
GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Great Peninsula Conservancy
Bremerton, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Great Peninsula Conservancy (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Aiken & Sanders, Inc., PS

A handwritten signature in cursive script that reads "Aiken & Sanders".

Certified Public Accountants
& Consultants

June 15, 2022

Montesano, WA

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2021 and December 31, 2020

	Assets	
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 1,663,002	\$ 1,327,533
Accounts and pledges receivable	35,557	80,266
Prepaid expenses	3,391	3,099
Total Current Assets	1,701,950	1,410,898
 Fixed Assets:		
Equipment and improvements	74,289	32,324
Land	14,886,508	13,556,508
	14,960,797	13,588,832
Less: Accumulated depreciation	(29,409)	(21,598)
Fixed assets, net	14,931,388	13,567,234
 Other Assets:		
Investments	2,334,720	1,167,455
Cash restricted for long term purposes	1,334,303	267,353
Total Other Assets	3,669,023	1,434,808
 Total Assets	 \$ 20,302,361	 \$ 16,412,940

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, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
Liabilities & Net Assets		
Current Liabilities:		
Accrued expenses	\$ 40,544	\$ 19,176
Total Current Liabilities	<u>40,544</u>	<u>19,176</u>
Long-Term Liabilities:		
PPP loan payable	<u>-</u>	<u>92,080</u>
Total Long-Term Liabilities	<u>-</u>	<u>92,080</u>
Net Assets:		
Without donor restrictions	1,847,236	1,451,318
With donor restrictions	<u>18,414,581</u>	<u>14,850,366</u>
Total Net Assets	<u>20,261,817</u>	<u>16,301,684</u>
Total Liabilities & Net Assets	<u>\$ 20,302,361</u>	<u>\$ 16,412,940</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Support and Revenues:			
Contributions	\$ 784,636	\$ 2,325,132	\$ 3,109,768
Grant income	320,447	1,049,963	1,370,410
Donated goods and services	663	-	663
Merchandise sales and special events	76,136	-	76,136
Interest income	1,240	-	1,240
Investment income (loss)	96,023	262,115	358,138
Other revenue	8,829	-	8,829
Net assets released from restriction	<u>72,995</u>	<u>(72,995)</u>	<u>-</u>
Total Support and Revenue	<u>1,360,969</u>	<u>3,564,215</u>	<u>4,925,184</u>
Expenses:			
Program services	765,085	-	765,085
Management and general	121,499	-	121,499
Fundraising	<u>78,467</u>	<u>-</u>	<u>78,467</u>
Total Expenses	<u>965,051</u>	<u>-</u>	<u>965,051</u>
Change in Net Assets	395,918	3,564,215	3,960,133
Net Assets, Beginning of Year	<u>1,451,318</u>	<u>14,850,366</u>	<u>16,301,684</u>
Net Assets, End of Year	<u>\$ 1,847,236</u>	<u>\$ 18,414,581</u>	<u>\$ 20,261,817</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, 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 Functional Expenses
For the Year Ended December 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2021 Total</u>
Salaries and wages	\$ 320,283	\$ 69,250	\$ 43,282	\$ 432,815
Payroll taxes	29,299	6,335	3,959	39,593
Employee benefits	20,411	4,413	2,759	27,583
Bank fees	9,454	2,044	1,277	12,775
Depreciation	3,913	3,898	-	7,811
Dues, fees, and licenses	7,044	783	-	7,827
Easement acquisition	315	-	-	315
Events	20	-	13,920	13,940
Insurance	11,022	2,383	1,490	14,895
Meetings	4,626	6,524	-	11,150
Miscellaneous	9,211	7,525	1,327	18,063
Office expense	19,270	4,652	2,508	26,430
Postage	3,342	723	451	4,516
Printing	9,381	2,028	1,268	12,677
Professional fees	11,644	2,608	1,573	15,825
Property costs and maintenance	269,234	-	-	269,234
Rents	26,775	5,789	3,619	36,183
Travel	4,464	1,088	312	5,864
Utilities	5,377	1,456	722	7,555
Total Expenses	<u>\$ 765,085</u>	<u>\$ 121,499</u>	<u>\$ 78,467</u>	<u>\$ 965,051</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, 2020

