
GREAT PENINSULA CONSERVANCY
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2015 and 2014

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

TABLE OF CONTENTS

| | |
|--|----|
| Independent Auditor’s Report..... | 1 |
| Financial Statements: | |
| Statement of Financial Position | 3 |
| Statement of Activities and Changes in Net Assets-2015..... | 5 |
| Statement of Activities and Changes in Net Assets-2014..... | 6 |
| Statement of Functional Expenses-2015..... | 7 |
| Statement of Functional Expenses-2014..... | 8 |
| Statement of Cash Flows..... | 9 |
| Notes to the Financial Statements | 10 |
| | |
| Schedule of Expenditures of Federal Awards..... | 21 |
| Note to the Schedule of Expenditures of Federal Awards | 22 |
| Summary Schedule of Prior Audit Findings | 23 |
| | |
| 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 | 24 |
| | |
| Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 26 |
| | |
| Schedule of Findings and Questioned Costs..... | 28 |

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, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2015, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2014, were audited by other auditors whose report dated March 18, 2015, expressed an unmodified opinion on those statements.

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 April 30, 2016, 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
& Management Consultants

April 30, 2016

Great Peninsula Conservancy
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2015 and December 31, 2014

| Assets | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 332,000 | \$ 363,646 |
| Pledges receivable | 38,264 | 20,326 |
| Prepaid expenses | <u>7,311</u> | <u>8,767</u> |
| Total Current Assets | <u>377,575</u> | <u>392,739</u> |
| Fixed Assets: | | |
| Equipment and improvements | 31,272 | 13,234 |
| Land | <u>7,432,018</u> | <u>6,080,018</u> |
| | 7,463,290 | 6,093,252 |
| Less: Accumulated depreciation | <u>(2,953)</u> | <u>(555)</u> |
| Fixed assets, net | <u>7,460,337</u> | <u>6,092,697</u> |
| Other Assets: | | |
| Investments | 944,910 | 884,688 |
| Cash restricted for long term purposes | <u>173,541</u> | <u>159,031</u> |
| Total Other Assets | <u>1,118,451</u> | <u>1,043,719</u> |
| Total Assets | <u>\$ 8,956,363</u> | <u>\$ 7,529,155</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, 2015 and December 31, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Liabilities & Net Assets | | |
| Current Liabilities: | | |
| Accrued expenses | \$ 24,486 | \$ 12,059 |
| Capital lease liabilities, current portion | <u>1,988</u> | <u>-</u> |
| Total Current Liabilities | <u>26,474</u> | <u>12,059</u> |
| Long-Term Liabilities: | | |
| Capital lease liabilities, net | <u>8,782</u> | <u>-</u> |
| Total Long-Term Liabilities | <u>8,782</u> | <u>-</u> |
| Net Assets: | | |
| Unrestricted | 680,794 | 6,450,947 |
| Temporarily restricted | 896,290 | 1,013,194 |
| Permanently restricted | <u>7,344,023</u> | <u>52,955</u> |
| Total Net Assets | <u>8,921,107</u> | <u>7,517,096</u> |
| Total Liabilities & Net Assets | <u>\$ 8,956,363</u> | <u>\$ 7,529,155</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, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2015</u> |
|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| Support and Revenues: | | | | |
| Contributions | \$ 394,145 | \$ 2,027,713 | \$ - | \$ 2,421,858 |
| Donated goods and services | 113,000 | 14,900 | - | 127,900 |
| Merchandise sales and special events | 75,737 | 25 | - | 75,762 |
| Interest income | 13,830 | 3,124 | - | 16,954 |
| Investment income (loss) | (28,607) | (12,320) | - | (40,927) |
| Gain (loss) on sale of assets | 13,000 | - | - | 13,000 |
| Net assets released from restriction | <u>2,150,346</u> | <u>(2,150,346)</u> | <u>-</u> | <u>-</u> |
| Total Support and Revenue | <u>2,731,451</u> | <u>(116,904)</u> | <u>-</u> | <u>2,614,547</u> |
| Expenses: | | | | |
| Program services | 1,132,783 | - | - | 1,132,783 |
| Management and general | 30,636 | - | - | 30,636 |
| Fundraising | 47,117 | - | - | 47,117 |
| Total Expenses | <u>1,210,536</u> | <u>-</u> | <u>-</u> | <u>1,210,536</u> |
| Change in Net Assets | 1,520,915 | (116,904) | - | 1,404,011 |
| Net Assets, Beginning of Year | 6,450,947 | 1,013,194 | 52,955 | 7,517,096 |
| Transfer of Net Assets | <u>(7,291,068)</u> | <u>-</u> | <u>7,291,068</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 680,794</u> | <u>\$ 896,290</u> | <u>\$ 7,344,023</u> | <u>\$ 8,921,107</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, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2014</u> |
|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| Support and Revenues: | | | | |
| Contributions | \$ 211,450 | \$ 697,293 | \$ - | \$ 908,743 |
| Donated goods and services | 210,000 | 5,177 | - | 215,177 |
| Merchandise sales and special events | 65,290 | 184 | - | 65,474 |
| Interest income | 16,599 | 4,611 | - | 21,210 |
| Investment income (loss) | 4,959 | (1,805) | - | 3,154 |
| Gain (loss) on sale of assets | (548) | - | - | (548) |
| Net assets released from restriction | <u>746,838</u> | <u>(746,838)</u> | - | - |
| Total Support and Revenue | <u>1,254,588</u> | <u>(41,378)</u> | - | <u>1,213,210</u> |
| Expenses: | | | | |
| Program services | 1,117,703 | - | - | 1,117,703 |
| Management and general | 41,172 | - | - | 41,172 |
| Fundraising | <u>43,907</u> | - | - | <u>43,907</u> |
| Total Expenses | <u>1,202,782</u> | - | - | <u>1,202,782</u> |
| Change in Net Assets | 51,806 | (41,378) | - | 10,428 |
| Net Assets, Beginning of Year | <u>6,399,141</u> | <u>1,054,572</u> | <u>52,955</u> | <u>7,506,668</u> |
| Net Assets, End of Year | <u>\$ 6,450,947</u> | <u>\$ 1,013,194</u> | <u>\$ 52,955</u> | <u>\$ 7,517,096</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, 2015

