

**COLUMBIA LAND TRUST**

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**Audited Financial  
Statements**

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**For the Year Ended  
December 31, 2008**



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

*Jake Jacobs, CPA*

*Susan J. Marks, CPA*

*Dennis C. Johnson, CPA*

*Mark A. Clift, CPA*

*Karin S. Wandtke, CPA*

*Jill Oswald  
Principal*

*James R. McDonald, CPA  
of counsel*

The Board of Directors  
Columbia Land Trust  
Vancouver, Washington

We have audited the accompanying statement of financial position of Columbia Land Trust (the Trust) (a nonprofit corporation) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Trust's 2007 financial statements and in our report dated March 14, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 provide 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 Columbia Land Trust as of December 31, 2008, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Strength in Numbers*

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ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of Columbia Land Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDonald Jacobz, P.C.

March 17, 2009

**COLUMBIA LAND TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2008**  
**(With comparative totals for 2007)**

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,028,365	\$ 1,038,566
Grants and contributions receivable	280,484	1,166,340
Contracts receivable	136,186	403,847
Note receivable	404,500	-
Prepaid expenses and inventory	63,590	7,959
Investments	1,343,669	1,713,534
Furniture and equipment, net	14,758	24,719
Conservation property	21,166,469	20,142,680
 TOTAL ASSETS	 \$ 24,438,021	 \$ 24,497,645
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 180,023	\$ 579,475
Grant payable	10,000	10,000
Deferred revenue	-	27,490
Deposits	-	2,350
Notes payable	490,000	190,000
Conservation property held on behalf of local governments	6,363,594	6,363,594
 Total liabilities	 7,043,617	 7,172,909
Net assets:		
Unrestricted:		
Undesignated	508,520	571,656
Board designated	634,779	533,584
Net investment in conservation property and other capital assets	14,817,633	13,753,805
Total unrestricted	15,960,932	14,859,045
Temporarily restricted	1,274,464	2,311,687
Permanently restricted	159,008	154,004
Total net assets	17,394,404	17,324,736
 TOTAL LIABILITIES AND NET ASSETS	 \$ 24,438,021	 \$ 24,497,645

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2008**  
**(With comparative totals for 2007)**

	2008				2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue:</b>					
Contributions	\$ 382,351	\$ 127,313	\$ 5,004	\$ 514,668	\$ 838,489
Private and government grants	250,000	1,715,979	-	1,965,979	3,272,935
Donated materials and services	82,973	78,000	-	160,973	1,353,416
Special events, net of direct expenses of \$47,376 in 2008 and \$64,704 in 2007	133,789	-	-	133,789	143,586
Gain on sale of property	35,489	-	-	35,489	-
Investment income	50,159	-	-	50,159	105,478
Net realized/unrealized gains (losses)	(279,043)	(102,044)	-	(381,087)	109,890
Other income	17,635	-	-	17,635	8,460
Net assets released from restrictions:					
Satisfaction of purpose restrictions	1,406,311	(1,406,311)	-	-	-
Total support and revenue	2,079,664	412,937	5,004	2,497,605	5,832,254
<b>Expenses:</b>					
Program services:					
Land conservation	558,184	-	-	558,184	418,455
Public outreach	186,167	-	-	186,167	97,244
Land stewardship	722,959	-	-	722,959	721,716
Total program services	1,467,310	-	-	1,467,310	1,237,415
Management and general	324,191	-	-	324,191	195,499
Fundraising	372,025	-	-	372,025	295,756
Total expenses	2,163,526	-	-	2,163,526	1,728,670
Change in net assets before non-operating activities	(83,862)	412,937	5,004	334,079	4,103,584
<b>Non-operating activities:</b>					
Net assets released from restrictions upon the acquisition of conservation property	1,450,160	(1,450,160)	-	-	-
Grants and direct costs to acquire property	(264,411)	-	-	(264,411)	(675,585)
Total non-operating activities	1,185,749	(1,450,160)	-	(264,411)	(675,585)
Change in net assets	1,101,887	(1,037,223)	5,004	69,668	3,427,999
<b>Net assets:</b>					
Beginning of year	14,859,045	2,311,687	154,004	17,324,736	13,896,737
End of year	\$ 15,960,932	\$ 1,274,464	\$ 159,008	\$ 17,394,404	\$ 17,324,736

