
JEFFERSON LAND TRUST AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Jefferson Land Trust & Subsidiary
Port Townsend, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jefferson Land Trust and Subsidiary (collectively, JLT, a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JLT, as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JLT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JLT's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 11-13 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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.

Aiken & Sanders, Inc., PS

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

Certified Public Accountants
& Consultants

June 21, 2022

Montesano, WA

Jefferson Land Trust and Subsidiary

A Washington Not For Profit Organization

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

Assets		
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 1,479,474	\$ 1,021,656
Accounts receivable	4,652	2,991
Current pledges receivable	1,017,724	96,431
Note receivable-current portion	5,650	5,650
Total Current Assets	2,507,500	1,126,728
Land and Conservation Easements:		
Habitat land	6,529,764	5,700,364
Working land	97,728	97,728
Open space land	332,761	332,761
Land for sale	458,751	-
Conservation easements	67	66
Total Land and Conservation Easements	7,419,071	6,130,919
Fixed Assets:		
Furniture, equipment, and improvements	97,340	97,146
Less: Accumulated depreciation	(54,333)	(68,497)
Fixed assets, net	43,007	28,649
Other Assets:		
Long term pledges receivable	16,542	18,949
Long term note receivable	41,577	41,577
Land hold fee-net	16,666	24,999
Investments	1,084,530	926,253
Total Other Assets	1,159,315	1,011,778
Total Assets	\$ 11,128,893	\$ 8,298,074

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary

A Washington Not For Profit Organization

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

Liabilities & Net Assets		
	2021	2020
Current Liabilities:		
Accounts payable	\$ 14,227	\$ 17,289
Accrued liabilities and deferred revenue	84,540	83,864
Line of credit	83,537	-
Total Current Liabilities	<u>182,304</u>	<u>101,153</u>
Long-Term Liabilities:		
Note payable	<u>-</u>	<u>119,740</u>
Total Liabilities	<u>182,304</u>	<u>220,893</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,222,389	430,554
Board designated	<u>7,181,832</u>	<u>6,294,385</u>
	8,404,221	6,724,939
With donor restrictions	<u>2,542,368</u>	<u>1,352,242</u>
Total Net Assets	<u>10,946,589</u>	<u>8,077,181</u>
Total Liabilities & Net Assets	<u>\$ 11,128,893</u>	<u>\$ 8,298,074</u>

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support and Revenues:			
Gifts and contributions	\$ 1,534,523	\$ 1,588,023	\$ 3,122,546
Donated land	382,400	-	382,400
Grants and contracts	720,657	-	720,657
Special events income, net of expenses of \$6,993	32,027	-	32,027
Net investment return	162,538	-	162,538
Net assets released from restriction	<u>397,897</u>	<u>(397,897)</u>	<u>-</u>
Total Support and Revenue	<u>3,230,042</u>	<u>1,190,126</u>	<u>4,420,168</u>
Expenses:			
Program services	1,018,681	-	1,018,681
Management and general	308,619	-	308,619
Fundraising	<u>223,460</u>	<u>-</u>	<u>223,460</u>
Total Expenses	<u>1,550,760</u>	<u>-</u>	<u>1,550,760</u>
Change in Net Assets	1,679,282	1,190,126	2,869,408
Net Assets, Beginning of Year	<u>6,724,939</u>	<u>1,352,242</u>	<u>8,077,181</u>
Net Assets, End of Year	<u>\$ 8,404,221</u>	<u>\$ 2,542,368</u>	<u>\$ 10,946,589</u>

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Support and Revenues:			
Gifts and contributions	\$ 686,232	\$ 227,560	\$ 913,792
Grants and contracts	1,315,167	-	1,315,167
Special events income, net of expenses of \$9,782	26,116	-	26,116
Net investment return	89,846	594	90,440
Net assets released from restriction	196,659	(196,659)	-
Total Support and Revenue	<u>2,314,020</u>	<u>31,495</u>	<u>2,345,515</u>
Expenses:			
Program services	1,233,983	-	1,233,983
Management and general	205,689	-	205,689
Fundraising	323,834	-	323,834
Total Expenses	<u>1,763,506</u>	<u>-</u>	<u>1,763,506</u>
Change in Net Assets	550,514	31,495	582,009
Net Assets, Beginning of Year	<u>6,174,425</u>	<u>1,320,747</u>	<u>7,495,172</u>
Net Assets, End of Year	<u>\$ 6,724,939</u>	<u>\$ 1,352,242</u>	<u>\$ 8,077,181</u>

