
GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.



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

June 22, 2021

Montesano, Washington

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2020 and December 31, 2019

	Assets	
	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 1,327,533	\$ 456,096
Accounts and pledges receivable	80,266	100
Prepaid expenses	3,099	10,711
Total Current Assets	1,410,898	466,907
 Fixed Assets:		
Equipment and improvements	32,324	31,272
Land	13,556,508	12,081,518
	13,588,832	12,112,790
Less: Accumulated depreciation	(21,598)	(17,701)
Fixed assets, net	13,567,234	12,095,089
 Other Assets:		
Investments	1,167,455	1,226,299
Cash restricted for long term purposes	267,353	175,233
Total Other Assets	1,434,808	1,401,532
Total Assets	\$ 16,412,940	\$ 13,963,528

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, 2020 and December 31, 2019

	2020	2019
Liabilities & Net Assets		
Current Liabilities:		
Accrued expenses	\$ 19,176	\$ 16,733
Capital lease liabilities, current portion	-	1,603
Total Current Liabilities	19,176	18,336
Long-Term Liabilities:		
Note payable	-	427,343
PPP loan payable	92,080	-
Total Long-Term Liabilities	92,080	427,343
Net Assets:		
Without donor restrictions	1,451,318	814,182
With donor restrictions	14,850,366	12,703,667
Total Net Assets	16,301,684	13,517,849
Total Liabilities & Net Assets	\$ 16,412,940	\$ 13,963,528

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
Support and Revenues:			
Contributions	\$ 1,156,632	\$ 245,238	\$ 1,401,870
Grant income	1,352,859	1,738,000	3,090,859
Donated land, goods and services	-	148,990	148,990
Merchandise sales and special events	111,017	-	111,017
Interest income	1,460	-	1,460
Investment income (loss)	10,511	122,606	133,117
Other income	45,704	-	45,704
Net assets released from restriction	108,135	(108,135)	-
Total Support and Revenue	<u>2,786,318</u>	<u>2,146,699</u>	<u>4,933,017</u>
Expenses:			
Program services	1,982,606	-	1,982,606
Management and general	104,678	-	104,678
Fundraising	61,898	-	61,898
Total Expenses	<u>2,149,182</u>	<u>-</u>	<u>2,149,182</u>
Change in Net Assets	637,136	2,146,699	2,783,835
Net Assets, Beginning of Year	<u>814,182</u>	<u>12,703,667</u>	<u>13,517,849</u>
Net Assets, End of Year	<u>\$ 1,451,318</u>	<u>\$ 14,850,366</u>	<u>\$ 16,301,684</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>

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2020 Total</u>
Salaries and wages	\$ 304,402	\$ 65,816	\$ 41,136	\$ 411,354
Payroll taxes	23,506	5,082	3,177	31,765
Employee benefits	23,406	5,061	3,163	31,630
Bank fees	2,439	527	330	3,296
Depreciation	-	3,897	-	3,897
Dues, fees, and licenses	7,220	870	-	8,090
Easement acquisition	1,365,295	-	-	1,365,295
Events	-	-	4,401	4,401
Insurance	7,978	1,725	1,078	10,781
Interest	12,509	-	-	12,509
Meetings and training	3,645	1,281	-	4,926
Miscellaneous	1,187	404	240	1,831
Office expense	10,647	3,219	1,392	15,258
Postage	2,402	519	325	3,246
Printing	7,355	1,590	994	9,939
Professional fees	13,123	8,567	1,704	23,394
Property costs and maintenance	165,662	-	-	165,662
Rents	21,880	4,731	2,957	29,568
Travel	4,026	108	200	4,334
Utilities	5,924	1,281	801	8,006
Total Expenses	<u>\$ 1,982,606</u>	<u>\$ 104,678</u>	<u>\$ 61,898</u>	<u>\$ 2,149,182</u>

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

Great Peninsula Conservancy
A Washington Not For Profit Organization

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

	Program	Management and General	Fund- Raising	2019 Total
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	\$ 677,118	\$ 111,450	\$ 88,142	\$ 876,710