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2008**  
**(With comparative totals for 2007)**

	Program Services				Supporting Services				Total	Total 2007
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund- raising	Total		
Salaries and related costs	\$ 309,859	\$ 88,140	\$ 189,786	\$ 587,785	\$ 181,289	\$ 1,084	\$ 200,733	\$ 383,106	\$ 970,891	\$ 724,265
Professional services	109,398	55,554	142,667	307,619	24,334	1,041	69,457	94,832	402,451	573,244
Property acquisition costs	57,069	-	-	57,069	-	-	-	-	57,069	42,055
Property maintenance	-	-	265,636	265,636	-	-	-	-	265,636	57,788
Occupancy	-	-	17	17.00	-	98,391	-	98,391	98,408	56,679
Postage and shipping	205	1,088	77	1,370	87	2,121	16,827	19,035	20,405	19,952
Printing and publications	417	12,535	-	12,952	350	3,865	16,505	20,720	33,672	32,787
License and fees	2,269	1,200	18,585	22,054	16,943	4,869	4,217	26,029	48,083	46,461
Supplies	260	2,891	38,880	42,031	224	6,179	7,007	13,410	55,441	34,863
Office equipment and repair	167	-	12,977	13,144	3,004	9,601	9,635	22,240	35,384	27,838
Meetings and training	8,802	2,213	4,289	15,304	5,483	661	5,198	11,342	26,646	26,487
Travel	12,947	6,136	14,182	33,265	673	(585)	2,865	2,953	36,218	31,514
Telephone	225	-	86	311	-	17,074	-	17,074	17,385	12,602
Insurance	-	-	-	-	-	10,936	-	10,936	10,936	10,302
Interest expense	-	-	-	-	-	14,902	-	14,902	14,902	16,244
Depreciation	750	-	1,238	1,988	5,370	3,075	4,028	12,473	14,461	12,595
Bad debt	-	-	-	-	53,637	-	-	53,637	53,637	-
Other	247	500	213	960	-	1,041	(100)	941	1,901	2,994
Total expenses before allocation of indirect costs	502,615	170,257	688,633	1,361,505	291,394	174,255	336,372	802,021	2,163,526	1,728,670
Allocation of indirect costs	55,569	15,910	34,326	105,805	32,797	(174,255)	35,653	(105,805)	-	-
Total expenses	<u>\$ 558,184</u>	<u>\$ 186,167</u>	<u>\$ 722,959</u>	<u>\$ 1,467,310</u>	<u>\$ 324,191</u>	<u>\$ -</u>	<u>\$ 372,025</u>	<u>\$ 696,216</u>	<u>\$ 2,163,526</u>	<u>\$ 1,728,670</u>

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2008**  
**(With comparative totals for 2007)**

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 69,668	\$ 3,427,999
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,461	12,595
Realized and unrealized (gains) losses on investments	381,087	(105,478)
Gain on the sale of property	(35,489)	-
Donations of conservation properties	(78,000)	(1,145,131)
Proceeds from contributions restricted to the acquisition of conservation property	(958,789)	(2,266,351)
Proceeds from contributions restricted to long-term investment	(5,004)	(45,004)
Forgiveness of debt	-	(105,000)
(Increase) decrease in:		
Grants and contributions receivable	885,856	(898,229)
Contracts receivable	267,661	170,370
Other current assets	(55,631)	11,987
Increase (decrease) in:		
Accounts payable and accrued expenses	(399,452)	408,416
Conditional grant	-	(1,000,000)
Other liabilities	(29,840)	(4,193)
Net cash provided by (used in) operating activities	<u>56,528</u>	<u>(1,538,019)</u>
<b>Cash flows from investing activities:</b>		
Cash disbursed for note receivable	(404,500)	-
Purchase of conservation land	(954,789)	(2,422,101)
Purchase of furniture and equipment	(4,500)	(20,352)
Net proceeds from (purchases) of investments	(50)	503,046
Reinvestment of investment income	(11,172)	(34,449)
Proceeds from the sale of property	44,489	-
Net cash used in investing activities	<u>(1,330,522)</u>	<u>(1,973,856)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted to the acquisition of conservation property	958,789	2,266,351
Proceeds from contributions restricted to long-term investment	5,004	45,004
Payments on notes payable	(150,000)	-
Proceeds from notes payable	450,000	-
Net cash provided by financing activities	<u>1,263,793</u>	<u>2,311,355</u>
Net decrease in cash and cash equivalents	(10,201)	(1,200,520)
Cash and cash equivalents - beginning of year	<u>1,038,566</u>	<u>2,239,086</u>
Cash and cash equivalents - end of year	<u>\$ 1,028,365</u>	<u>\$ 1,038,566</u>

