
NISQUALLY LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended
December 31, 2019 and 2018

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets-2019.....	5
Statement of Activities and Changes in Net Assets-2018.....	6
Statement of Functional Expenses-2019.....	7
Statement of Functional Expenses-2018.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	11

Independent Auditor's Report

To the Board of Directors
Nisqually Land Trust
Lacey, WA

Report on the Financial Statements

We have audited the accompanying financial statements of the Nisqually Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

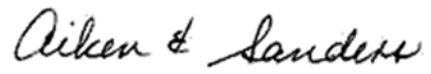
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of December 31, 2019 and 2018, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders, Inc., PS

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

Certified Public Accountants
& Consultants

June 17, 2020

Montesano, WA

Nisqually Land Trust
A Washington Not For Profit Organization

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

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 972,002	\$ 600,434
Accounts receivable	47,219	-
Grants receivable	39,794	136,454
Prepaid expenses	5,862	5,092
Current portion note receivable	103,012	109,078
Total Current Assets	<u>1,167,889</u>	<u>851,058</u>
 Property & Equipment:		
Land	35,067,774	33,817,409
Equipment	74,147	49,619
Less: Accumulated depreciation	<u>(42,791)</u>	<u>(45,560)</u>
Property & Equipment, net	<u>35,099,130</u>	<u>33,821,468</u>
 Other Assets:		
Organization costs	5,850	5,850
Note receivable-net of current portion	-	-
Investments	<u>1,232,418</u>	<u>1,464,393</u>
Total Other Assets	<u>1,238,268</u>	<u>1,470,243</u>
 Total Assets	 <u><u>\$ 37,505,287</u></u>	 <u><u>\$ 36,142,769</u></u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