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Cash Flows
For the Years Ended December 31, 2020 and December 31, 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 2,783,835	\$ 606,767
Adjustments:		
Depreciation expense	3,897	3,687
Inkind contributions of property	(148,990)	-
Unrealized (gain)/loss on investments	(148,392)	(149,726)
Realized (gain)/loss on investments	32,970	(41,731)
Changes in assets and liabilities:		
(Increase) decrease in pledges and accounts receivable	(80,166)	156,288
(Increase) decrease in prepaid expense	7,612	(1,078)
(Increase) decrease in cash for restricted purposes	(92,120)	122,761
Increase (decrease) in accrued expenses	17,786	14,339
Net cash provided (used) by operating activities	<u>\$ 2,376,432</u>	<u>\$ 711,307</u>
Cash flows from investing activities:		
Payments for purchase of property and equipment	(1,327,052)	(1,145,000)
Proceeds from interest and dividend income	(26,284)	(26,167)
Payment of investment expenses	8,589	17,240
Cash received from investments	1,007,340	59,400
Cash paid for investments	(830,722)	(213)
Net cash provided (used) by investing activities	<u>(1,168,129)</u>	<u>(1,094,740)</u>
Cash flows from financing activities:		
Cash received from note issuance	92,080	412,000
Cash paid on notes	(427,343)	-
Principal payments on capital lease	(1,603)	(2,626)
Net cash provided (used) by financing activities	<u>(336,866)</u>	<u>409,374</u>
Net increase (decrease) in cash & cash equivalents	871,437	25,941
Cash & cash equivalents at beginning of year	<u>456,096</u>	<u>430,155</u>
Cash & cash equivalents at end of year	<u>\$ 1,327,533</u>	<u>\$ 456,096</u>
Supplemental Information:		
Cash paid for interest	<u>\$ 17,347</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, 2020 and 2019

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, 2020 and 2019

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 \$385,182 and \$162,036 as of December 31, 2020 and 2019, 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, 2020 and 2019

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.

Advertising

Advertising costs are expensed when accrued. Advertising costs for the years ended December 31, 2020 and 2019 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, 2020 and 2019.

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 2017. The Conservancy operates exclusively within Washington State which has no state income tax.

Subsequent Events

Management has evaluated subsequent events through June 22, 2021, the date the financial statements were available to be issued.

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required the Conservancy to make adjustments to operating practice and delivery of services. The Conservancy has continued its work. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, net of restricted cash, at December 31, 2020 and 2019 are composed of the following:

	<u>2020</u>	<u>2019</u>
Checking accounts	\$ 885,182	\$ 225,696
Money market accounts	709,654	405,583
Petty cash	50	50
	<u>1,594,886</u>	<u>631,329</u>
Restricted cash and cash equivalents	<u>(267,353)</u>	<u>(175,233)</u>
Cash and cash equivalents, net	<u>\$ 1,327,533</u>	<u>\$ 456,096</u>

NOTE 3 - PLEDGES RECEIVABLE

The pledges receivable consist of operating and capital project fund-raising campaigns. At December 31, 2020 and 2019, 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, 2020 and 2019.

NOTE 4 - INVESTMENTS

Investments at December 31, 2020 and 2019 are stated at market value and are composed of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 779,259	\$ -
Investments held by community foundations	<u>388,196</u>	<u>1,226,299</u>
Investments Total:	<u>\$ 1,167,455</u>	<u>\$ 1,226,299</u>

Funds that are donor restricted to stewardship, legal defense, and monitoring of all Conservancy properties are invested in mutual and money market funds with Vanguard Investments.

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

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 2021.