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2021</u>
Salaries	\$ 313,964	\$ 177,005	\$ 131,269	\$ 622,238
Payroll taxes	25,209	14,208	10,541	49,958
Employee benefits	43,427	24,476	18,159	86,062
Value of conservation easements written down	159,999	-	-	159,999
Professional fees	301,876	27,253	25,541	354,670
Land and stewardship expenses	84,295	-	-	84,295
Rent	27,988	4,437	1,707	34,132
Public awareness	1,627	2,113	1,173	4,913
Dues and subscriptions	1,639	17,924	4,803	24,366
Insurance	11,759	6,628	4,917	23,304
Postage and printing	8,166	26	8,848	17,040
Other	3,650	10,641	522	14,813
Interest expense	197	20	-	217
Travel and seminars	4,991	5,841	116	10,948
Office supplies	8,477	9,394	6,280	24,151
Telephone	809	456	338	1,603
Depreciation and amortization	2,307	5,584	-	7,891
Utilities	9,862	1,564	601	12,027
Web design and maintenance	1,684	-	-	1,684
Bad debts	5,578	36	-	5,614
Bank fees	1,177	1,013	8,645	10,835
Total Expenses	<u>\$ 1,018,681</u>	<u>\$ 308,619</u>	<u>\$ 223,460</u>	<u>\$ 1,550,760</u>

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2020</u>
Salaries	\$ 271,807	\$ 125,383	\$ 186,789	\$ 583,979
Payroll taxes	22,341	10,306	15,353	48,000
Employee benefits	36,806	16,979	25,293	79,078
Value of conservation easements written down	621,997	-	-	621,997
Professional fees	117,181	6,898	24,503	148,582
Land and stewardship expenses	78,044	-	-	78,044
Rent	27,145	4,219	1,623	32,987
Public awareness	2,145	40	3,171	5,356
Dues and subscriptions	1,819	17,664	8,706	28,189
Insurance	7,117	3,283	4,891	15,291
Postage and printing	436	159	17,262	17,857
Other	15,444	1,121	17,757	34,322
Interest expense	-	3,507	-	3,507
Travel and seminars	5,176	2,095	1,562	8,833
Office supplies	19,276	1,454	8,151	28,881
Telephone	123	57	85	265
Depreciation and amortization	1,800	6,029	-	7,829
Utilities	4,813	6,022	144	10,979
Web design and maintenance	352	-	100	452
Bank fees	161	473	8,444	9,078
Total Expenses	<u>\$ 1,233,983</u>	<u>\$ 205,689</u>	<u>\$ 323,834</u>	<u>\$ 1,763,506</u>

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

Jefferson Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Cash Flows
For the Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 2,696,236	\$ 2,348,926
Cash paid to suppliers and employees	(1,392,386)	(1,704,808)
Cash paid for interest	(217)	(3,507)
Cash received from interest	<u>14,701</u>	<u>7,130</u>
Net cash provided (used) by operating activities	<u>1,318,334</u>	<u>647,741</u>
Cash flows from investing activities:		
Cash paid for investments	(29,667)	(151,728)
Cash received from investments	13,615	249,544
Proceeds from notes receivable	-	2,080
Cash paid for property and equipment	(22,249)	-
Cash paid for land	<u>(905,752)</u>	<u>(323,000)</u>
Net cash provided (used) by investing activities	<u>(944,053)</u>	<u>(223,104)</u>
Cash flows from financing activities:		
Cash paid to loans	-	(175,000)
Cash received from line of credit	83,537	-
Cash received from loans	<u>-</u>	<u>119,740</u>
Net cash provided (used) by financing activities	<u>83,537</u>	<u>(55,260)</u>
Net increase (decrease) in cash & cash equivalents	457,818	369,377
Cash & cash equivalents at beginning of year	<u>1,021,656</u>	<u>652,279</u>
Cash & cash equivalents at end of year	<u><u>\$ 1,479,474</u></u>	<u><u>\$ 1,021,656</u></u>