Liabilities & Net Assets		
	2019	2018
Current Liabilities:		
Accounts payable	\$ 38,469	\$ 15,455
Payroll taxes and benefits payable	20,092	20,744
Deferred revenue	6,000	12,000
Security deposit payable	900	400
Current portion long term debt	-	191,202
Total Current Liabilities	<u>65,461</u>	<u>239,801</u>
Long Term Liabilities:		
Note payable	-	966,202
Less: current portion long term debt	-	(191,202)
Total Long Term Liabilities	<u>-</u>	<u>775,000</u>
Total Liabilities	<u>65,461</u>	<u>1,014,801</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,630,704	578,989
Board designated	3,128,596	3,959,197
	4,759,300	4,538,186
With donor restrictions	32,680,526	30,589,782
Total Net Assets	<u>37,439,826</u>	<u>35,127,968</u>
Total Liabilities & Net Assets	<u>\$ 37,505,287</u>	<u>\$ 36,142,769</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Support and Revenues:			
Grants	\$ 203,069	\$ 1,753,116	\$ 1,956,185
Contributions	151,843	313,349	465,192
Fee for service	59,306	-	59,306
Fundraising	169,185	-	169,185
Less: costs of direct benefits to donors	(10,455)	-	(10,455)
Interest & dividends	50,917	-	50,917
Inkind donations	-	76,653	76,653
Timber revenue	148,138	-	148,138
Miscellaneous revenue	405	-	405
Net assets released from restriction	52,374	(52,374)	-
Total Support and Revenue	<u>824,782</u>	<u>2,090,744</u>	<u>2,915,526</u>
Expenses:			
Program services	538,585	-	538,585
Management and general	216,877	-	216,877
Fundraising	36,438	-	36,438
Total Expenses	<u>791,900</u>	<u>-</u>	<u>791,900</u>
Other Revenue & Expenses:			
Investment gain (loss)	188,232	-	188,232
Total other revenue & expense	<u>188,232</u>	<u>-</u>	<u>188,232</u>
Change in Net Assets	221,114	2,090,744	2,311,858
Net Assets, Beginning of Year	<u>4,538,186</u>	<u>30,589,782</u>	<u>35,127,968</u>
Net Assets, End of Year	<u>\$ 4,759,300</u>	<u>\$ 32,680,526</u>	<u>\$ 37,439,826</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Support and Revenues:			
Grants	\$ 381,270	\$ 1,989,661	\$ 2,370,931
Contributions	374,437	39,785	414,222
Fee for service	122,486	-	122,486
Fundraising	157,532	-	157,532
Less: costs of direct benefits to donors	(11,620)	-	(11,620)
Interest & dividends	55,095	-	55,095
Inkind donations	28,149	176,043	204,192
Timber revenue	64,717	-	64,717
Miscellaneous revenue	508	-	508
Gain on sale of assets	24,147	-	24,147
Net assets released from restriction	65,139	(65,139)	-
Total Support and Revenue	<u>1,261,860</u>	<u>2,140,350</u>	<u>3,402,210</u>
Expenses:			
Program services	595,419	-	595,419
Management and general	206,662	-	206,662
Fundraising	31,992	-	31,992
Total Expenses	<u>834,073</u>	<u>-</u>	<u>834,073</u>
Other Revenue & Expenses:			
Investment gain (loss)	(140,437)	-	(140,437)
Total other revenue & expense	<u>(140,437)</u>	<u>-</u>	<u>(140,437)</u>
Change in Net Assets	287,350	2,140,350	2,427,700
Property Transfer	(29,000)	-	(29,000)
Net Assets, Beginning of Year	<u>4,279,836</u>	<u>28,449,432</u>	<u>32,729,268</u>
Net Assets, End of Year	<u>\$ 4,538,186</u>	<u>\$ 30,589,782</u>	<u>\$ 35,127,968</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2019</u>
Salaries	\$ 215,549	\$ 138,828	\$ 10,960	\$ 365,337
Employee benefits	17,358	11,180	883	29,421
Payroll taxes	22,806	14,688	1,160	38,654
Office expense	11,569	9,799	14,642	36,010
Insurance	8,989	3,763	-	12,752
Volunteer expense	15,738	-	-	15,738
Property taxes	22,783	-	-	22,783
Professional services	132,323	23,040	-	155,363
Depreciation	5,017	214	-	5,231
Land stewardship & acquisition	15,304	-	-	15,304
Training & conferences	3,501	342	-	3,843
Travel	9,379	448	216	10,043
Supplies	628	-	2,501	3,129
Interest	30,305	-	-	30,305
Taxes & fees-other	4,499	986	-	5,485
Event, facility, food expense	13,944	1,922	5,210	21,076
Occupancy	8,893	11,667	866	21,426
Total Expenses	<u>\$ 538,585</u>	<u>\$ 216,877</u>	<u>\$ 36,438</u>	<u>\$ 791,900</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2018</u>
Salaries	\$ 183,576	\$ 119,222	\$ 7,964	\$ 310,762
Employee benefits	31,021	20,146	1,346	52,513
Payroll taxes	18,015	11,700	782	30,497
Office expense	8,343	12,300	6,890	27,533
Insurance	9,221	3,013	-	12,234
Information technology	2,618	3,090	2,954	8,662
Property taxes	15,764	-	-	15,764
Professional services	247,516	20,902	1,368	269,786
Depreciation	1,240	196	-	1,436
Land stewardship & acquisition	46,952	-	-	46,952
Training & conferences	2,665	28	-	2,693
Travel	7,805	328	482	8,615
Supplies	1,054	35	3,172	4,261
Taxes & fees-other	6,364	9,518	120	16,002
Event, facility, food expense	6,176	691	6,639	13,506
Occupancy	7,089	5,493	275	12,857
Total Expenses	<u>\$ 595,419</u>	<u>\$ 206,662</u>	<u>\$ 31,992</u>	<u>\$ 834,073</u>