Funds for maintenance of the 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 \$8,589 and \$17,240, for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

There was depreciation expense of \$3,897 and \$3,687 for the years ending December 31, 2020 and 2019, respectively. The Conservancy had property and equipment as of December 31, 2020 and 2019 that consisted of:

	<u>2020</u>	<u>2019</u>
Conservation land	\$ 13,415,558	\$ 11,528,568
Conservation land-debt financed	-	412,000
Non-conservation land	140,950	140,950
Equipment and improvements	<u>32,324</u>	<u>31,272</u>
	13,588,832	12,112,790
Accumulated depreciation	<u>(21,598)</u>	<u>(17,701)</u>
Property and equipment, net	<u>\$ 13,567,234</u>	<u>\$ 12,095,089</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 \$29,117 and \$31,446 for the years ended December 31, 2020 and 2019, 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 \$13,333 and \$14,002 for the years ended December 31, 2020 and 2019, respectively.

Capital Leases

The Conservancy entered into a capital lease agreement for a copy machine in April of 2015. The agreement required a minimum monthly payment of \$478 for a 63 month period. Total

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

depreciation expense incurred for equipment under capital lease was \$1,714 and \$1,714 for the years ended December 31, 2020 and 2019, 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 under capital lease for the years ended December 31, 2020 and 2019 was \$9,427 and \$7,713, respectively. The lease was paid in full during 2020.

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

	<u>2020</u>
2021	\$ 42,912
2022	42,912
2023	30,912
2024	7,728
	<u>\$ 124,464</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 had a single balloon payment of principal and interest due on February 15, 2022. The note was secured by a deed of trust on the purchased land. The note was paid in full during 2020.

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 2020 and 2019, and have been recorded in the financial records:

	<u>2020</u>	<u>2019</u>
Land	\$ 148,990	\$ -
Professional services	-	14,520
Supplies	-	1,800
	<u>\$ 148,990</u>	<u>\$ 16,320</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, 2020 and 2019

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; or 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, 2020 and 2019, 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, 2020 and 2019, 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 \$8,994 and \$11,017 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019

2020	<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	\$ -	\$ 35,766	\$ 112,326	\$ 868,108
Net assets without donor restrictions	210,190	-	-	-
Reclassification of restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment investment accounts	<u>210,190</u>	<u>35,766</u>	<u>112,326</u>	<u>868,108</u>
Change in investment accounts:				
Investment return	25,450	4,401	13,011	94,816
Contributions	-	-	1,100	25,000
Distributions	(8,300)	(1,000)	-	(50,000)
Investment expenses	<u>(2,491)</u>	<u>(460)</u>	<u>(1,797)</u>	<u>(930)</u>
Total changes in investment accounts	<u>14,659</u>	<u>2,941</u>	<u>12,314</u>	<u>68,886</u>
End of year:				
Net assets with donor restrictions	-	38,707	124,640	936,994
Net assets without donor restrictions	224,849	-	-	-
Reclassification of restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment investment accounts	<u>\$ 224,849</u>	<u>\$ 38,707</u>	<u>\$ 124,640</u>	<u>\$ 936,994</u>

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

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>

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, 2020 and 2019.

NOTE 13 - RESTRICTIONS ON NET ASSETS

Restrictions on net assets at December 31, 2020 and 2019, consist of the following:

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

	2020	2019
Without donor restrictions:		
Undesignated	\$ 1,226,469	\$ 603,992
Board designated endowment fund	224,849	210,190
	\$ 1,451,318	\$ 814,182
With donor restrictions:		
Restricted by donor for conservation	\$ 373,174	\$ 158,990
Restricted by donor for stewardship, defense, and monitoring	1,061,634	980,344
Restricted by donor for conservation and stewardship of land	13,415,558	11,564,333
	\$ 14,850,366	\$ 12,703,667

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 2021 and later years, has \$1,182,950 and \$507,204 of financial assets available within one year of the statement of financial position dates on December 31, 2020 and 2019, respectively, to meet cash needs for general operating expenditures. The Conservancy also has \$224,849 and \$210,190, of board designated assets as of December 31, 2020 and 2019, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

	2020	2019
Financial assets at year end	\$ 2,842,607	\$ 1,857,728
Donor restricted to purpose	(1,434,808)	(1,140,334)
Board designations	(224,849)	(210,190)
Financial assets available to meet cash needs within one year	\$ 1,182,950	\$ 507,204

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.