The accompanying notes are an integral part of these financial statements

Jefferson Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Cash Flows
For the Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 2,869,408	\$ 582,009
Adjustments:		
Depreciation and amortization	7,891	7,829
Bad debts	5,614	-
Land hold fee amortization (adjustment)	8,331	8,331
Debt forgiveness	(119,740)	-
Realized and unrealized losses (gains) on investments	(147,837)	(68,538)
Donated land	(382,400)	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,661)	40,755
(Increase) decrease in pledges receivable	(918,886)	28,542
(Increase) decrease in prepaid expense	-	5,425
Increase (decrease) in accounts payable	(3,062)	7,440
Increase (decrease) in accrued expenses and deferred revenue	676	35,948
Net cash provided (used) by operating activities	<u>\$ 1,318,334</u>	<u>\$ 647,741</u>

The accompanying notes are an integral part of these financial statements

JEFFERSON LAND TRUST AND SUBSIDIARY

Consolidating Statement of Financial Position

Year Ended December 31, 2021

	Jefferson Land Trust	JLT Resources, LLC	Subtotal	Eliminations	Consolidated 2021
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,455,243	\$ 24,231	\$ 1,479,474	\$ -	\$ 1,479,474
Accounts receivable	4,652	-	4,652	-	4,652
Current pledges receivable	1,017,724	-	1,017,724	-	1,017,724
Note receivable-current portion	5,650	-	5,650	-	5,650
Total Current Assets	2,483,269	24,231	2,507,500	-	2,507,500
Land and Conservation Easements:					
Habitat land	6,404,524	125,240	6,529,764	-	6,529,764
Working land	97,728	-	97,728	-	97,728
Open space land	332,761	-	332,761	-	332,761
Land for sale	458,751	-	458,751	-	458,751
Conservation easements	67	-	67	-	67
Total Land and Conservation Easements	7,293,831	125,240	7,419,071	-	7,419,071
Fixed Assets:					
Furniture, equipment, and improvemen	87,203	10,137	97,340	-	97,340
Less: Accumulated depreciation	(53,826)	(507)	(54,333)	-	(54,333)
Total Fixed Assets	33,377	9,630	43,007	-	43,007
Other Assets:					
Long term pledges receivable	16,542	-	16,542	-	16,542
Long term notes receivable	41,577	-	41,577	-	41,577
Land hold fee-net	16,666	-	16,666	-	16,666
Investments	1,312,090	-	1,312,090	(227,560)	1,084,530
Total Other Assets	1,386,875	-	1,386,875	(227,560)	1,159,315
Total Assets	\$ 11,197,352	\$ 159,101	\$ 11,356,453	\$ (227,560)	\$ 11,128,893
Liabilities					
Current Liabilities					
Accounts payable	\$ 13,891	\$ 336	\$ 14,227	\$ -	\$ 14,227
Accrued liabilities and deferred revenue	84,540	-	84,540	-	84,540
Line of credit	83,537	-	83,537	-	83,537
Total Current Liabilities	181,968	336	182,304	-	182,304
Long Term Liabilities					
Note payable	-	-	-	-	-
Total Liabilities	181,968	336	182,304	-	182,304
Net Assets					
With Donor Restrictions	2,542,368	-	2,542,368	-	2,542,368
Without Donor Restrictions	8,473,016	158,765	8,631,781	(227,560)	8,404,221
Total Net Assets	11,015,384	158,765	11,174,149	(227,560)	10,946,589
Liabilities & Net Assets	\$ 11,197,352	\$ 159,101	\$ 11,356,453	\$ (227,560)	\$ 11,128,893

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

JEFFERSON LAND TRUST AND SUBSIDIARY

Consolidating Statement of Activities

Year Ended December 31, 2021

	Jefferson Land Trust	JLT Resources, LLC	Subtotal	Eliminations	Consolidated 2021
Support and Revenues					
Gifts and contributions	\$ 3,122,546	\$ -	\$ 3,122,546	\$ -	\$ 3,122,546
Donated land	382,400	-	382,400	-	382,400
Grants and contracts	720,657	-	720,657	-	720,657
Special events income, net of expenses of \$6,993	32,027	-	32,027	-	32,027
Net investment return	162,501	37	162,538	-	162,538
Net assets released from restriction	-	-	-	-	-
Total Support and Revenues	4,420,131	37	4,420,168	-	4,420,168
Program Expenses					
Jefferson Land Trust	1,014,414	-	1,014,414	-	1,014,414
JLT Resources, LLC	-	4,267	4,267	-	4,267
Total Program Expenses	1,014,414	4,267	1,018,681	-	1,018,681
Management and general	308,619	-	308,619	-	308,619
Fundraising	223,460	-	223,460	-	223,460
Total Expenses	1,546,493	4,267	1,550,760	-	1,550,760
Change in Net Assets	2,873,638	(4,230)	2,869,408	-	2,869,408
Net assets - Beginning of Year	8,141,746	162,995	8,304,741	(227,560)	8,077,181
Net assets - End of the Year	\$ 11,015,384	\$ 158,765	\$ 11,174,149	\$ (227,560)	\$ 10,946,589