| | Program | Management and General | Fund- Raising | 2015 Total |
|--------------------------------|----------------|-----------------------------------|--------------------------|-----------------------|
| Salaries and wages | \$ 221,905 | \$ 17,349 | \$ 17,259 | \$ 256,513 |
| Payroll taxes | 18,394 | 1,283 | 1,711 | 21,388 |
| Employee benefits | 17,623 | 823 | 710 | 19,156 |
| Bank fees | 3,408 | 89 | 119 | 3,616 |
| Contract labor | 601,125 | 120 | 160 | 601,405 |
| Depreciation | - | 1,110 | - | 1,110 |
| Dues, fees, and licenses | 4,355 | 293 | 391 | 5,039 |
| Equipment rental | 5,376 | 311 | 415 | 6,102 |
| Events | 3,024 | - | 19,591 | 22,615 |
| Insurance | 7,333 | 311 | 414 | 8,058 |
| Meetings | 612 | 281 | - | 893 |
| Miscellaneous | 135 | 45 | - | 180 |
| Office expense | 13,764 | 1,696 | 1,062 | 16,522 |
| Postage | 2,617 | 42 | - | 2,659 |
| Printing | 11,278 | 748 | 208 | 12,234 |
| Professional fees | 20,591 | 1,437 | 1,915 | 23,943 |
| Property costs and maintenance | 161,222 | 2,413 | - | 163,635 |
| Rents | 27,400 | 1,912 | 2,549 | 31,861 |
| Travel | 4,881 | 42 | 172 | 5,095 |
| Utilities | 7,740 | 331 | 441 | 8,512 |
| Total Expenses | \$ 1,132,783 | \$ 30,636 | \$ 47,117 | \$ 1,210,536 |