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 16-PAYCHECK PROTECTION LOAN

On April 27, 2020, the Conservancy received a loan of \$92,080 from Kitsap Bank. The loan was part of the Paycheck Protection Program, which is a United States Government program intended to mitigate the economic impact of the Covid-19 Pandemic. The loan was guaranteed by the United States Small Business Administration and carried a stated interest rate of 1%. The loan term was two years from inception, with interest payments starting on the 7th month following origination. However, the loan was eligible for forgiveness if the loan proceeds were used to subsidize payroll and certain occupancy costs of the Conservancy. The Conservancy used the loan proceeds for eligible expenses during 2020. The loan is recorded as payable pending forgiveness. The loan was formally forgiven in 2021.

Great Peninsula Conservancy
A Washington Not For Profit Organization
Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>			
			<u>Pass-Through Awards</u>	<u>Direct Awards</u>	<u>Total Federal Expenditures</u>	<u>Amounts Paid To Sub-Recipients</u>
United States Department of The Interior						
Passed Through Washington State Department of Ecology: Coastal Wetlands Planning, Protection, and Restoration	15.614	SEANCWCP-2020-GPC-00033	980,000	-	980,000	-
Total United States Department of the Interior			<u>980,000</u>	<u>-</u>	<u>980,000</u>	<u>-</u>
United States Department of Commerce						
Passed Through State of Washington Recreation and Conservation Office: Pacific Coast Salmon Recovery	11.438	20-1007	266,339	-	266,339	-
Pacific Coast Salmon Recovery	11.438	19-1293	446,332	-	446,332	-
			<u>712,671</u>	<u>-</u>	<u>712,671</u>	<u>-</u>
Total United States Department of Commerce			<u>712,671</u>	<u>-</u>	<u>712,671</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,692,671</u>	<u>\$ -</u>	<u>\$ 1,692,671</u>	<u>\$ -</u>

**Great Peninsula Conservancy
A Washington Not For Profit Organization
Notes to the Schedule of Expenditures of Federal Awards**

Year Ended December 31, 2020

Note 1 – Purpose of Schedule

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to the Great Peninsula Conservancy's (the Conservancy's) financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Conservancy, it does not present the financial position, changes in financial position, or the revenues and expenditures of the Conservancy.

Note 2 – Reporting Entity

The reporting entity is described in Note 1 to the Conservancy's financial statements. The Schedule includes all federal programs administered by the Conservancy for the year ended December 31, 2020.

Note 3 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Conservancy's financial statements. The Conservancy uses the accrual basis of accounting for financial reporting purposes.

Note 4 – De-Minimis Cost Rate

The Conservancy did not use the 10% de-minimis cost rate.

Note 5 – Basis of Presentation

The information in the Schedule is presented in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance).

Note 6 – CFDA Numbers

Every attempt has been made to determine the correct Catalog of Federal Domestic Assistance (CFDA) numbers for the federal award programs reported in this schedule. When the federal agency making the award has not provided the CFDA number and when the appropriate number has not been determined, the number presented in the CFDA number column represents the two-digit federal agency number as the prefix of the CFDA number and the suffix has been listed as three dashes.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Great Peninsula Conservancy
Bremerton, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Great Peninsula Conservancy (the Conservancy), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conservancy's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aiken & Sanders

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

June 22, 2021

Montesano, WA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Great Peninsula Conservancy
Bremerton, Washington

Report on Compliance for Each Major Federal Program

We have audited the Great Peninsula Conservancy's (the Conservancy's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Conservancy's major federal programs for the year ended December 31, 2020. The Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Conservancy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance and other matters, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

June 22, 2021

Montesano, WA

GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization
Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: Yes

Significant Deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: Yes

Significant Deficiencies identified not considered to be material weaknesses: None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): Yes

Identification of major programs:

15.614 Coastal Wetlands Planning, Protection, and Restoration

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: No

Section II – Financial Statement Findings:

MATERIAL WEAKNESS

2020-001 REVENUE RECOGNITION

Criteria: Generally accepted accounting principles require recording revenue when earned and contributions when received or when an unconditional promise to give has been made.

GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization
Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Condition: While conducting the audit, we noted that the Conservancy recorded \$3,024,990 in grant and contribution revenue received in 2020 to net assets, omitting from revenue accounts. The grant and contribution revenue involved in these transactions were received to fund property acquisitions and were sent by the provider of resources directly to the title company during property closings.

Effect: Grant revenue and contribution revenue were understated, and net assets were overstated for the year ended December 31, 2020.

Cause: Conservancy accounting personnel did not understand the proper accounting and reporting of revenue when the resources are provided to a third party, on the Conservancy's behalf, during property acquisitions.

Recommendation: We recommend that the Conservancy provide training for personnel and implement a process for management and finance personnel to conduct regular reviews of all activities, relating activities, where relevant, to recognition and recording in the financial records.

Section III – Federal Award Findings and Questioned Costs:

2020-002 REVENUE RECOGNITION-MATERIAL WEAKNESS

CFDA Number and Title: 15.614 Coastal Wetlands Planning, Protection, and Restoration
Federal Grantor Name: United States Department of the Interior
Pass Through Entity: Washington State Department of Ecology

See finding 2020-001. The Conservancy recorded grant and contribution income received in 2020 directly to net assets, omitting from revenue accounts. This resulted in material misstatement of revenue and of federal award activity in the financial records.

Questioned Costs for Finding 2020-002: No questioned costs were noted for this finding.

2020-003 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CFDA Number and Title: 15.614 Coastal Wetlands Planning, Protection, and Restoration
Federal Grantor Name: United States Department of the Interior
Pass Through Entity: Washington State Department of Ecology

Criteria: The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance), requires auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

Condition: The Conservancy did not prepare, prior to the commencement of the annual audit, a Schedule of Expenditures of Federal Awards (SEFA) for the year ending December 31, 2020.

Effect: The Conservancy did not realize a single audit was necessary and introduced the risk of noncompliance with Uniform Guidance.

GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization
Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Cause: The Conservancy does not have a process in place to analyze federal source awards and management and accounting personnel did not have adequate training and prior experience to recognize the need to prepare a SEFA and to arrange for the conduct of a single audit when federal expenditures reach the threshold requiring one.

Recommendation: We recommend that the Conservancy provide specific training to accounting personnel in the preparation and reporting requirements for the SEFA. The Conservancy should also implement a process to identify all federal sources of funds, when awarded, and track, report, and include these awards in the year-end SEFA.

Questioned Costs for Finding 2020-003: No questioned costs were noted for this finding.

Management’s Response to 2020 Audited Financial Statements Findings and Corrective Action Plan:

Great Peninsula Conservancy (GPC) agrees with the findings reported and has made corrective actions to rectify the findings.

2020-001 Revenue Recognition

GPC is in the process of developing and implementing an updated procedure to record property transactions that will ensure uniformity in recording and property accounting. This will include:

- Regular meetings between finance and program staff to review financial reports; they will specifically review each property acquisition and identify specific acquisitions that need to be recognized and recorded and ensure proper revenue recognition.
- On-going training for program and finance staff relating to revenue recognition will be evaluated and implemented.

2020-002 Revenue Recognition

Please see response for **2020-001 Revenue Recognition**. The corrective actions outlined in that section will ensure that GPC’s finance department will perform regular review of all property acquisitions and ensure proper posting to revenue accounts for all grants and contributions received as part of these transactions.

2020-003 Preparation of the Schedule of Expenditures of Federal Awards

The Executive Director and Finance and Operations Manager understand the function and necessity of preparing a complete and accurate SEFA. Training specific to the preparation and reporting requirements have been added to the training plan.

A process has been developed for the Finance and Operations Manager to identify and report information on all new grants, including the source of funding, and to review the information on existing grants when they come up for renewal. This report will be updated by the finance and operations manager monthly to ensure the process is followed and reviewed by the Executive Director quarterly for accountability.

Responsible Persons:

Nathan Daniel, Executive Director
Dylan Tenney, Finance and Operations Manager