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

JEFFERSON LAND TRUST AND SUBSIDIARY

Consolidating Statement of Functional Expenses

Year Ended December 31, 2021

	Jefferson Land Trust	JLT Resources, LLC	Total Program Services	Management & General	Fundraising	Eliminations	Consolidated 2021
Salaries	\$ 313,964	\$ -	\$ 313,964	\$ 177,005	\$ 131,269	\$ -	\$ 622,238
Payroll taxes	25,209	-	25,209	14,208	10,541	-	49,958
Employee benefits	43,427	-	43,427	24,476	18,159	-	86,062
Value of conservation easements written do	159,999	-	159,999	-	-	-	159,999
Professional fees	299,301	2,575	301,876	27,253	25,541	-	354,670
Land and stewardship expenses	84,295	-	84,295	-	-	-	84,295
Rent	27,988	-	27,988	4,437	1,707	-	34,132
Public awareness	1,627	-	1,627	2,113	1,173	-	4,913
Dues and subscriptions	1,639	-	1,639	17,924	4,803	-	24,366
Insurance	11,759	-	11,759	6,628	4,917	-	23,304
Postage and printing	8,166	-	8,166	26	8,848	-	17,040
Other	2,921	729	3,650	10,641	522	-	14,813
Interest expense	197	-	197	20	-	-	217
Travel and seminars	4,991	-	4,991	5,841	116	-	10,948
Office supplies	8,021	456	8,477	9,394	6,280	-	24,151
Telephone	809	-	809	456	338	-	1,603
Depreciation and amortization	1,800	507	2,307	5,584	-	-	7,891
Utilities	9,862	-	9,862	1,564	601	-	12,027
Web design and maintenance	1,684	-	1,684	-	-	-	1,684
Bad debts	5,578	-	5,578	36	-	-	5,614
Bank fees	1,177	-	1,177	1,013	8,645	-	10,835
Total Expenses	\$ 1,014,414	\$ 4,267	\$ 1,018,681	\$ 308,619	\$ 223,460	\$ -	\$ 1,550,760

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

Jefferson Land Trust and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization--

Jefferson Land Trust (The Land Trust) is a Washington not-for-profit corporation formed on April 7, 1989. The Land Trust's purpose is to acquire, preserve and manage open space lands and easements for land conservation purposes benefitting the public. The Land Trust also provides information and materials to the public on land conservation issues. The Land Trust serves Jefferson County on the Olympic Peninsula in Washington State. The Land Trust has been accredited by the national Land Trust Alliance since August 5, 2009.

On September 5, 2007, JLT Resources, LLC was formed with the Land Trust as its only member. JLT Resources, LLC was formed for the purpose of purchasing and holding land for conservation purposes.

Principles of Consolidation--

These financial statements consolidate the statements of Jefferson Land Trust and JLT Resources, LLC (collectively, "JLT"). Inter-organization balances and transactions have been eliminated in consolidation.

Basis of accounting--

The consolidated financial statements of JLT have been prepared on the accrual basis of accounting.

Basis of presentation—

JLT follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, JLT 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 JLT is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of JLT.

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.

Property and Fixed Assets--

Improvements, furniture and equipment are capitalized at cost if purchased, or, if donated, at the approximate fair value at the date of donation. When retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is reflected in earnings. Maintenance and repairs are charged to expense as incurred. Costs of significant improvements are capitalized. JLT provides for depreciation using the straight-line method over the estimated useful lives of the assets of five to ten years.

JLT records acquisitions of land at cost if purchased. Land acquired through donation is recorded at fair value, with fair values generally based on independent professional appraisals. These assets fall into two primary categories:

Jefferson Land Trust and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Conservation Lands- Real property with significant ecological value for habitat, open space, or working lands. Stewardship programs of JLT manage these properties to protect the natural biological diversity of the property. JLT manages its working timberland as a Forest Stewardship Council-Certified, managed forest.