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, 2014

| | Program | Management and General | Fund- Raising | 2014 Total |
|--------------------------------|----------------|-----------------------------------|--------------------------|-----------------------|
| Salaries and wages | \$ 205,635 | \$ 22,505 | \$ 17,675 | \$ 245,815 |
| Payroll taxes | 17,412 | 1,434 | 1,639 | 20,485 |
| Employee benefits | 19,150 | 1,045 | 830 | 21,025 |
| Bank fees | 2,002 | 161 | 184 | 2,347 |
| Contract labor | 65,678 | 88 | 100 | 65,866 |
| Depreciation | - | 555 | - | 555 |
| Dues, fees, and licenses | 7,497 | 533 | 685 | 8,715 |
| Equipment rental | 6,452 | 393 | 658 | 7,503 |
| Events | 1,696 | - | 16,382 | 18,078 |
| Insurance | 7,217 | 336 | 384 | 7,937 |
| Meetings | 868 | 284 | - | 1,152 |
| Miscellaneous | 69 | 115 | - | 184 |
| Office expense | 2,026 | 1,160 | 210 | 3,396 |
| Postage | 3,362 | 136 | 160 | 3,658 |
| Printing | 11,562 | - | - | 11,562 |
| Professional fees | 19,019 | 1,566 | 1,790 | 22,375 |
| Property costs and maintenance | 708,194 | 8,081 | - | 716,275 |
| Rents | 28,200 | 2,322 | 2,654 | 33,176 |
| Travel | 3,517 | 55 | 96 | 3,668 |
| Utilities | 8,147 | 403 | 460 | 9,010 |
| Total Expenses | \$ 1,117,703 | \$ 41,172 | \$ 43,907 | \$ 1,202,782 |

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, 2015 and December 31, 2014

| | 2015 | 2014 |
|---|--------------|--------------|
| Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Increase (decrease) in net assets: | \$ 1,404,011 | \$ 10,428 |
| Adjustments: | | |
| Depreciation expense | 2,398 | 555 |
| Inkind contributions of property | (113,000) | (215,177) |
| Inkind contributions of investments | - | 25,700 |
| Inkind donation of property | (79,308) | (76,238) |
| Unrealized (gain)/loss on investments | 33,604 | 14,223 |
| Realized (gain)/loss on investments | (10,425) | (31,205) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in pledges and accounts receivable | (17,938) | (13,798) |
| (Increase) decrease in prepaid expense | 1,456 | (3,615) |
| (Increase) decrease in cash for restricted purposes | (14,510) | (6,075) |
| Increase (decrease) in accrued expenses | 12,427 | 3,384 |
| Net cash provided (used) by operating activities | \$ 1,218,715 | \$ (291,818) |
| Cash flows from investing activities: | | |
| Proceeds from sale of property | 25,000 | 159,000 |
| Payments for purchase of property and equipment | (1,282,038) | (124,234) |
| Proceeds from interest and dividend income | 17,298 | 16,486 |
| Payment of investment expenses | (16,198) | (21,066) |
| Distributions from investments | 126,522 | 523,292 |
| Contributions to investments | (131,715) | (205,296) |
| Net cash provided (used) by investing activities | (1,261,131) | 348,182 |
| Cash flows from financing activities: | | |
| Proceeds from capital lease liability | 12,000 | - |
| Principal payments on capital lease | (1,230) | - |
| Principal payment of note payable | - | (62,000) |
| Net cash provided (used) by financing activities | 10,770 | (62,000) |
| Net increase (decrease) in cash & cash equivalents | (31,646) | (5,636) |
| Cash & cash equivalents at beginning of year | 363,646 | 369,282 |
| Cash & cash equivalents at end of year | \$ 332,000 | \$ 363,646 |
| Supplemental Information: | | |
| Cash paid for interest | \$ 688 | \$ 2,170 |

The accompanying notes are an integral part of these financial statements

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

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. Preservation activities 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. The Conservancy also purchases or accepts transfers of title to property whereby the Conservancy becomes the owner and steward of the land.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not restricted by donor stipulation.

Temporarily Restricted Net Assets: Net assets that arise from contributions and grants whose use by the Conservancy is limited by donor imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Conservancy pursuant to those stipulations.

Permanently Restricted Net Assets: Net assets that result from contributions whose use by the Conservancy is permanently restricted by donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Conservancy.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

Gifts of property, goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

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. Throughout the year, the Conservancy has maintained cash balances below the insurable limits.

