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**GREAT PENINSULA CONSERVANCY**  
A Washington Not For Profit Organization

**Financial Statements**

For the Years Ended December 31, 2016 and 2015

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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## **Independent Auditor's Report**

To the Board of Directors  
Great Peninsula Conservancy  
Bremerton, WA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Great Peninsula Conservancy (the Organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2016 and 2015, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Aiken & Sanders*

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

April 28, 2017

**Great Peninsula Conservancy**  
A Washington Not For Profit Organization

Statement of Financial Position  
As of December 31, 2016 and December 31, 2015

Assets	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 319,384	\$ 332,000
Accounts receivable	378,759	803
Pledges receivable	10,844	37,461
Prepaid expenses	<u>13,370</u>	<u>7,311</u>
Total Current Assets	<u>722,357</u>	<u>377,575</u>
 <b>Fixed Assets:</b>		
Equipment and improvements	31,272	31,272
Land	<u>7,432,018</u>	<u>7,432,018</u>
	7,463,290	7,463,290
Less: Accumulated depreciation	<u>(6,640)</u>	<u>(2,953)</u>
Fixed assets, net	<u>7,456,650</u>	<u>7,460,337</u>
 <b>Other Assets:</b>		
Investments	1,017,977	944,910
Cash restricted for long term purposes	<u>214,068</u>	<u>173,541</u>
Total Other Assets	<u>1,232,045</u>	<u>1,118,451</u>
 Total Assets	 <u>\$ 9,411,052</u>	 <u>\$ 8,956,363</u>

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*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, 2016 and December 31, 2015

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	<u>2016</u>	<u>2015</u>
<b>Liabilities &amp; Net Assets</b>		
<b>Current Liabilities:</b>		
Accrued expenses	\$ 13,362	\$ 24,486
Capital lease liabilities, current portion	<u>2,174</u>	<u>1,988</u>
Total Current Liabilities	<u>15,536</u>	<u>26,474</u>
<b>Long-Term Liabilities:</b>		
Capital lease liabilities, net	<u>6,608</u>	<u>8,782</u>
Total Long-Term Liabilities	<u>6,608</u>	<u>8,782</u>
<b>Net Assets:</b>		
Unrestricted	865,256	665,794
Temporarily restricted	1,197,622	911,290
Permanently restricted	<u>7,326,030</u>	<u>7,344,023</u>
Total Net Assets	<u>9,388,908</u>	<u>8,921,107</u>
Total Liabilities & Net Assets	<u>\$ 9,411,052</u>	<u>\$ 8,956,363</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
<b>Support and Revenues:</b>				
Contributions	\$ 471,723	\$ 623,855	\$ -	\$ 1,095,578
Donated goods and services	-	14,481	-	14,481
Merchandise sales and special events	101,534	18	-	101,552
Interest income	4,543	14,595	-	19,138
Investment income (loss)	5,726	25,251	-	30,977
Net assets released from restriction	<u>409,861</u>	<u>(409,861)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>993,387</u>	<u>268,339</u>	<u>-</u>	<u>1,261,726</u>
<b>Expenses:</b>				
Program services	685,942	-	-	685,942
Management and general	45,718	-	-	45,718
Fundraising	<u>62,265</u>	<u>-</u>	<u>-</u>	<u>62,265</u>
Total Expenses	<u>793,925</u>	<u>-</u>	<u>-</u>	<u>793,925</u>
<b>Change in Net Assets</b>	199,462	268,339	-	467,801
Transfer of net assets	-	17,993	(17,993)	-
<b>Net Assets, Beginning of Year</b>	<u>665,794</u>	<u>911,290</u>	<u>7,344,023</u>	<u>8,921,107</u>
<b>Net Assets, End of Year</b>	<u>\$ 865,256</u>	<u>\$ 1,197,622</u>	<u>\$ 7,326,030</u>	<u>\$ 9,388,908</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>
<b>Support and Revenues:</b>				
Contributions	\$ 379,145	\$ 2,042,713	\$ -	\$ 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>2,716,451</u>	<u>(101,904)</u>	<u>-</u>	<u>2,614,547</u>
<b>Expenses:</b>				
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>
<b>Change in Net Assets</b>	1,505,915	(101,904)	-	1,404,011
<b>Net Assets, Beginning of Year</b>	6,450,947	1,013,194	52,955	7,517,096
<b>Transfer of Net Assets</b>	<u>(7,291,068)</u>	<u>-</u>	<u>7,291,068</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ 665,794</u>	<u>\$ 911,290</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 Functional Expenses  
For the Year Ended December 31, 2016