Conservation Easements- Voluntary legal agreements between a landowner and a land trust or government agency to permanently protect the identified natural features and conservation values of the property. These easements may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original grantor. Conservation easements owned by JLT protect habitat, open space and working lands, such as family farms, through its stewardship programs. Easements acquired represent numerous restrictions over the use and development of land not owned by JLT. Since the benefits of such easements accrue to the public upon acquisition, the fair market value of easements acquired is shown in the year of acquisition as an addition to net assets to record the donation of the easement, and unless conveyed to a public agency for consideration, shown as a reduction in net assets to record the value of the public's benefit and to recognize that these easements have no marketable value once severed from the land and held by JLT. Easements held by JLT are carried on the consolidated statement of financial position at \$1 each for tracking and accounting purposes. A total of \$67 is recorded in the financial records for the nominal value of easements acquired.

JLT has preserved a total of 4,254 acres of land with 67 current easements. The original acquisition cost of the easements, expensed when acquired, was in excess of \$18,200,000.

Portions of one easement with a value of \$145,700 were donated to JLT during 2021. Accordingly, \$145,700 of contribution revenue and \$145,700 of related write down expense have been reported on the consolidated statements of activities for the year ended December 31, 2021.

Estimates--

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Expense Allocation--

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expense. Program expenses represent expenses incurred to fulfill JLT'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.

Cash and Cash Equivalents--

For reporting purposes, JLT considers all unrestricted highly liquid investments with a purchased maturity of three months or less to be cash and cash equivalents.

Concentrations--

JLT maintains its cash in bank deposit accounts with three financial institutions. JLT's cash balances may, at times, exceed federally insured limits.

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At December 31, 2021, one donor's pledges represented approximately 97% of pledges receivable.

At December 31, 2020, three donor's pledges represented approximately 52% of pledges receivable.

Investments--

Investments in marketable securities with readily determinable fair values are valued at their fair values in the consolidated statement of financial position. Certificates of deposit are carried at cost plus accrued interest in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

Grants and Contracts--

JLT receives grants and contracts from federal, state, and local agencies, as well as from private organizations, to be used for specific programs or land purchases. The excess of grants receivable over reimbursable expenditures to-date is recorded as deferred revenue.

Federal Income Taxes--

The Internal Revenue Service has determined Jefferson Land Trust and JLT Resources, LLC (a disregarded entity) to be exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Contributions to JLT are deductible as allowed under IRC Section 170(b)(1)(A)(vi).

During the year ended December 31, 2012, the Land Trust elected the provisions of Section 501(h), relating to expenditures to influence legislation. That election remains in force unless revoked.

Contributions--

Contributions are recognized when received or when a donor makes an unconditional promise to give to JLT. 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.

Subsequent Events--

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required JLT to make adjustments to operating practice and delivery of services. JLT has continued its work. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

JLT has evaluated subsequent events through June 21, 2022, the date on which the consolidated financial statements were available to be issued.

Jefferson Land Trust and Subsidiary

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B. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

JLT, although it expects to receive current support to fund operations for 2022 and later years, has \$594,965 and \$290,844 of financial assets available within one year of the statement of financial position dates on December 31, 2021 and 2020, respectively, to meet cash needs for general operating expenditures. JLT also has \$471,239 and \$423,194, of board designated assets as of December 31, 2021 and 2020, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year end	\$ 3,650,149	\$ 2,107,857
Donor restricted to purpose	(2,525,826)	(1,333,293)
Long term	(58,119)	(60,526)
Board designations	<u>(471,239)</u>	<u>(423,194)</u>
Financial assets available to meet cash needs within one year	\$ <u>594,965</u>	\$ <u>290,844</u>

C. NET ASSETS COMPOSITION:

JLT's net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose Restriction:		
For stewardship of Bullis Forest Preserve	\$ 41,988	\$ 53,750
Chi-yakh-wh	43,156	44,639
Campaign Readiness Fund/Operations	10,124	108,289
Stewardship funding	780,703	766,304
Quimper Wildlife Corridor	440,366	25,051
Karen Mckee Fund	65,000	40,000
Other program restrictions	<u>58,691</u>	<u>120,368</u>
	1,440,028	1,158,401
Time Restriction:		
Outstanding pledges	<u>1,034,266</u>	<u>125,770</u>
Permanent Restriction		
Endowment Fund	<u>68,074</u>	<u>68,071</u>
Total Net Assets With Donor Restrictions	\$ <u>2,542,368</u>	\$ <u>1,352,242</u>