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.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

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 temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Primary Sources of Support

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

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, 2015 and 2014 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

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

interest and penalties for uncertain income tax positions has been recorded at December 31, 2015 and 2014.

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 2012. The Conservancy operates exclusively within Washington State which has no state income tax.

Subsequent Events

Management has evaluated subsequent events through April 30, 2016, 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, 2015 and 2014 are composed of the following:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|-------------------|
| Checking accounts | \$ 103,713 | \$ 173,446 |
| Money market accounts | 309,945 | 127,581 |
| Savings accounts | 91,833 | 221,580 |
| Petty cash | 50 | 70 |
| | <u>505,541</u> | <u>522,677</u> |
| Restricted cash and cash equivalents | <u>(173,541)</u> | <u>(159,031)</u> |
| Cash and cash equivalents, net | <u>\$ 332,000</u> | <u>\$ 363,646</u> |

NOTE 3 - PLEDGES RECEIVABLE

The pledges receivable consist of operating and capital project fund-raising campaigns. At December 31, 2015 and 2014, 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, 2015 and 2014.

NOTE 4 - INVESTMENTS

Investments at December 31, 2015 and 2014 are stated at market value and are composed of the following:

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Government bonds | \$ - | \$ 13,003 |
| Investments held by community foundations | <u>944,910</u> | <u>871,685</u> |
| Total investments | <u>\$ 944,910</u> | <u>\$ 884,688</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 2016.

Funds temporarily restricted to stewardship, legal defense, 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.

Investment expenses were \$17,298 and \$16,461, for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

There was depreciation expense of \$1,110 and \$555 for the years ending December 31, 2015 and 2014, respectively. The Conservancy had property and equipment as of December 31, 2015 and 2014 that consisted of:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|---------------------|---------------------|
| Conservation land | \$ 7,432,018 | \$ 6,080,018 |
| Equipment and improvements | <u>31,272</u> | <u>13,234</u> |
| | 7,463,290 | 6,093,252 |
| Accumulated depreciation | <u>(2,953)</u> | <u>(555)</u> |
| Property and equipment, net | <u>\$ 7,460,337</u> | <u>\$ 6,092,697</u> |

NOTE 6 - LEASES

Operating Leases

The Conservancy leased office space with a lease that expired in February 2011. The office space was on a month to month basis thereafter and the Conservancy vacated this property on February 28, 2014. The office space rent payments amounted to \$2,974 for the year ended December 31, 2014.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

The Conservancy signed a new lease for office space in January of 2014 for a lease that expires on March 31, 2019. The office space rent payments amounted to \$31,860 and \$28,875 for the years ended December 31, 2015 and 2014, respectively.

The Conservancy also leases a ball field, pursuant to a twenty-five year lease agreement, expiring in January 2016. The amount of the lease payments are renegotiated every five years. The annual ball field lease payment is \$8,000 for five years beginning in 2011.

The Conservancy has a three year operating lease for computer equipment, including technical support, at a monthly cost of \$1,005 per month, beginning on January 1, 2015. The lease payments amounted to \$12,591 and \$0 for the year ended December 31, 2015 and 2014, 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 \$857 and \$0 for fiscal years ended December 31, 2015 and 2014, 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 fiscal years ended December 31, 2015 and 2014 was \$857 and \$0, respectively.

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

| | <u>2015</u> |
|------|-------------------|
| 2016 | \$ 49,296 |
| 2017 | 49,296 |
| 2018 | 37,236 |
| 2019 | 13,611 |
| 2020 | 3,346 |
| | <u>\$ 152,785</u> |

NOTE 7 - NOTES PAYABLE

Notes payable at December 31, 2015 and 2014, in the amount of \$0 and \$0, respectively, consisted of a note payable to an individual, due in nine annual installments of \$62,000, plus interest of 3.5%. The note matured on September 15, 2014 and was paid in full.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

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 legal service, which assisted in the purchase, maintenance and sale of properties. These donated legal services did meet 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 2015 and 2014, and have been recorded in the financial records:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|-------------------|-------------------|
| Land | \$ 113,000 | \$ 197,450 |
| Legal and other professional services | 14,900 | 15,120 |
| Supplies | - | 2,607 |
| | <u>\$ 127,900</u> | <u>\$ 215,177</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.