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

Nisqually Land Trust
A Washington Not For Profit Organization

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

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 2,842,352	\$ 3,157,436
Cash paid to suppliers and employees	(745,227)	(843,730)
Cash received from interest and dividends	50,917	55,095
Cash paid for interest	(30,305)	-
Net cash provided (used) by operating activities	<u>2,117,737</u>	<u>2,368,801</u>
Cash flows from investing activities:		
Cash paid for investments	(43,410)	(149,558)
Cash received from investments	463,618	69,222
Cash received from note	6,066	6,138
Cash paid for equipment	(32,529)	-
Cash paid for land	(1,173,712)	(3,123,012)
Net cash provided (used) by investing activities	<u>(779,967)</u>	<u>(3,197,210)</u>
Cash flows from financing activities:		
Cash paid on notes	(966,202)	(216,674)
Cash received from notes	-	1,010,913
Net cash provided (used) by financing activities	<u>(966,202)</u>	<u>794,239</u>
Net increase (decrease) in cash & cash equivalents	371,568	(34,170)
Cash & cash equivalents at beginning of year	<u>600,434</u>	<u>634,604</u>
Cash & cash equivalents at end of year	<u><u>\$ 972,002</u></u>	<u><u>\$ 600,434</u></u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

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

	<u>2019</u>	<u>2018</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 2,311,858	\$ 2,427,700
Adjustments:		
Depreciation	5,231	1,436
(Gain) Loss on sale of property	-	(24,147)
Donated land	(76,653)	(204,192)
Investment (gain) loss	(188,232)	140,437
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(47,219)	51,934
(Increase) decrease in grants receivable	96,660	(18,894)
(Increase) decrease in prepaid expense	(770)	236
Increase (decrease) in accounts payable	23,014	6,183
Increase (decrease) in payroll taxes & benefits	(652)	(5,892)
Increase (decrease) in deferred revenue	(6,000)	(6,000)
Increase (decrease) in security deposit payable	500	-
Net cash provided (used) by operating activities	<u>\$ 2,117,737</u>	<u>\$ 2,368,801</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal program--

The Nisqually Land Trust (The Trust) is a not for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. The Trust was organized to provide for the conservation, preservation, and enhancement of property located in the Nisqually River and Delta area of Washington State.

The Trust receives a substantial amount of its annual support in the form of government grants. In the event one or more of the government programs from which the grants are received were to end or experience significant budget cuts, The Trust could experience a significant loss of support.

Basis of accounting--

The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.

Financial Statement Presentation--

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

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

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

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

Functional Allocation of Expenses--

The Trust records its expenses by function. Program expenses represent expenses incurred to fulfill The Trust's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

Cash and Cash Equivalents--

For purposes of the Statement of Cash Flows, The Trust considers cash, checking, and money market accounts to be cash and cash equivalents.

Advertising--

The Trust's policy is to expense advertising costs as they are incurred.

Land, buildings and equipment--

Land, buildings and equipment are recorded at cost. Property and equipment donated to The Trust are capitalized at their estimated fair market value. It is The Trust's policy to expense the acquisition cost of equipment in the year of purchase for items with a unit cost of less than \$1,000. Depreciation is provided using the straight-line method. A five-year life is used for both purchased and donated equipment. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in income.

Estimates--

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. SUBSEQUENT EVENTS:

No events have occurred through June 17, 2020, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

C. RECOGNITION OF CONTRIBUTION REVENUE:

Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

D. ECONOMIC DEPENDENCY:

For 2019 and 2018, funding used to acquire land was primarily provided by the State of Washington Department of Natural Resources (Using US Department of Interior Funding), Pierce County Conservation Futures Program, Natural Resources Conservation Service, The Nisqually Indian Tribe, Washington State Department of Ecology, and the State of Washington Recreation and Conservation Office.

E. LEASES:

During 2010, The Trust entered into a memo of understanding with the United States Fish and Wildlife Service (USFWS). USFWS agreed to provide office space to The Trust free of charge at the Nisqually Wildlife Refuge. The Trust is responsible for utilities and janitorial services. The office lease expense for the years ended December 31, 2019 and 2018 was \$0 and \$0, respectively.