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	<b>Program</b>	<b>Management and General</b>	<b>Fund- Raising</b>	<b>2016 Total</b>
Salaries and wages	\$ 221,162	\$ 28,217	\$ 23,131	\$ 272,510
Payroll taxes	18,962	1,580	2,032	22,574
Employee benefits	6,498	737	679	7,914
Bank fees	1,730	144	185	2,059
Contract labor	258,488	-	-	258,488
Depreciation	-	3,687	-	3,687
Dues, fees, and licenses	3,325	178	325	3,828
Equipment rental	21,108	1,169	1,503	23,780
Events	3,578	-	28,012	31,590
Insurance	7,520	481	487	8,488
Interest	746	62	80	888
Meetings	2,130	2,917	-	5,047
Office expense	1,344	751	-	2,095
Postage	3,384	26	-	3,410
Printing	12,943	-	-	12,943
Professional fees	21,017	1,751	2,252	25,020
Property costs and maintenance	61,320	1,262	-	62,582
Rents	26,813	2,234	2,873	31,920
Travel	4,095	127	198	4,420
Utilities	9,779	395	508	10,682
Total Expenses	\$ 685,942	\$ 45,718	\$ 62,265	\$ 793,925

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**Great Peninsula Conservancy**  
A Washington Not For Profit Organization

Statement of Functional Expenses  
For the Year Ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2015 Total</u>
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	<u>\$ 1,132,783</u>	<u>\$ 30,636</u>	<u>\$ 47,117</u>	<u>\$ 1,210,536</u>

*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, 2016 and December 31, 2015

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Increase (decrease) in net assets:	\$ 467,801	\$ 1,404,011
<b>Adjustments:</b>		
Depreciation expense	3,687	2,398
Inkind contributions of property	-	(113,000)
Inkind contributions of investments	(36,388)	-
Inkind donation of property	-	(79,308)
Unrealized (gain)/loss on investments	(31,402)	33,604
Realized (gain)/loss on investments	(17,555)	(10,425)
<b>Changes in assets and liabilities:</b>		
( Increase) decrease in pledges and accounts receivable	(351,339)	(17,938)
(Increase) decrease in prepaid expense	(6,059)	1,456
(Increase) decrease in cash for restricted purposes	(40,527)	(14,510)
Increase (decrease) in accrued expenses	(11,124)	12,427
Net cash provided (used) by operating activities	\$ (22,906)	\$ 1,218,715
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property	-	25,000
Payments for purchase of property and equipment	-	(1,282,038)
Proceeds from interest and dividend income	(18,256)	(16,198)
Payment of investment expenses	17,855	17,298
Distributions from investments	65,939	126,522
Contributions to investments	(53,260)	(131,715)
Net cash provided (used) by investing activities	12,278	(1,261,131)
<b>Cash flows from financing activities:</b>		
Proceeds from capital lease liability	-	12,000
Principal payments on capital lease	(1,988)	(1,230)
Principal payment of note payable	-	-
Net cash provided (used) by financing activities	(1,988)	10,770
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(12,616)	(31,646)
Cash & cash equivalents at beginning of year	332,000	363,646
<b>Cash &amp; cash equivalents at end of year</b>	\$ 319,384	\$ 332,000
<b>Supplemental Information:</b>		
Cash paid for interest	\$ 888	\$ 688

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

# GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2016 and 2015

## 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, 2016 and 2015

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, 2016 and 2015

### 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, 2016 and 2015 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, 2016 and 2015

interest and penalties for uncertain income tax positions has been recorded at December 31, 2016 and 2015.

