

WASHINGTON TRAILS ASSOCIATION

AUDITED FINANCIAL STATEMENTS
December 31, 2010

WASHINGTON TRAILS ASSOCIATION

Table of Contents

December 31, 2010

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Washington Trails Association
Seattle, WA

We have audited the accompanying statement of financial position of Washington Trails Association (a Washington State non-profit corporation) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Washington Trails Association's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Washington Trails Association as of December 31, 2010, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Morrow Kessler & Dowsing PLLC

MORROW KESSLER & DOWSING, PLLC

Certified Public Accountants

April 21, 2011

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF FINANCIAL POSITION

	<u>December 31, 2010</u>
Assets	
Current Assets	
Cash	\$ 566,334
Accounts Receivable	186,027
Employee Advances	4,313
Prepaid Expenses	<u>14,316</u>
Total Current Assets	<u>770,990</u>
Investments	1,169,137
Fixed Assets	
Office Equipment	46,175
Vehicles	<u>36,055</u>
	82,230
Less Accumulated Depreciation	<u>77,121</u>
Total Fixed Assets	<u>5,109</u>
Prepaid rent and security deposits	<u>15,097</u>
<i>Total Assets</i>	<u>\$ 1,960,333</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Payroll Accruals	\$ 97,389
Deferred Subscription Revenues	<u>910</u>
Total Current Liabilities	<u>98,299</u>
Net Assets	
Unrestricted	756,773
Temporarily Restricted	146,602
Permanently Restricted	<u>958,659</u>
Total Net Assets	<u>1,862,034</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 1,960,333</u>

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

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF ACTIVITIES

	<u>Year Ended December 31, 2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Net Assets				
Support and Revenues:				
Support:				
Membership	\$ 166,353	\$ -	\$ -	\$ 166,353
Donations and Grants	1,091,022	62,202	99,305	1,252,529
In Kind Contributions	54,206	-	-	54,206
Revenue:				
Trail Maintenance Contract				
Services and Trip Fees	255,645	-	-	255,645
Washington Trails Magazine	156,760	-	-	156,760
Interest and Dividends	23,103	-	-	23,103
Change in Investments	11,751	66,865	19,620	98,236
Other Income	<u>11,642</u>	<u>-</u>	<u>-</u>	<u>11,642</u>
<i>Total Support and Revenue</i>	<u>1,770,482</u>	<u>129,067</u>	<u>118,925</u>	<u>2,018,474</u>
Expenses:				
Program Services:				
Outreach, Magazine and Website	466,378	-	-	466,378
Trail Advocacy	85,862	-	-	85,862
Trail Maintenance	836,554	-	-	836,554
General and Administrative	144,510	-	-	144,510
Fund Raising	<u>169,684</u>	<u>-</u>	<u>-</u>	<u>169,684</u>
Total Expenses	<u>1,702,988</u>	<u>-</u>	<u>-</u>	<u>1,702,988</u>
Changes before Reallocations	67,494	129,067	118,925	315,486
Reallocations	119,379	(119,379)	-	-
Changes in Net Assets	186,873	9,688	118,925	315,486
Net Assets, Beginning of Year	<u>569,900</u>	<u>136,914</u>	<u>839,734</u>	<u>1,546,548</u>
Net Assets, End of Year	<u>\$ 756,773</u>	<u>\$ 146,602</u>	<u>\$ 958,659</u>	<u>\$ 1,862,034</u>