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, 2015 and 2014, 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, 2015 and 2014, Great Peninsula Conservancy had no level 3 assets or liabilities.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

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 \$7,728 and \$6,187 for the years ended December 31, 2015 and 2014, respectively.

NOTE 11 - ENDOWMENTS

Great Peninsula Conservancy's endowments are invested with the 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. The Greater Tacoma Community Foundation's investment objectives are to distribute 4.3% of rolling market value annually, 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. A reconciliation between endowment net assets and endowment investments accounts follows:

| | General Endowment | Stewardship Endowment | Clear Creek Endowment |
|---|----------------------|--------------------------|--------------------------|
| 2015 | | | |
| Beginning of year: | | | |
| Permanently restricted net assets | \$ - | \$ 34,962 | \$ 17,993 |
| Unrestricted net assets | 209,085 | - | - |
| Investment in temporarily restricted net assets | - | - | 67,129 |
| Reclassification of unrestricted funds | - | (1,447) | - |
| Endowment investment accounts | 209,085 | 33,515 | 85,122 |
| Change in investement accounts: | | | |
| Investment return | (7,222) | (1,168) | 626 |
| Contributions | - | - | - |
| Distributions | (8,600) | (900) | - |
| Investment expenses | (3,978) | (669) | (1,657) |
| Total changes in investment accounts | (19,800) | (2,737) | (1,031) |
| End of year: | | | |
| Permanently restricted net assets | - | 34,962 | 17,993 |
| Unrestricted net assets | 190,005 | - | - |
| Investment in temporarily restricted net assets | - | - | 66,098 |
| Reclassification of unrestricted funds | - | (4,184) | - |
| Endowment investment accounts | \$ 190,005 | \$ 30,778 | \$ 84,091 |

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

| | <u>General Endowment</u> | <u>Stewardship Endowment</u> | <u>Clear Creek Endowment</u> |
|---|------------------------------|----------------------------------|----------------------------------|
| 2014 | | | |
| Beginning of year: | | | |
| Permanently restricted net assets | \$ - | \$ 34,962 | \$ 17,993 |
| Unrestricted net assets | 215,298 | - | - |
| Investment in temporarily restricted net assets | - | - | 62,812 |
| Reclassification of unrestricted funds | - | (973) | - |
| Endowment investment accounts | <u>215,298</u> | <u>33,989</u> | <u>80,805</u> |
| Change in investment accounts: | | | |
| Investment return | 6,525 | 1,044 | 6,010 |
| Contributions | - | - | - |
| Distributions | (8,300) | (900) | - |
| Investment expenses | (3,718) | (618) | (1,693) |
| Total changes in investment accounts | <u>(5,493)</u> | <u>(474)</u> | <u>4,317</u> |
| End of year: | | | |
| Permanently restricted net assets | - | 34,962 | 17,993 |
| Unrestricted net assets | 209,805 | - | - |
| Investment in temporarily restricted net assets | - | - | 67,129 |
| Reclassification of unrestricted funds | - | (1,447) | - |
| Endowment investment accounts | <u>\$ 209,805</u> | <u>\$ 33,515</u> | <u>\$ 85,122</u> |

NOTE 12 - SALE OF PROPERTY, NET

Great Peninsula Conservancy occasionally sells unrestricted conservation land, easements, 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. At December 31, 2015 and 2014 the sale of property, net consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|-----------------------|------------------|-----------------|
| Sales income | \$ 38,000 | \$ 161,100 |
| Historic costs | (25,000) | (161,648) |
| Sale of Property, net | <u>\$ 13,000</u> | <u>\$ (548)</u> |

The Conservancy also donated property to Peninsula Metropolitan Park District (PenMet Parks) during the year ended December 31, 2014. The Conservancy previously purchased this property for \$25,700, therefore an in-kind expense of \$25,700 was recognized during the year ended December 31, 2014.