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

**1. THE ORGANIZATION**

Description of Organization

The Columbia Land Trust (the Trust) is a nonprofit organization founded in 1990 with the mission to conserve signature landscapes and vital habitat together with the land owners and communities of the Columbia River Region. Based in Vancouver, Washington, with offices in Astoria and Hood River, Oregon, the Trust provides opportunities for community members to conserve their land through conservation easements and donation of fee simple ownership. The Trust also raises money for stewardship and to purchase priority lands for conservation. Since its formation, the Trust has conserved more than 9,450 acres at 105 different sites through the Columbia River Region. The Trust's support is derived primarily from private and government grants and contributions. Private grants from the Felburn Foundation represented 21% of total revenue for 2007. There were no significant concentrations of revenue in 2008.

Columbia Land Trust's programs include:

**Land Conservation**

The Trust conserves the most important and threatened land using all the tools of private, voluntary land conservation. The Trust works exclusively with willing landowners to find ways to conserve, forever, the scenic and natural values of the land and water. Landowners donate or sell a conservation interest in their land, such as development rights or full ownership, to the Trust. The Trust manages the land under a stewardship plan and, if necessary, legally defends its conservation values. The Trust also identifies priority conservation lands to purchase. Further, the Trust conserves working forest and agricultural land for the purpose of keeping the land in resource production.

**Public Outreach**

The Trust increases awareness about the benefits of private land conservation and the mission of the Trust. Methods include focusing education and outreach to support conservation in priority areas, targeting technical advisors to land owners, showcasing successful projects to promote conservation and stewardship, and introducing the general public to land conservation through tours and publications.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**1. THE ORGANIZATION, Continued**

**Land Stewardship**

Protecting and enhancing the conservation values of lands acquired by the Trust is some of the most important work the Trust is involved in. It is the responsibility of the Stewardship Program to protect conservation values and to be a good neighbor and community member for all Trust properties through science-based management. The Trust evaluates every property for its conservation value, the threats to these values, and for opportunities to enhance conservation values through responsible management. A stewardship plan is developed and implemented based on this analysis to include annual monitoring as part of an adaptive management framework. A number of Trust conservation properties currently include significant restoration work to replace lost functions and increase the conservation value of the property. Volunteers are a growing resource for the stewardship program with volunteers of all ages participating in planning and implementation. Individuals and groups are providing hundreds of hours of service stewarding conserved lands. A stewardship funding strategy, including gift donations during the acquisition process, is an integral part of every new conservation project. Stewardship funds are used to provide for future expenses of restoration, monitoring, enforcing compliance with easement restrictions, and underwriting legal defense of the conservation protections for all Trust properties. The Trust has also established a stewardship endowment to provide permanent support for program activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Trust reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Trust and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Trust.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Basis of Presentation, Continued

Expenses are recorded as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments consist of marketable securities and are carried at current market value. Net appreciation in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities. Interest income is accrued as earned and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

Donor-restricted investment income earned on permanently restricted net assets is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the investment income is recognized. All other donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Inventory

Inventory, which consists primarily of books, T-shirts, baseball hats, and other items held for sale at various functions and public meetings, are carried at the lower of cost, as determined on a first-in-first-out basis, or market. At December 31, 2008 and 2007, inventory totaled approximately \$48,800 and \$1,800, respectively.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years.