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Net assets without donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Designated:		
Quimper Wildlife Corridor	\$ 1,302,503	\$ 473,103
Chimacum Creek	388,347	388,347
Duckabush Riparian Forest	492,800	492,800
Duckabush Hachenedy	90,000	90,000
Donovan Creek	270,000	270,000
Duckabush Wetlands & Oxbow	530,000	530,000
Bulis Forest Preserve	125,240	125,240
Upper Snow Creek Forest	340,000	340,000
Snow Creek Uncas Preserve	260,000	260,000
Chimacum Commons	90,850	90,850
Snow Creek Estuary	86,000	86,000
Snow Creek-Hopkins	95,000	95,000
Silver Reach	125,000	125,000
Gateway	85,000	85,000
Kilham Corner	81,202	71,202
Fite & Fissler	182,226	182,226
Valley View	1,710,000	1,710,000
Discovery Bay	311,358	311,358
Longmire	145,000	145,000
Stewardship Fund	362,149	204,411
CP Operations Reserve	9,653	9,653
Karen Mckee Board Fund	14,591	114,283
Operations Reserve	84,846	94,846
Conservation easements	67	66
Total Designated	<u>7,181,832</u>	<u>6,294,385</u>
Undesignated	<u>1,222,389</u>	<u>430,554</u>
Total Net Assets Without Donor Restrictions:	<u>\$ 8,404,221</u>	<u>\$ 6,724,939</u>

Net assets of \$286,587 and \$165,192, respectively, were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by the donor, and net assets of \$111,310 and \$31,467, respectively, were released due to the expiration of time restrictions for the years ended December 31, 2021 and 2020.

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D. PROMISSORY NOTE AND LINE OF CREDIT:

JLT was subject to a promissory note dated December 27, 2018, in connection with the acquisition of the Mraz Discovery Bay parcel. The note was secured by the acquired land. The original note balance of \$175,000 bore interest at a rate of 2% per year. The note required a balloon payment of principal plus accrued interest on June 28, 2021. JLT paid the note in full during 2020.

JLT entered into a line of credit arrangement with 1st Security Bank during 2021. The line requires monthly payments of interest at 4.25% on outstanding balances. The line of credit principal balance was \$83,537 at December 31, 2021.

E. ENDOWMENTS:

The JLT endowment consists of one fund established to support general operations. As required by U.S. GAAP, net asset associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Nature of Endowments and Interpretation of Relevant Laws- JLT's Board of Directors has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, JLT classifies as nets assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by JLT in a manner consistent with the standard of prudence prescribed by PMIFA. However, JLT has informed donors of its spending policy which states that no distributions will be made during the first five years of the fund's existence or until it reaches a threshold balance of \$400,000. Since these milestones have not yet been reached, JLT adds all amounts earned to the permanently restricted balance.

In accordance with PMIFA, JLT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds, (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of JLT, and (7) JLT's investment policies.

Endowment net assets, all permanently restricted, totaled \$68,074 and \$68,071, respectively, at December 31, 2021 and 2020.

Jefferson Land Trust and Subsidiary

Notes to Consolidated Financial Statements

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Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Temporary Donor Restrictions	Permanent Donor Restrictions	Total
Endowment Net Assets 1/1/2021	\$ -	\$ 68,071	\$ 68,071
Contributions	-	-	-
Investment Income	-	3	3
Net Appreciation (Depreciation)	-	-	-
Endowment Net Assets 12/31/21	\$ -	\$ 68,074	\$ 68,074

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Temporary Donor Restrictions	Permanent Donor Restrictions	Total
Endowment Net Assets 1/1/2020	\$ -	\$ 67,477	\$ 67,477
Contributions	-	-	-
Investment Income	-	594	594
Net Appreciation (Depreciation)	-	-	-
Endowment Net Assets 12/31/20	\$ -	\$ 68,071	\$ 68,071

Funds with Deficiencies- From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires JLT to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2021 or 2020.

Return Objectives and Risk Parameters- JLT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that JLT must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom Policy Index made up of various indices. The composition of the custom Policy Index is based upon the strategic asset allocation of the investment portfolio and assumes a moderate level of investment risk. The investment objectives of the Operations Endowment Fund include maintenance of principal, timely liquidity, and preservation of purchasing power over time.