	Program	Management and General	Fund- Raising	2020 Total
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	\$ 1,982,606	\$ 104,678	\$ 61,898	\$ 2,149,182

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

Great Peninsula Conservancy
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Statement of Cash Flows
For the Years Ended December 31, 2021 and December 31, 2020

	2021	2020
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 3,960,133	\$ 2,783,835
Adjustments:		
Depreciation expense	7,811	3,897
Inkind contributions of property	-	(148,990)
Debt forgiveness	(184,160)	-
Unrealized (gain)/loss on investments	(335,971)	(148,392)
Realized (gain)/loss on investments	(5,230)	32,970
Changes in assets and liabilities:		
(Increase) decrease in pledges and accounts receivable	44,709	(80,166)
(Increase) decrease in prepaid expense	(292)	7,612
(Increase) decrease in cash for restricted purposes	(1,066,950)	(92,120)
Increase (decrease) in accrued expenses	21,368	17,786
Net cash provided (used) by operating activities	\$ 2,441,418	\$ 2,376,432
Cash flows from investing activities:		
Payments for purchase of property and equipment	(1,371,965)	(1,327,052)
Proceeds from interest and dividend income	(22,051)	(26,284)
Payment of investment expenses	5,114	8,589
Cash received from investments	22,167	1,007,340
Cash paid for investments	(831,294)	(830,722)
Net cash provided (used) by investing activities	(2,198,029)	(1,168,129)
Cash flows from financing activities:		
Cash received from note issuance	92,080	92,080
Cash paid on notes	-	(427,343)
Principal payments on capital lease	-	(1,603)
Net cash provided (used) by financing activities	92,080	(336,866)
Net increase (decrease) in cash & cash equivalents	335,469	871,437
Cash & cash equivalents at beginning of year	1,327,533	456,096
Cash & cash equivalents at end of year	\$ 1,663,002	\$ 1,327,533
Supplemental Information:		
Cash paid for interest	\$ -	\$ 17,347

The accompanying notes are an integral part of these financial statements

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020

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, based on benefits provided to each functional area.

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 \$1,880,532 and \$385,182 as of December 31, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020.

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 2018. The Conservancy operates exclusively within Washington State which has no state income tax.

Subsequent Events

Management has evaluated subsequent events through June 15, 2022, the date the financial statements were available to be issued.

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020 are composed of the following:

	<u>2021</u>	<u>2020</u>
Checking accounts	\$ 2,237,644	\$ 885,182
Money market accounts	759,611	709,654
Petty cash	50	50
	<u>2,997,305</u>	<u>1,594,886</u>
Restricted cash and cash equivalents	<u>(1,334,303)</u>	<u>(267,353)</u>
Cash and cash equivalents, net	<u>\$ 1,663,002</u>	<u>\$ 1,327,533</u>

NOTE 3 - PLEDGES RECEIVABLE

The pledges receivable consist of operating and capital project fund-raising campaigns. At December 31, 2021 and 2020, 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, 2021 and 2020.

NOTE 4 - INVESTMENTS

Investments at December 31, 2021 and 2020 are stated at market value and are composed of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 1,903,140	\$ 779,259
Investments held by community foundations	<u>431,580</u>	<u>388,196</u>
Investments Total:	<u>\$ 2,334,720</u>	<u>\$ 1,167,455</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.

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

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2021 and 2020

Conservancy receives an annual return of the rolling average investment. The distribution from the foundation is scheduled to be 4.3% in 2022.

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 \$5,114 and \$8,589, for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

There was depreciation expense of \$7,811 and \$3,897 for the years ending December 31, 2021 and 2020, respectively. The Conservancy had property and equipment as of December 31, 2021 and 2020 that consisted of:

	<u>2021</u>	<u>2020</u>
Conservation land	\$ 14,745,558	\$ 13,415,558
Non-conservation land	140,950	140,950
Equipment and improvements	<u>74,289</u>	<u>32,324</u>
	14,960,797	13,588,832
Accumulated depreciation	<u>(29,409)</u>	<u>(21,598)</u>
Property and equipment, net	<u>\$ 14,931,388</u>	<u>\$ 13,567,234</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 \$36,183 and \$29,117 for the years ended December 31, 2021 and 2020, 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 \$12,450 and \$13,333 for the years ended December 31, 2021 and 2020, respectively.