Conservation Property

Conservation property is reported at cost when purchased and at fair market value on the date received when acquired by gift. No depreciation is recorded on conservation property.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Income Tax Status

The Columbia Land Trust is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Trust has no activities subject to unrelated business income tax. The Trust is not a private foundation.

Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Trust's activities. When conservation property is purchased at a bargain sale, that is, when the purchase price is below the appraised value, an in-kind contribution is recorded for the difference between the purchase price and the appraised value.

The Trust reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. The Trust regularly receives contributed services from a variety of volunteers who assist the Trust in its programs and events. The value of such services has not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met.

During the years ended December 31, 2008 and 2007, the Trust received the following in-kind contributions. Donated property has been capitalized and other materials and services have been charged to the program to which they apply.

	2008	2007
Interest forgiven	\$ 14,902	\$ 16,244
Professional services	26,477	191,826
Bargain sale on land and donated property	78,000	1,145,131
Donated stewardship supplies	15,600	-
Other	25,994	215
	<u>160,973</u>	<u>1,353,416</u>
Total in-kind contributions	\$ 160,973	\$ 1,353,416

Grants and Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Trust is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Trust has an established right to the bequest and the proceeds are measurable.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions restricted for long-term stewardship of conservation properties are generally not property-specific and are recognized at the time stewardship expenses are incurred. Service revenues are recognized at the time services are provided and the revenues are earned. Funds received in advance of providing services are recorded as deferred revenue until the services are provided. Membership payments received from the Trust member are considered equivalent to unrestricted contributions and are recognized when the revenue is received.

Contributions of Long-Lived Assets

Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as temporarily restricted revenue. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Summarized Financial Information for 2007

The financial information as of December 31, 2007 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable are summarized as follows at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Expected to be collected in:		
Less than one year	\$ 260,484	\$ 942,940
One to five years	<u>20,000</u>	<u>223,400</u>
Total grants and contributions receivable	<u>\$ 280,484</u>	<u>\$ 1,166,340</u>

Conditional grants contingent on performance and matching requirements approximate \$200,000 at December 31, 2008, and accordingly are not reported in the financial statements.

**4. CONTRACTS RECEIVABLE**

Contracts receivable are unsecured and are summarized as follows at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Washington Department of Fish and Wildlife	\$ 12,532	\$ 107,761
U.S. Fish and Wildlife Service	14,347	219,387
Salmon Recovery Funding Board (passed through state of Washington)	81,034	29,528
Others	<u>28,273</u>	<u>47,171</u>
Total contracts receivable	<u>\$ 136,186</u>	<u>\$ 403,847</u>

**5. NOTE RECEIVABLE**

Note receivable of \$404,500 from Washington State Parks, due October 31, 2009. Payment by the state is contingent upon receiving funding from the Washington State Recreation and Conservation Office. In the event that payment is not received, the Trust will receive part of the land that Washington State Parks acquired with the funds.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**6. INVESTMENTS**

Investments at December 31, 2008 and 2007 are carried at fair value and consist of the following:

	<u>2008</u>	<u>2007</u>
Funds held at the Community Foundation for Southwest Washington	\$ 285,374	\$ 372,757
Equity funds	478,856	802,885
Fixed income funds	436,501	523,109
Cash equivalents	<u>142,938</u>	<u>14,783</u>
Total investments	<u>\$ 1,343,669</u>	<u>\$ 1,713,534</u>

Investments include funds held for investment with the Community Foundation for Southwest Washington (CFSW). The Trust's funds are pooled with other assets managed by CFSW and are invested in debt and equity securities. The Trust has not granted variance power to CFSW.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**7. FURNITURE AND EQUIPMENT**

Furniture and equipment consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Computer hardware and software	\$ 53,638	\$ 49,138
Office equipment and furniture	11,150	11,150
Stewardship equipment	<u>29,259</u>	<u>29,259</u>
	94,047	89,547
Less accumulated depreciation	<u>79,289</u>	<u>64,828</u>
Furniture and equipment, net	<u>\$ 14,758</u>	<u>\$ 24,719</u>

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**8. CONSERVATION PROPERTY**

Conservation property consists of the following at December 31, 2008 and 2007:

	2008	2007
Fee simple land and property	\$ 14,739,575	\$ 13,757,786
Land held on behalf of local governments	6,363,594	6,363,594
Access easements	22,300	16,300
Down payment on land	41,000	5,000
	\$ 21,166,469	\$ 20,142,680

*Fee Simple Land and Property* includes conservation land and property held and maintained by the Trust. These lands are held for conservation purposes consistent with the Trust's mission and/or donor restrictions and are reported at cost and/or fair value as of the date received.