Strategies Employed for Achieving Objectives- To satisfy its long-term rate-of-return objective, JLT notes that for funds earmarked for capital appreciation, appropriate investments include intermediate term bond funds/ETF's, equity mutual funds, equity ETF's, and unconstrained bond funds.

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Spending Policy and How the Investment Objectives Relate to the Spending Policy- JLT's spending policy intends that no distributions shall be made from the Operations Endowment Fund for the first five years of its existence or until it reaches a threshold balance of \$400,000, whichever shall first occur. After a five-year period which ended in December of 2014, or after achieving the \$400,000 threshold, distributions shall be made on an annual basis as determined by the Board. Regular disbursements should be limited to a maximum of 5% of the value of the portfolio at the beginning of each fiscal year, or one-half of the income generated by the fund for the most recent fiscal year, whichever is less. At no time will the distribution of the spendable amount result in the invasion of the original amounts donated.

F. ACCOUNTS RECEIVABLE:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Historically, bad debts have been immaterial. During 2021 and 2020, there were bad debts of \$5,614 and \$0, respectively. As of December 31, 2021, management estimated that all accounts receivable were collectible.

JLT had no material amounts past due at December 31, 2021.

G. PLEDGES RECEIVABLE:

JLT received promises to give from a number of donors in 2021 and in years prior to 2021. JLT has provided an allowance for uncollectible amounts based on its assessment of the current status of individual pledges and has discounted pledges to current value using a rate of .15%. Pledges receivable at December 31, 2021 are to be received as follows:

Less than one year	\$	1,017,724
Two to five years		24,321
Thereafter		-
		<u>1,042,045</u>
Less discount to present value		(1,579)
Less allowance for uncollectible		(6,200)
	\$	<u><u>1,034,266</u></u>

H. NOTE RECEIVABLE:

On February 15, 2008, JLT granted a loan to an individual in relation to one of the pieces of conservation land owned by JLT. A promissory note was received in exchange.

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The promissory note was for the amount of \$93,750 and is to be paid in monthly installments of approximately \$600. The note matures on January 15, 2028 with an annual interest rate of 5%.

Future expected amounts to be received at December 31, 2021 are as follows:

2022	5,650
2023	5,939
2024	6,243
2025	6,562
2026	6,898
Thereafter	<u>15,935</u>
	<u>\$ 47,227</u>

I. FURNITURE, EQUIPMENT, AND IMPROVEMENTS:

Furniture, Equipment, and Improvements consist of the following at December 31, 2021 and 2020:

	2021	2020
Furniture & Equipment, and Software	\$ <u>57,351</u>	\$ <u>57,157</u>
Accumulated Depreciation and Amortization	<u>(32,086)</u>	<u>(50,586)</u>
	<u>25,265</u>	<u>6,571</u>
Leasehold Improvements	39,989	39,989
Accumulated Depreciation	<u>(22,247)</u>	<u>(17,911)</u>
	<u>17,742</u>	<u>22,078</u>
Fixed Assets-Net	\$ <u>43,007</u>	\$ <u>28,649</u>

Accumulated Depreciation and Amortization was \$54,333 and \$68,497 at December 31, 2021 and 2020, respectively.

J. ECONOMIC DEPENDENCY:

For 2021 and 2020, grant funding was primarily provided by the State of Washington Recreation and Conservation Office, State of Washington Department of Commerce, and Jefferson County. A reduction in this level of support, if it were to occur, could have a significant impact on JLT's operation

K. RETIREMENT PLAN:

JLT maintains a Simplified Employee Pension – Individual Retirement Accounts Contribution Benefit Plan (“the Plan”). Eligible employees may join the Plan after one year of service. There were employer contributions of \$15,866 and \$14,576, respectively, for 2021 or 2020.

