equipment, including technical support, at a monthly cost of \$1,000 per month, beginning on January 1, 2018 and expiring on December 31, 2022. The lease payments amounted to \$14,002 and \$12,423 for the years ended December 31, 2019 and 2018, respectively.

Capital Leases

The Conservancy entered into a capital lease agreement for a copy machine in April of 2015. The agreement requires a minimum monthly payment of \$478 for a 63 month period. Total depreciation expense incurred for equipment under capital lease was \$1,714 and \$1,714 for the years ended December 31, 2019 and 2018, respectively. The copier was capitalized at the fair market value of the equipment in the amount of \$12,000 and total accumulated depreciation related to equipment

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

under capital lease for the years ended December 31, 2019 and 2018 was \$7,713 and \$5,999, respectively.

Minimum lease payments under both the operating and capital lease agreements are as follows:

	<u>2019</u>
2020	\$ 46,258
2021	42,912
2022	42,912
2023	30,912
2024	7,728
	<u>\$ 170,722</u>

NOTE 7 – NOTE PAYABLE

The Conservancy signed a secured promissory note on February 15, 2019, with The Conservation Fund in the amount of \$412,000, which was used to purchase land. This note payable has a single balloon payment of principal and interest due on February 15, 2022. The note accrues interest at 4.4% annually, for which the Conservancy has accrued \$15,343 of interest at December 31, 2019. The note is secured by a deed of trust on the purchased land.

NOTE 8 - IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES

A number of volunteers have donated significant amounts of their time to the Conservancy; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. The Conservancy did receive donated professional service that met the criteria for recognition as contributed services, therefore are reflected in the financial statements at their fair market value, as determined by the donor. The following in-kind contributions and contributed services were received in 2019 and 2018, and have been recorded in the financial records:

	<u>2019</u>	<u>2018</u>
Land	\$ -	\$ 1,881,500
Professional services	14,520	6,901
Supplies	1,800	2,608
	<u>\$ 16,320</u>	<u>\$ 1,891,009</u>

NOTE 9 - FAIR VALUE MEASUREMENT

In accordance with Accounting Standards Codification (ACS) 820, a three-tiered hierarchy of input levels is used for fair value measurements of financial assets and financial liabilities, and for value measurements of non-financial items that are recognized and disclosed at fair value in the

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

financial statements on a recurring basis. ACS 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurement are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. Great Peninsula Conservancy's level 1 assets and liabilities include equity and fixed income securities.

Level 2: Fair values are based on observable inputs that include: quoted market prices of similar assets or liabilities; quoted market prices that are not in an active market; of other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. At December 31, 2019 and 2018, Great Peninsula Conservancy has no level 2 assets or liabilities.

Level 3: Fair values are calculated by the use of pricing models and or discounted cash flow methodologies; and may require significant management judgment or estimation. Those methodologies may result in a significant portion of the fair value being derived from unobservable data. At December 31, 2019 and 2018, Great Peninsula Conservancy had no level 3 assets or liabilities.

NOTE 10 - RETIREMENT PLAN

The Conservancy has a Simple-IRA retirement plan covering all employees who meet the eligibility requirements. The Conservancy's contributions to the plan have been determined by the Board of Directors. Contributions to the plan were \$11,017 and \$11,392 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 – ENDOWMENTS AND RESERVE FUNDS

Great Peninsula Conservancy's endowments and reserve funds are invested with Kitsap Community Foundation and Greater Tacoma Community Foundation. Investments held by the foundations are held in pooled investment accounts. The foundations' investment priorities are to preserve capital and maximize return, within the bounds of safety and prudence.

Greater Tacoma Community Foundation's investment objectives are to distribute 4.3% of the 16-quarter rolling market value annually (except for the Stewardship Endowment where the market value of the fund, on the date the distribution was determined, was less than the fund's historic dollar value, then the objective is to distribute 3% of the 16-quarter rolling average market value), and to earn a total return in an amount to fund the distributions and to compensate for inflation as measured by the CPI over an average market cycle. Kitsap Community Foundation's investment objectives are to distribute 3.5% of rolling market value annually (or 3% of the rolling average market value for any fund that is below its historic dollar value). A reconciliation between endowment/reserve fund net assets and endowment/reserve fund investments accounts follows:

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2019 and 2018

2019	<u>General Endowment</u>	<u>Stewardship Endowment</u>	<u>Clear Creek Endowment</u>	<u>Stewardship Reserve</u>
Beginning of year:				
Net assets with donor restrictions	\$ -	\$ 34,962	\$ 93,523	\$ 771,763
Net assets without donor restrictions	188,194	-	-	-
Reclassification of restrictions	-	(3,340)	-	-
Endowment investment accounts	<u>188,194</u>	<u>31,622</u>	<u>93,523</u>	<u>771,763</u>
Change in investement accounts:				
Investment return	32,887	5,598	20,015	159,125
Contributions	-	-	213	-
Distributions	(8,400)	(1,000)	-	(50,000)
Investment expenses	(2,491)	(453)	(1,515)	(12,780)
Total changes in investment accounts	<u>21,996</u>	<u>4,145</u>	<u>18,712</u>	<u>96,345</u>
End of year:				
Net assets with donor restrictions	-	35,766	112,236	868,108
Net assets without donor restrictions	210,190	-	-	-
Reclassification of restrictions	-	-	-	-
Endowment investment accounts	<u>\$ 210,190</u>	<u>\$ 35,766</u>	<u>\$ 112,236</u>	<u>\$ 868,108</u>
2018	<u>General Endowment</u>	<u>Stewardship Endowment</u>	<u>Clear Creek Endowment</u>	<u>Stewardship Reserve</u>
Beginning of year:				
Net assets with donor restrictions	\$ -	\$ 34,962	\$ 102,117	\$ 820,520
Net assets without donor restrictions	207,439	-	-	-
Reclassification of restrictions	-	(497)	-	-
Endowment investment accounts	<u>207,439</u>	<u>34,465</u>	<u>102,117</u>	<u>820,520</u>
Change in investement accounts:				
Investment return	(8,227)	(1,391)	(7,174)	(57,204)
Contributions	-	-	40	41,000
Distributions	(8,500)	(1,000)	-	(20,000)
Investment expenses	(2,519)	(453)	(1,459)	(12,553)
Total changes in investment accounts	<u>(19,246)</u>	<u>(2,844)</u>	<u>(8,593)</u>	<u>(48,757)</u>
End of year:				
Net assets with donor restrictions	-	34,962	93,523	771,763
Net assets without donor restrictions	188,194	-	-	-
Reclassification of restrictions	-	(3,340)	-	-
Endowment investment accounts	<u>\$ 188,194</u>	<u>\$ 31,622</u>	<u>\$ 93,523</u>	<u>\$ 771,763</u>

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

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NOTE 12 - SALE OF PROPERTY, NET

Great Peninsula Conservancy occasionally sells unrestricted conservation land and donated property. The Conservancy recognizes the income from these sales of property net of each property's historic cost, which can be related to the property's acquisition value or fair market value, for properties received as in-kind contributions. There were no sales of property during years ended December 31, 2019 and 2018.

NOTE 13 - RESTRICTIONS ON NET ASSETS

Restrictions on net assets at December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Undesignated	\$ 603,992	\$ 579,600
Board designated endowment fund	210,190	188,194
	<u>\$ 814,182</u>	<u>\$ 767,794</u>
With donor restrictions:		
Restricted by donor for conservation	\$ 158,990	\$ 447,471
Restricted by donor for stewardship, defense, and monitoring	980,344	865,287
Restricted by donor for conservation and stewardship of land	11,564,333	10,830,530
Property and equipment, net	<u>\$ 12,703,667</u>	<u>\$ 12,143,288</u>

Donor restrictions are recorded as released from restriction when expenditures are incurred that advance the restricted purpose.

NOTE 14-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy, although it expects to receive current support to fund operations for 2020 and later years, has \$507,204 and \$468,686 of financial assets available within one year of the statement of financial position dates on December 31, 2019 and 2018, respectively, to meet cash needs for general operating expenditures. The Conservancy also has \$210,190 and \$188,194, of board designated assets as of December 31, 2019 and 2018, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

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Notes to the Financial Statements

December 31, 2019 and 2018

	<u>2019</u>		<u>2018</u>
Financial assets at year end	\$ 1,857,728	\$	1,969,639
Donor restricted to purpose	(1,140,334)		(1,312,759)
Board designations	<u>(210,190)</u>		<u>(188,194)</u>
Financial assets available to meet cash needs within one year	<u>\$ 507,204</u>	\$	<u>468,686</u>

NOTE 15-CONTINGENCIES

The Conservancy was notified, following the 2019 year end, of an employment related lawsuit filed by a former employee. The Conservancy carries liability insurance to mitigate risk of loss and intends to defend the matter if necessary. The insurance carrier has appointed counsel to represent the Conservancy. Conservancy management and counsel believe the amount of potential loss, if any, is adequately insured.