*Land Held on Behalf of Local Governments* includes land for which the Trust holds title and has committed to convey the property to local governmental agencies upon request or at the expiration of a specified period. In each of these transactions, a Memorandum of Understanding (MOU) has been executed between the Trust and the local governmental agency, dictating the terms of the future transfer. Accordingly, a corresponding liability is reported in the accompanying statement of financial position.

*Access Easements* include easements purchased or donated for the purpose of accessing certain properties owned by another person or entity.

**9. CONSERVATION EASEMENTS**

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At December 31, 2008, the Trust holds 21 conservation easements on 708 acres of land.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**10. NOTES PAYABLE**

	2008	2007
Note payable to an individual, secured by land, with no interest. Paid off during 2008.	\$ -	\$ 50,000
Unsecured notes payable to three individuals, with no interest. Notes are due December 2009.	140,000	140,000
Unsecured notes payable to three individuals, with no interest. The full balances of the notes are due December 2009. Notes include an option for a one year extension of the due date.	150,000	-
Unsecured notes payable to three individuals, with no interest. The full balances of the notes are due January 2010. Notes include an option for a one year extension of the due date.	200,000	-
Total	490,000	190,000
Less current portion	290,000	50,000
Long-term portion	\$ 200,000	\$ 140,000

Interest forgiven under the terms of the above notes for the years ended December 31, 2008 and 2007 totals \$14,902 and \$16,244, respectively, and have been recognized in the accompanying financial statements as an in-kind contributions.

Current maturities of notes payable are as follows:

	2008
December 31, 2009	\$ 290,000
2010	200,000
	\$ 490,000

**11. CONTINGENCIES**

Amounts received or receivable from various contracting 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 significant amounts received or receivable will be required to be returned in the future.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**12. LEASE COMMITMENTS**

The Trust leases its administrative offices in Vancouver under an operating lease which expires May 2009 with monthly rent of \$6,800, escalating annually at a rate based on the Consumer Price Index. The Trust subleased a portion of the space in its Vancouver office at a rate of \$350 per month through September 2008. The office in Astoria is leased under an operating lease expiring May 2009 with monthly rent of \$225. Offices in Hood River are leased on a month-to-month basis.

In addition, the Trust leases certain office equipment under operating leases which expire in 2010.

During the year ended December 31, 2004, the Trust entered into a 50-year land lease agreement to protect three Columbia River islands and adjacent floodplains that are important habitat for various species of salmon, migratory birds, and other wildlife. Under the terms of the lease, the Trust will pay \$1 annually for all rights to conserve and restore the island over the next 50 years (through December 31, 2055). However, the Trust has no affirmative obligation to use or maintain the land. As of December 31, 2008, the Trust has paid \$50 in advance under this arrangement. No in-kind contribution has been recorded in the accompanying financial statements to reflect the below-market lease rate as the value of the contribution is not readily determinable.

Rent expense paid for the above leases totaled approximately \$89,300 and \$49,400 for the years ended December 31, 2008 and 2007, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending December 31, 2009	\$ 37,900
2010	<u>2,100</u>
	<u>\$ 2,100</u>

**13. STEWARDSHIP COMMITMENT**

Protecting and enhancing the conservation values of the lands acquired by the Trust, and doing so in perpetuity, is an important aspect of the Trust's work. The Trust evaluates each property it holds for its conservation value, as well as the threats to these values, and develops and implements a stewardship plan based on this analysis. The plan includes detailed monitoring on an annual basis. Current costs associated with the Trust's stewardship efforts are expensed as incurred. The costs of future obligations represent a commitment of the Trust and will be recorded as they are incurred.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**14. BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Stewardship funds	\$ 634,779	\$ 510,854
General wetlands	-	9,930
Operating endowment	-	8,000
Maplegate property stewardship	-	<u>4,800</u>
Total board designated net assets	<u>\$ 634,779</u>	<u>\$ 533,584</u>