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

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	<u>Outreach Magazine and Website</u>	<u>Trail Advocacy</u>	<u>Trail Maintenance</u>	<u>General and Admin.</u>	<u>Endowments and Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 208,135	\$ 61,453	\$ 476,463	\$ 91,508	\$ 74,564	\$ 912,124
Payroll Taxes	19,774	5,712	52,461	8,709	7,031	93,686
Employee Benefits	24,922	7,712	55,180	17,591	11,762	117,166
Program and Office Support	28,038	5,825	73,977	8,292	20,461	136,594
Printing and Publications	100,371	27	1,375	177	8,807	110,757
Volunteer Appreciation	200	69	17,864	79	831	19,044
Per Diem & Stipend	-	-	12,849	-	-	12,849
Supplies	-	222	65,534	-	-	65,756
Depreciation	1,984	437	7,854	512	875	11,662
Cost of Merchandise	-	-	-	5,051	-	5,051
Insurance	848	212	7,751	212	424	9,447
Promotion and Advertising	11,534	-	575	-	8,811	20,920
Information Technology	58,976	854	11,175	2,238	1,708	74,951
Travel	2,458	2,389	35,310	253	420	40,830
Professional Fees	14,670	784	10,939	7,701	19,619	53,713
Miscellaneous	<u>-5,532</u>	<u>165</u>	<u>7,246</u>	<u>2,187</u>	<u>14,371</u>	<u>18,437</u>
Total Costs	<u>\$ 466,378</u>	<u>\$ 85,862</u>	<u>\$ 836,554</u>	<u>\$ 144,510</u>	<u>\$ 169,684</u>	<u>\$ 1,702,988</u>

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

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF CASH FLOWS

	<u>Year Ended December 31, 2010</u>
Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 315,486
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	11,662
Appreciation in Investments	(82,496)
Change in Assets and Liabilities	
Decrease in Accounts Receivable	55,838
Increase in Investments, net	(154,997)
Increase in Other Assets	(9,016)
Increase in Prepaid Expenses	(3,306)
Decrease in Accounts Payable and Accruals	<u>(56,484)</u>
Net Cash Provided by Operating Activities	<u>76,687</u>
 Net Increase in Cash	 76,687
 Cash, Beginning of Year	 <u>489,647</u>
 Cash, End of Year	 \$ <u>566,334</u>

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

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1, Summary of Significant Accounting Policies:

This summary of significant accounting policies of Washington Trails Association (WTA) is presented to assist in understanding WTA's financial statements. The financial statements and notes are the representations of WTA's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Washington Trails Association Activity: WTA is a non-profit organization incorporated in the State of Washington in 1973 for the purpose of protecting and expanding Washington's diverse trail system through: 1. Education via the publication of Washington Trails Magazine, the WTA website, and other outreach programs; 2. Trail advocacy by representing trail users in discussions with land managers and legislators; 3. Trail maintenance through WTA and coordination of trail work parties at various trail sites throughout Washington; and 4. Youth programs that engage young people with wilderness.

Contributed Support: WTA recognizes all contributed support received as income in the period received. Contributions are considered available for unrestricted use unless restricted by the donor. Restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is met or expires, the related temporarily restricted net assets are reclassified to unrestricted net assets. Restricted support is reported directly as an increase in unrestricted net assets if the restriction is met or expires in the reporting period in which the support is received.

Accounts Receivable: Accounts receivable are related to work performed for federal and state agencies for trail maintenance. The amounts are deemed to be fully collectible, thus, there is no allowance for doubtful accounts.

Investments: WTA has adopted SFAS Number 124, "Accounting for Certain Investments Held by Not for Profit Organizations." Under SFAS Number 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value on the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. During the year, the investments in the endowment funds increased in value by \$93,192. Earnings from the endowments were \$16,686. In addition to the investments listed in Note 3, the Organization has \$41,863 with the Seattle Foundation and \$196,053 with Vanguard along with \$278,091 included in cash.

Fixed Assets: WTA capitalizes expenditures for equipment, furniture and software at cost (for items purchased) or market value at the time of receipt (for donated items). If the donor attaches a stipulation as to how long a contributed asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of fixed assets are recorded as unrestricted support. Depreciation is provided by the straight-line method over estimated useful lives ranging from three to ten years. Purchases and improvements in excess of \$500 are capitalized.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1, Summary of Significant Accounting Policies (Continued):

Net Assets: WTA adheres to the disclosure requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Standards Number 117, "Financial Statements of Not For Profit Organizations." Accordingly, the net assets of WTA are reported in each of the following three classes: unrestricted net assets, temporary restricted net assets and permanently restricted net assets.

WTA's permanently restricted net assets include contributions accepted with the donor's stipulation that the principal be maintained intact in perpetuity or a specified period, with the annual income available for unrestricted use

In Kind Support: Contributed goods and services are recorded as in kind contributions at their estimated fair values at the date of donation. Contributed services are recorded only if the services received create or enhance long lived assets or requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services contributed to WTA during the year that are reflected in the financial statements relate mostly to donated professional fees.