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 2013. The Conservancy operates exclusively within Washington State which has no state income tax.

#### Subsequent Events

Management has evaluated subsequent events through April 28, 2017, 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, 2016 and 2015 are composed of the following:

	<b>2016</b>	<b>2015</b>
Checking accounts	\$ 77,496	\$ 103,713
Money market accounts	345,178	309,945
Savings accounts	110,728	91,833
Petty cash	50	50
	<u>533,452</u>	<u>505,541</u>
Restricted cash and cash equivalents	<u>(214,068)</u>	<u>(173,541)</u>
Cash and cash equivalents, net	<u>\$ 319,384</u>	<u>\$ 332,000</u>

#### **NOTE 3 - PLEDGES RECEIVABLE**

The pledges receivable consist of operating and capital project fund-raising campaigns. At December 31, 2016 and 2015, 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, 2016 and 2015.

#### **NOTE 4 - INVESTMENTS**

Investments at December 31, 2016 and 2015 are stated at market value and are composed of the following:

## GREAT PENINSULA CONSERVANCY

### Notes to the Financial Statements

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Investments held by community foundations	\$ <u>1,017,977</u>	\$ <u>944,910</u>
Investments Total:	\$ <u><u>1,017,977</u></u>	\$ <u><u>944,910</u></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 2017.

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 \$17,855 and \$17,298, for the years ended December 31, 2016 and 2015, respectively.

#### NOTE 5 - PROPERTY AND EQUIPMENT

There was depreciation expense of \$3,687 and \$1,110 for the years ending December 31, 2016 and 2015, respectively. The Conservancy had property and equipment as of December 31, 2016 and 2015 that consisted of:

	<u>2016</u>	<u>2015</u>
Conservation land	\$ 7,291,068	\$ 7,432,018
Non-conservation land	140,950	-
Equipment and improvements	<u>31,272</u>	<u>31,272</u>
	7,463,290	7,463,290
Accumulated depreciation	<u>(6,640)</u>	<u>(2,953)</u>
Property and equipment, net	\$ <u><u>7,456,650</u></u>	\$ <u><u>7,460,337</u></u>

#### NOTE 6 - LEASES

##### Operating Leases

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 \$31,560 and \$31,860 for the years ended December 31, 2016 and 2015, respectively.



## GREAT PENINSULA CONSERVANCY

### Notes to the Financial Statements

December 31, 2016 and 2015

The Conservancy also leased a ball field, pursuant to a twenty-five year lease agreement, which expired in January 2016. The annual ball field lease payment was \$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 \$12,066 and \$12,591 for the years ended December 31, 2016 and 2015, 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 \$857 for fiscal years ended December 31, 2016 and 2015, 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, 2016 and 2015 was \$1,714 and \$857, respectively.

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

	<u>2016</u>
2017	\$ 49,296
2018	37,236
2019	13,611
2020	3,346
2021	-
	<u>\$ 103,489</u>

#### **NOTE 7 - 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 2016 and 2015, and have been recorded in the financial records:

## GREAT PENINSULA CONSERVANCY

### Notes to the Financial Statements

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Land	\$ -	\$ 113,000
Legal and other professional services	8,400	14,900
Supplies	6,081	-
	<u>\$ 14,481</u>	<u>\$ 127,900</u>

#### **NOTE 8 - 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, 2016 and 2015, 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, 2016 and 2015, Great Peninsula Conservancy had no level 3 assets or liabilities.

#### **NOTE 9 - 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 \$7,914 and \$7,728 for the years ended December 31, 2016 and 2015, respectively.

## GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2016 and 2015

### NOTE 10 - 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. Kitsap Community Foundation's investment objectives are to distribute 3.5% of rolling market value annually. A reconciliation between endowment net assets and endowment investments accounts follows:

	<u>General Endowment</u>	<u>Stewardship Endowment</u>	<u>Clear Creek Endowment</u>
<b>2016</b>			
Beginning 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	<u>190,005</u>	<u>30,778</u>	<u>84,091</u>
Change in investment accounts:			
Investment return	12,525	2,072	5,991
Contributions	-	-	260
Distributions	(8,600)	(1,000)	-
Investment expenses	(2,963)	(517)	(1,509)
Reclassifications of temporarily restricted funds	-	-	17,993
Reclassifications of permanently restricted funds	-	-	(17,993)
Total changes in investment accounts	<u>962</u>	<u>555</u>	<u>4,742</u>
End of year:			
Permanently restricted net assets	-	34,962	-
Unrestricted net assets	190,967	-	-
Investment in temporarily restricted net assets	-	-	88,833
Reclassification of unrestricted funds	-	(3,629)	-
Endowment investment accounts	<u>\$ 190,967</u>	<u>\$ 31,333</u>	<u>\$ 88,833</u>

**GREAT PENINSULA CONSERVANCY**

Notes to the Financial Statements

December 31, 2016 and 2015

	<u>General Endowment</u>	<u>Stewardship Endowment</u>	<u>Clear Creek Endowment</u>
<b>2015</b>			
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	<u>209,085</u>	<u>33,515</u>	<u>85,122</u>
Change in investment 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	<u>(19,800)</u>	<u>(2,737)</u>	<u>(1,031)</u>
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	<u>\$ 190,005</u>	<u>\$ 30,778</u>	<u>\$ 84,091</u>

**NOTE 11 - 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, 2016 and 2015 the sale of property, net consisted of the following:

	<u>2016</u>	<u>2015</u>
Sales income	\$ -	\$ 38,000
Historic costs	-	(25,000)
Sale of Property, net	<u>\$ -</u>	<u>\$ 13,000</u>

## GREAT PENINSULA CONSERVANCY

Notes to the Financial Statements

December 31, 2016 and 2015

### NOTE 12 - RESTRICTIONS ON NET ASSETS

Restrictions on net assets at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Undesignated	\$ 674,289	\$ 490,789
Board designated endowment fund	190,967	190,005
Total unrestricted	<u>865,256</u>	<u>680,794</u>
Temporarily restricted:		
Restricted by the donor for conservation	401,924	190,127
Restricted by donor for stewardship, defense and monitoring	795,698	706,163
Total temporarily restricted	<u>1,197,622</u>	<u>896,290</u>
Permanently restricted:		
Restricted by the donor for conservation	7,326,030	7,326,030
Restricted by the donor for stewardship and maintenance of the clear creek trail	-	17,993
Total permanently restricted	<u>\$ 7,326,030</u>	<u>\$ 7,344,023</u>

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

### NOTE 13 - RESTATEMENT OF FINANCIAL STATEMENTS

During the year ended December 31, 2016, the management of the Conservancy determined that a contribution (in the form of a pledge) that had been received during the year ended December 31, 2015 should have been recognized as temporarily restricted, as designated by the donor. This restricted contribution was classified as an unrestricted contribution in the prior year's financial statements. Since reporting this restricted contribution as an unrestricted one would cause an understatement in the temporarily restricted net asset balance at the year ended December 31, 2015, there was a prior period adjustment to the 2015 financial statements.

This prior period adjustment has the following impact on the Conservancy's related accounts as of December 31, 2015 and is reflected in the restatement of the same year.

**GREAT PENINSULA CONSERVANCY**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>December 31, 2015</b>	<b>December 31, 2015</b>
	<b>Adjusted</b>	<b>Unadjusted</b>
	<u>                    </u>	<u>                    </u>
Net Assets		
Unrestricted	\$ 665,794	\$ 680,794
Temporarily restricted	911,290	896,290
Permanently restricted	7,344,023	7,344,023
Total net assets	<u>8,921,107</u>	<u>8,921,107</u>
Contributions and grants		
Unrestricted	379,145	394,145
Temporarily restricted	2,042,713	2,027,713
Total contributions and grants	<u>2,421,858</u>	<u>2,421,858</u>
Increase (decrease) in net assets		
Unrestricted	1,505,915	1,520,915
Temporarily restricted	(101,904)	(116,904)
Total increase (decrease) in net assets	<u>\$ 1,404,011</u>	<u>\$ 1,404,011</u>