Minimum lease payments under operating agreements are as follows:

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2021 and 2020

		<u>2021</u>
2022	\$	42,912
2023		30,912
2024		7,728
	\$	<u>81,552</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 2021 and 2020, and have been recorded in the financial records:

		<u>2021</u>		<u>2020</u>
Land	\$	-	\$	148,990
Professional services		663		-
	\$	<u>663</u>	\$	<u>148,990</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 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.

Great Peninsula Conservancy
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 \$7,574 and \$8,994 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020

2021	<u>General Endowment</u>	<u>Stewardship Endowment</u>	<u>Clear Creek Endowment</u>	<u>Stewardship Reserve</u>	<u>Operating Reserve</u>
Beginning of year:					
Net assets with donor restrictions	\$ -	\$ 38,707	\$ 124,640	\$ 936,994	\$ -
Net assets without donor restrictions	224,849	-	-	-	-
Reclassification of restrictions	-	-	-	-	-
Endowment investment accounts	<u>224,849</u>	<u>38,707</u>	<u>124,640</u>	<u>936,994</u>	<u>-</u>
Change in investment accounts:					
Investment return	37,397	6,752	14,472	243,436	61,196
Contributions	-	-	103	137,158	703,541
Distributions	(10,400)	-	-	-	-
Investment expenses	(2,292)	(394)	(2,253)	-	-
Total changes in investment accounts	<u>24,705</u>	<u>6,358</u>	<u>12,321</u>	<u>380,594</u>	<u>764,737</u>
End of year:					
Net assets with donor restrictions	-	45,065	136,961	1,317,588	-
Net assets without donor restrictions	249,554	-	-	-	764,737
Reclassification of restrictions	-	-	-	-	-
Endowment investment accounts	<u>\$ 249,554</u>	<u>\$ 45,065</u>	<u>\$ 136,961</u>	<u>\$ 1,317,588</u>	<u>\$ 764,737</u>

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	-	-	-	-
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	(2,491)	(460)	(1,797)	(930)
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	-	-	-	-
Endowment investment accounts	<u>\$ 224,849</u>	<u>\$ 38,707</u>	<u>\$ 124,640</u>	<u>\$ 936,994</u>

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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, 2021 and 2020.

NOTE 13 - RESTRICTIONS ON NET ASSETS

Restrictions on net assets at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Undesignated	\$ 832,945	\$ 1,226,469
Board designated operations reserve	764,737	-
Board designated endowment fund	249,554	224,849
	<u>\$ 1,847,236</u>	<u>\$ 1,451,318</u>
With donor restrictions:		
Restricted by donor for conservation	\$ 2,214,474	\$ 373,174
Restricted by donor for stewardship, defense, and monitoring	1,454,549	1,061,634
Restricted by donor for conservation and stewardship of land	14,745,558	13,415,558
	<u>\$ 18,414,581</u>	<u>\$ 14,850,366</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 2022 and later years, has \$684,268 and \$1,182,950 of financial assets available within one year of the statement of financial position dates on December 31, 2021 and 2020, respectively, to meet cash needs for general operating expenditures. The Conservancy also has \$1,014,291 and \$224,849, of board designated assets as of December 31, 2021 and 2020, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

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	<u>2021</u>	<u>2020</u>
Financial assets at year end	\$ 5,367,582	\$ 2,842,607
Donor restricted to purpose	(3,669,023)	(1,434,808)
Board designations	<u>(1,014,291)</u>	<u>(224,849)</u>
Financial assets available to meet cash needs within one year	<u>\$ 684,268</u>	<u>\$ 1,182,950</u>

NOTE 15-PAYCHECK PROTECTION LOAN

In April of 2020 and January of 2021, the Conservancy received loans of \$92,080 and \$92,080, respectively, from Kitsap Bank. The loans were 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 loans were guaranteed by the United States Small Business Administration and carried a stated interest rate of 1%. The loan terms were two years from inception, with interest payments starting on the 7th month following origination. However, the loans were 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 and 2021. The loans were formally forgiven in 2021. The \$184,160 forgiven is recorded as grant income in the 2021 statement of activities and changes in net assets.