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

NOTE 13 - RESTRICTIONS ON NET ASSETS

Restrictions on net assets at December 31, 2015 and 2014, consist of the following:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|------------------|
| Unrestricted: | | |
| Undesignated | \$ 490,789 | \$ 6,241,142 |
| Board designated endowment fund | 190,005 | 209,805 |
| Total unrestricted | <u>680,794</u> | <u>6,450,947</u> |
| Temporarily restricted: | | |
| Restricted by the donor for conservation | 190,127 | 402,823 |
| Restricted by donor for stewardship, defense and monitoring | 706,163 | 610,371 |
| Total temporarily restricted | <u>896,290</u> | <u>1,013,194</u> |
| Permanently restricted: | | |
| Restricted by the donor for conservation | 7,326,030 | 34,962 |
| Restricted by the donor for stewardship and maintenance of the clear creek trail | 17,993 | 17,993 |
| Total permanently restricted | <u>\$ 7,344,023</u> | <u>\$ 52,955</u> |

Temporarily restricted net assets are recorded as released from restriction when expenditures are incurred that advance the restricted purpose.

NOTE 14 - RESTATEMENT OF FINANCIAL STATEMENTS

During the year ended December 31, 2015, it was discovered that earnest money in the amount of \$5,000 was paid for the purchase of land during the year ended December 31, 2014. This earnest money was classified as an expense in the prior year, rather than being capitalized. Since reporting this earnest money as an expense would cause an overstatement of expenses and an understatement of fixed assets, there was a prior period adjustment made to the 2014 financial statements.

After the completion of the 2014 compiled financial statements, the Conservancy's auditor recommended an adjustment, which would reclassify a deferred revenue amount of \$30,000 as 2014 contribution and grant revenue. The auditor also recommended an adjustment to recognize additional contribution and grant revenue in the amount of \$255,000 and in-kind contributions and service revenue in the amount of \$127,500, offset by program expenses in the amount of \$382,500. This adjustment was recommended to recognize a USDA grant and in-kind donation

GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2015 and 2014

of land, not previously recognized on the Conservancy's financial records. Both the Conservancy and us, as the compiling accountant, accepted these recommended adjustments, for which prior period adjustments were made to the 2014 financial statements.

These prior period adjustments have the following impact on the Conservancy's related accounts as of December 31, 2014 and is reflected in the restatement of the same year.

| | 2014 Adjusted | 2014 Unadjusted |
|------------------------------------|--------------------------------|----------------------------------|
| Property and equipment, net | \$ 6,092,697 | \$ 6,087,697 |
| Total assets | <u>7,529,155</u> | <u>7,524,155</u> |
| Deferred revenue | - | 30,000 |
| Total liabilities | <u>12,059</u> | <u>42,059</u> |
| Unrestricted net assets | <u>6,450,947</u> | <u>6,415,947</u> |
| Total net assets | <u>7,517,096</u> | <u>7,482,096</u> |
| Total liabilities and net assets | <u>7,529,155</u> | <u>7,524,155</u> |
| Contribution and grants | 908,743 | 623,743 |
| In-kind contributions and services | 205,177 | 87,677 |
| Total revenue | <u>1,213,210</u> | <u>800,710</u> |
| Program expenses | <u>1,117,703</u> | <u>740,203</u> |
| Total expenses | <u>1,202,782</u> | <u>825,282</u> |
| Increase in net assets | <u>\$ 10,428</u> | <u>\$ (24,572)</u> |

Great Peninsula Conservancy
Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures | | Total |
|--|---------------------------|-------------------------------------|--------------------------------|--------------------------|-------------------|
| | | | From Pass-Through Awards | From Direct Awards | |
| <u>Department of Commerce</u> | | | | | |
| Washington State Recreation and Conservation Office: | | | | | |
| Pacific Coast Salmon Recovery | 11.438 | 14-1946 | 135,000 | \$ - | \$ 135,000 |
| | | 14-632 | 3,194 | - | 3,194 |
| | | 12-1424 | 1,866 | - | 1,866 |
| | | 12-1422 | 277,716 | - | 277,716 |
| | | | 417,776 | - | 417,776 |
| Total Department of Commerce: | | | 417,776 | - | 417,776 |
| <u>Environmental Protection Agency</u> | | | | | |
| Washington State Recreation and Conservation Office: | | | | | |
| Puget Sound Action Agenda | 66.123 | 14-1326 | 336,734 | - | 336,734 |
| Total Environmental Protection Agency: | | | 336,734 | - | 336,734 |
| Total | | | \$ 754,510 | \$ - | \$ 754,510 |

Great Peninsula Conservancy

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Organization's financial statements. The Organization uses the accrual basis of accounting.