F. NET ASSETS COMPOSITION:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions:		
Board designated funds	\$ 3,128,596	\$ 3,959,197
Undesignated	<u>1,630,704</u>	<u>578,989</u>
Total Without Donor Restrictions:	\$ <u>4,759,300</u>	\$ <u>4,538,186</u>
With Donor Restrictions:		
Donor purpose restricted funds	\$ 240,153	\$ 231,094
Conserved land	<u>32,440,373</u>	<u>30,358,688</u>
Total With Donor Restrictions:	\$ <u>32,680,526</u>	\$ <u>30,589,782</u>
Total Net Assets:	\$ <u>37,439,826</u>	\$ <u>35,127,968</u>

The Trust has purchased property located in the Nisqually River and Delta area of Washington State with unrestricted monies. The Board of Directors has designated the property for conservation, preservation, and enhancement. The Board has also designated certain funds to be used for specific purposes. As of December 31, 2019 and 2018, respectively, board designated assets totaled \$3,128,596 and \$3,959,197, respectively.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The Trust investments in common stock, bonds, mutual funds, United States savings bonds, and investments with local community foundations are accounted for at fair value. As of December 31, 2019 and 2018, respectively, the investments had a cost basis of \$981,605 and \$1,401,813 and a fair value of \$1,232,418 and \$1,464,393. Investment income on the statement of activities and changes in net assets is the following:

	<u>2019</u>	<u>2018</u>
Realized Gains (Losses)	\$ (4,920)	\$ 32,843
Fees	(8,398)	(13,695)
Unrealized Gains (Losses)	<u>201,550</u>	<u>(159,585)</u>
Total	<u>\$ 188,232</u>	<u>\$ (140,437)</u>

The Trust follows United States generally accepted accounting principles which requires establishing a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Trust has the ability to access.

Level 2: Inputs to valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Common Stock: Quoted prices on public exchanges.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

Bonds: Quoted prices on public exchanges.

United States Savings Bonds: The investments are reported at original cost plus accrued interest.

Mutual Funds: Valued at net asset value of fund holdings.

Community Foundation Investments: Valued at Trust share of Foundation investments as reported by the custodian.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2019:

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 21,328	\$ -	\$ -	\$ 21,328
Bonds	170,107	-	-	170,107
Mutual Funds	-	994,525	-	994,525
Community Foundations	-	25,859	-	25,859
US Savings Bonds	-	20,599	-	20,599
Total Assets at Fair Value:	\$ <u>191,435</u>	\$ <u>1,040,983</u>	\$ <u>-</u>	\$ <u>1,232,418</u>

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2018:

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 238,269	\$ -	\$ -	\$ 238,269
Bonds	168,536	-	-	168,536
Mutual Funds	-	1,016,009	-	1,016,009
Community Foundations	-	21,845	-	21,845
US Savings Bonds	-	19,734	-	19,734
Total Assets at Fair Value:	\$ <u>406,805</u>	\$ <u>1,057,588</u>	\$ <u>-</u>	\$ <u>1,464,393</u>

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

H. CONTINGENCIES:

Amounts received or receivable from federal and state government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of The Trust if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

I. GRANTS AND ACCOUNTS RECEIVABLE:

Grants and accounts receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. The Trust uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2019 and 2018, there were bad debts of \$0 and \$0, respectively.

As of December 31, 2019, management estimated that all grants and accounts receivable were collectible. The Trust considers accounts due over 90 days as past due. No interest is charged on past due receivables.

J. INKIND REVENUE:

The Trust received donations of land during 2019 and 2018 valued at \$76,653 and \$204,192, respectively. The donations are recorded as inkind donations on the statement of activity and land on the statement of financial position. The Trust also receives, at times, various inkind donations of material and services for use in activities. These donated amounts are reflected as inkind revenue and expense in the financial statements.