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L. LAND AND CONSERVATION EASEMENTS:

Land and conservation easements at December 31 are summarized as follows:

	2021	2020
Quimper Wildlife Corridor	\$ 1,305,501	\$ 476,101
Chimacum Creek	385,348	385,348
Duckabush Riparian Forest	492,800	492,800
Duckabush-Hacheney	90,000	90,000
Donovan Creek	205,000	205,000
Duckabush Wetlands & Oxbow	530,000	530,000
Bulis Forest Preserve	125,240	125,240
Upper Snow Creek Forest	340,000	340,000
Snow Creek Uncas Preserve	325,000	325,000
Chimacum Commons	90,850	90,850
Snow Creek Estuary	86,000	86,000
Silver Reach	125,000	125,000
Gateway	85,000	85,000
Kilham Corner	38,930	38,930
Valley View	2,002,000	2,002,000
Discovery Bay	418,583	418,583
Fissler	75,000	75,000
Longmire	145,000	145,000
Snow Creek-Hopkins	95,000	95,000
Land Held for Sale	458,751	-
Conservation easements	<u>67</u>	<u>66</u>
Total Unrestricted Net Assets	\$ <u><u>7,419,071</u></u>	\$ <u><u>6,130,919</u></u>

M. LEASE AGREEMENTS:

On June 21, 2012, JLT entered into an operating lease as lessee for its administrative office in Port Townsend, Washington. The lease expired in June of 2014 and is now on a month to month basis. The agreement calls for monthly payments of \$2,235 plus utilities, which includes an additional adjacent space for 2021 and 2020. JLT also rents a storage unit on a month to month basis. Rent expense totaled \$34,132 and \$32,455, for the years ended December 31, 2021 and 2020, respectively.

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N. INCOME TAX & UNCERTAIN TAX POSITIONS:

Jefferson Land Trust and JLT Resources, LLC (a disregarded entity) are tax exempt non-profit organizations under the Internal Revenue Code Section 501(c)(3) and are not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

JLT 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 2018. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS) or any other state or federal taxing authorities.

JLT adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2009. As of December 31, 2021, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

O. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

JLT follows U.S. GAAP which establishes 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 ASC 958 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, 2021.

Stocks: Valued at quoted market prices in active markets for identical assets.

Mutual Funds: Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the JLT at year end.

Certificates of Deposit: Valued at original investment plus received and accrued interest.

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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, JLT's assets at fair value as of December 31, 2021:

Assets at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 918,294	\$ -	\$ -	\$ 918,294
Total Assets at Fair Value:	\$ 918,294	\$ -	\$ -	\$ 918,294
Certificates of deposit, held at cost plus accrued interest				166,236
Total Investments				\$ 1,084,530

The following table sets forth by level, within the fair value hierarchy, JLT's assets at fair value as of December 31, 2020:

Assets at Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 760,592	\$ -	\$ -	\$ 760,592
Total Assets at Fair Value:	\$ 760,592	\$ -	\$ -	\$ 760,592
Certificates of deposit, held at cost plus accrued interest				165,661
Total Investments				\$ 926,253

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Investment return for the years ended December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest & dividend income	\$ 14,701	\$ 21,902
Realized/unrealized (loss) gain	<u>147,837</u>	<u>68,538</u>
Total	<u>\$ 162,538</u>	<u>\$ 90,440</u>

P. LAND PURCHASE AND HOLD FEE:

JLT signed a purchase and sale agreement with a third party during 2015 for the purchase of approximately 850 acres of forest land in Jefferson County. The terms of the agreement, dated March 17, 2015, required JLT to purchase the property for an amount not to exceed the appraised fair market value of the property.

The terms of the agreement required the payment of a \$100,000 non-refundable hold fee to the third party to allow time for the purchase process to be completed and for JLT to raise the necessary funding to complete the purchase. The hold fee agreement was to expire on March 17, 2019. During 2016, JLT signed an amended agreement that resulted in the refund of \$25,000 of the \$100,000 hold fee and extended the agreement to nine year from the original five years, now expiring in 2023.

JLT adjusted amortization of the hold fee to the new life of the agreement which resulted in an increase to the hold fee asset of \$8,331 in 2016. Amortization expense of \$8,331 was recognized during 2021 and 2020.

Q. PAYCHECK PROTECTION PROGRAM LOAN:

In April of 2020, JLT received a loan of \$119,740 from Kitsap Bank. The loan was part of the Paycheck Protection Program, which is a United States Government program intended to mitigate the economic impact of the Covid-19 Pandemic. The loan was guaranteed by the United States Small Business Administration and carried a stated interest rate of 1%. The loan term was two years from inception, with interest payments starting on the 7th month following origination. However, the loan was eligible for forgiveness if the loan proceeds were used to subsidize payroll and certain occupancy costs of JLT. JLT used the loan proceeds for eligible expenses during 2020 and recognized grant income on loan forgiveness, which occurred in 2021.