Note 2 – De-Minimis Cost Rate

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

Great Peninsula Conservancy

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2015

No matters are reportable.

**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, WA

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 Great Peninsula Conservancy (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, 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 April 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 2015-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 2015-002 and 2015-003.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

April 30, 2016

**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, WA

Report on Compliance for Each Major Federal Program

We have audited Great Peninsula Conservancy's (the Organization'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 Organization's major federal programs for the year ended December 31, 2015. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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, Cost 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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 the 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 Organization'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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003, that we consider to be material weaknesses.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

April 30, 2016

Great Peninsula Conservancy
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

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:

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> |
|---------------------|--------------------------------|
| 66.123 | Puget Sound Action Agenda |

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

Auditee qualified as low-risk auditee: No

Great Peninsula Conservancy
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section II – Financial Statement Findings:

2015-001 Procurement Policy

Criteria: Organizations should adopt written procurement policies to ensure that funds are spent carefully, properly and legally.

Condition: We noted, while conducting the audit, that the Organization did not have a written procurement policy in place to cover its purchasing function.

Effect: Purchasing within the Organization was done without benefit of a written policy to guide those decisions. Without a written policy, the Organization is at risk of expending funds that do not conform to resource provider requirements or that make the best use of resources.

Cause: The Organization has an informal process in place for purchasing but did not realize that a formal written policy was necessary.

Recommendation: We recommend that the Organization adopt a formal procurement policy that complies with federal standards.

Management's Response:

Great Peninsula Conservancy agrees with this finding and will adopt a written procurement policy that complies with federal standards and safeguards Organization resources.

Section III – Federal Award Findings and Questioned Costs:

2015-002 Procurement Policy

| | |
|---------------------------|---------------------------------------|
| CFDA Number and Title: | 66.123 Puget Sound Action Agenda |
| Federal Grantor Name: | Environmental Protection Agency |
| Pass-Through Entity Name: | WA State Resource Conservation Office |
| Grant Name: | Beards Cove Restoration |

See finding 2015-001. The Organization does not have a written procurement policy.

Management's Response:

Great Peninsula Conservancy agrees with this finding and will adopt a written procurement policy that complies with federal standards and safeguards the Organization's resources.

Great Peninsula Conservancy
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Questioned Costs for Finding 2015-002: No questioned costs were noted related to this finding as the procurement activities that were conducted during 2015 using federal awards complied with program regulations and federal requirements.

2015-003 Suspension and Debarment

| | |
|---------------------------|---------------------------------------|
| CFDA Number and Title: | 66.123 Puget Sound Action Agenda |
| Federal Grantor Name: | Environmental Protection Agency |
| Pass-Through Entity Name: | WA State Resource Conservation Office |
| Grant Name: | Beards Cove Restoration |

Criteria: Organizations that expend federal funds are required to have procedures in place to prevent payments to individuals or entities who are suspended or debarred from federal contracting.

Condition: The Organization does not have policy or procedures in place to check the suspension or debarment status of contractors used in federal award programs or to obtain certification from the vendor.

Effect: No check was performed, or certification obtained, for a contractor paid under the Puget Sound Action Agenda contract.

Cause: The Organization was not aware of the requirement.

Recommendation: We recommend that the Organization adopt a policy that requires a suspension and debarment check for all outside vendors that are compensated using federal funds.

Great Peninsula Conservancy agrees with this finding and will adopt a written policy requiring a suspension or debarment check or will obtain a certification for all contracting done using federal awards.

Questioned Costs for Finding 2015-003: No questioned costs were noted related to this finding as the vendor in question was not suspended or debarred.