K. INCOME TAX & UNCERTAIN TAX POSITIONS :

The Trust is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The Trust files income tax returns in the U.S. federal jurisdiction. The Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS) or any other state or federal taxing authority.

The Trust follows generally accepted accounting principles in determining and reporting any uncertain tax positions. As of December 31, 2019, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

L. RELATED PARTY TRANSACTIONS & LONG TERM DEBT:

The Trust is a trustee of a nonexempt charitable trust. The purpose of the charitable trust is to purchase property in the Nisqually Delta area of Washington State for preservation and stewardship.

During 2019 and 2018, The Trust performed stewardship services for the charitable trust and is compensated for acting as trustee. The Trust received \$0 and \$137,403 for those services and costs advanced. The charitable trust owed The Trust \$47,219 and \$0, respectively, at December 31, 2019 and 2018.

The Trust, during 2017, received two short term loans that totaled \$171,963 from the charitable trust to assist in the acquisition of several parcels of property. The Trust, during 2018, received two short term loans totaling \$225,000. The Trust repaid the charitable trust \$191,202 and \$205,761 during 2019 and 2018, respectively.

The Trust transferred property valued at \$29,000 to the charitable trust during 2018. This transfer is presented as a other reduction of net assets without donor restriction on the statement of activities.

The Trust, to facilitate the purchase of conservation property, borrowed \$775,000 from the Conservation Fund and signed a promissory note dated April 6, 2018. The note required annual interest accrual at 3.8% a year but no payments were required until April 6, 2021, when the entire principal balance, plus all accrued interest, was due. The Trust was allowed, following an initial 90 day period, to pay the note in full with no penalty. The Trust repaid the note in full during 2019.

M. MANAGEMENT & GENERAL EXPENSES:

Management and general expenses were \$216,877 and \$206,662 in 2019 and 2018, respectively. During 2019, The Trust disbursed \$1,173,712 for property which has been capitalized on the statement of financial position. The capitalized expenditures plus total expenses on the statement of functional expenses totals \$1,965,612. Management and general expenses are approximately 11% of this total for 2019. During 2018, The Trust disbursed \$3,123,012 for property which has been capitalized on the statement of financial position. The capitalized expenditures plus total expenses on the statement of functional expenses totals \$3,957,085. Management and general expenses are approximately 5% of this total for 2018.

Nisqually Land Trust
A Washington Not for Profit Organization

Notes to Financial Statements

December 31, 2019 and 2018

N. EXCESS DEPOSITS:

The Trust, at times, maintains cash balances in financial institutions in excess of the FDIC insurance level of \$250,000. The Trust had cash balances in excess of FDIC coverage of \$62,104 and \$0 at December 31, 2019 and 2018, respectively. Additionally, investments are insured by the SIPC for a maximum of \$500,000 in coverage per institution, with a limit of \$250,000 for cash balances. The Trust had balances in excess of SPIC coverage of \$972,471 and \$592,851 as of December 31, 2019 and 2018, respectively. Management does not believe The Trust is subject to substantial risk of loss related to these balances.

O. NOTE RECEIVABLE:

The Trust, in cooperation with the charitable trust, provided a loan on December 30, 2016 to the owners of land that The Trust was acquiring. The loan was necessary to complete the transaction and to provide mortgage refinancing to the sellers of the land. The loan was for a total of \$235,000, \$120,000 of which was provided by The Trust and \$115,000 which was provided by the charitable trust. The loan bears interest at 5% per annum and requires monthly payments of \$1,858.37. The remaining balance of the loan was due on December 30, 2019 but was extended for one year. The loan is secured by a personal residence. Future maturities of the loan, due to The Trust, are as follows:

Year Ended December 31:

2020	\$	<u>103,012</u>
Total	\$	<u><u>103,012</u></u>