Additionally, WTA receives a significant amount of contributed time that does not meet the recognition policy described above. Approximately 105,000 volunteer hours were contributed to WTA during the year. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Washington Trails Magazine: Subscription revenue is recognized on a pro rata basis over the term of the subscription period.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; actual amounts may differ from those estimates assumptions.

Federal Income Taxes: WTA is exempt from income taxes under Section 501 (C) (3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a not for profit organization and is not classified as a "private foundation" within the meaning of Section 509 (A) of the Internal Revenue Code.

WTA is subject to unrelated business income taxes on net income derived from selling non-mission-related advertising space in Washington Trails Magazine. No provision for federal income taxes has been provided because advertising operations provided no taxable income after expenses for the year.

Promotions and Advertising: These expenses are recorded when incurred and amounted to \$20,920 for the year ended December 31, 2010. Of the total, \$20,584 was Promotion expenses, of which \$11,211 were In-Kind contributions.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1, Summary of Significant Accounting Policies (Continued):

Program Costs: The costs of operating WTA have been summarized on a functional basis in the statement of activities. Accordingly, certain joint operating costs have been allocated among Washington Trails Magazine and publications, trail advocacy, trail maintenance, general and administration and fundraising expenses based on labor hours attributable to each area of operations.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash and cash equivalents includes any short term investments with an initial maturity of three months or less. At times, WTA's cash in bank balances exceeded the federally insured limits. Management does not believe that these funds are at risk.

Note 2, Contract Revenues:

The Organization enters into contracts with state and federal entities for which it is reimbursed a portion of its expenses for leading volunteer work parties, including all necessary leadership, training, and education. Contract payments are based upon the volunteer time contributed to the Organization.

Note 3, Greg Ball Trail Fund, Stusser Fund and Mondal Youth Endowment Fund:

In 2004, the Organization created the Greg Ball Trail Fund to honor the memory of a deceased staff member. Memorial contributions were put into the Fund with the donors' understanding that the corpus of the Fund would be restricted for trail maintenance activities. The fund amount at December 31, 2010 was \$663,634 and is being held by The Seattle Foundation.

In 2006, the Stusser Fund was created from a contribution to the Organization. The corpus from this fund is restricted. The revenues generated from the Fund is to be used to support the Organization magazine and web site. The fund amount at December 31, 2010 was \$108,991 and is being held by The Seattle Foundation.

In 2008, the Mondal Youth Endowment Fund was created from a contribution to the Organization. The corpus from this fund is restricted. The revenues generated from the Fund are to be used to support the Organizations youth activities. The Fund amount at December 31, 2010 was \$158,595 and is being held by the Seattle Foundation.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4, Lease Commitments:

The Organization moved into its office facilities located in Seattle, Washington in early December 2004. The lease expired on December 31, 2010. The Organization moved into its present location in January 2011. The lease runs through May 31, 2016 and its present rent is \$8,355 per month. During 2010, the Organization paid rent expense of \$91,849.

Minimum future lease payments are as follows:

2011	\$ 100,260
2012	104,220
2013	108,180
2014	112,140
2015	48,375
	<u>\$ 473,175</u>

Note 5, Retirement Plan:

Subject to the Plans provisions, regular employees are eligible to enroll in a SIMPLE -IRA with up to a 3% match of employee contributions. This benefit is limited to employees who have received \$5,000 gross compensation after six months of continuous employment. The retirement plan expense for the year was approximately \$22,000.

Note 6, Fair Value of Financial Instruments:

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for fair value measurements of financial assets and financial liabilities, and for fair value measurement of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. Financial accounting standards define 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 measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. Washington Trails Association's Level 1 assets and liabilities include cash equivalents.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. At December 31, 2010, Washington Trails Association's long term assets and trading securities would be Level 2 assets or liabilities.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6, Fair Value of Financial Instruments (Continued):

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. These methodologies may result in a significant portion of the fair value being derived from unobservable data. At December 31, 2010, Washington Trails Association had no Level 3 assets or liabilities.

Note 7, Subsequent Event:

Management has evaluated events occurring subsequent to December 31, 2010 and April 21, 2011 which is the date that the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at April 21, 2011, including the estimates inherent in the processing of the financial statements.