**15. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land acquisition and related costs	\$ 239,222	\$ 391,310
Stewardship funds	670,415	1,084,781
Specific projects	76,223	138,471
Organizational development	126,679	312,785
Future periods	<u>161,925</u>	<u>384,340</u>
Total temporarily restricted net assets	<u>\$ 1,274,464</u>	<u>\$ 2,311,687</u>

**16. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at December 31, 2008 and 2007 consist of \$159,008 and \$154,004, respectively held in endowment funds. The principal portion of the endowment is permanently restricted and income on the principal is restricted to the Trust's stewardship.

**17. RETIREMENT PLANS**

The Trust offers a tax-sheltered annuity plan as described under Section 403(b) of the Internal Revenue Code and a Simplified Employee Pension (SEP) plan to substantially all full-time and certain part-time employees. The Trust provides contributions to the SEP plan equal to 7.5% of the annual compensation of each participating employee. Employees are allowed to participate in the plans immediately upon employment, and may make other contributions to the 403(b) plan up to the limits allowed by law. Contributions to the SEP plan for 2008 and 2007 totaled \$60,736 and \$42,059, respectively.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**18. RELATED PARTY TRANSACTIONS**

The Trust has notes payable to the following related parties. All notes are unsecured and have no stated interest rate (Note 10):

	<u>Balance at December 31, 2008</u>
An employee	\$ 10,000
The spouse of an employee	90,000
Board member	<u>100,000</u>
	<u>\$ 200,000</u>

Fees totaling \$5,916 for professional services were paid during 2008 to a law firm where a board member is employed.

The Trust has bank accounts at a bank where board member is an employee.

**19. CONCENTRATIONS OF CREDIT RISK**

The Trust maintains its cash balances in two financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000 (\$250,000 effective October 3, 2008 through December 31, 2009). The balances, at times, may exceed the federally insured limit. Uninsured cash balances at December 31, 2008 totaled approximately \$560,500 (\$1,035,000 at December 31, 2007). The market value of securities is dependent on the ability of the insurer to honor its contractual commitments, and the investments are subject to changes in market values. Certain grants and contributions receivable also subject the Trust to concentrations of credit risk.

**20. FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

	Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,343,669	\$ 1,343,669	\$ -	\$ -
Contributed land	78,000	78,000		

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of contributed land is measured based on identical items as determined by appraisal.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**21. ENDOWMENT**

Columbia Land Trust's endowment consists of approximately \$794,000 of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the by Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Columbia Land Trust has interpreted Washington's enacted Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of 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 interpretation, Columbia Land Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations 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 in not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by the Act. The Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Trust and the donor-restricted endowment fund
- (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 the Trust
- (7) The investment policies of the Trust

Endowment net asset composition by type of fund as of December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 159,008	\$ 159,008
Board-designated endowment funds	634,779	-	-	634,779
Total funds	<u>\$ 634,779</u>	<u>\$ -</u>	<u>\$ 159,008</u>	<u>\$ 793,787</u>

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2008**

**21. ENDOWMENT, Continued**

Changes in endowment net assets for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 533,584	\$ 23,396	\$ 154,004	\$ 710,984
Investment return:				
Net realized and unrealized appreciation/(depreciation) and investment income	(68,118)	(23,396)	-	(91,514)
Contributions	169,313	-	5,004	174,317
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets - end of year	<u>\$ 634,779</u>	<u>\$ -</u>	<u>\$ 159,008</u>	<u>\$ 793,787</u>

Return Objectives and Risk Parameters

Columbia Land Trust 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 the Trust must hold in perpetuity or for a donor-specified period(s) 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 the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year will vary from the benchmark.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Columbia Land Trust has not yet begun distributing funds from the endowment as it has established a goal to reach a minimum level sufficient to support ongoing stewardship activities. At such time that the board approves distributions, a spending policy will establish a spending policy. In establishing this policy, the Trust will consider the long-term expected return on its endowment that is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**



McDONALD JACOBS

*Jake Jacobs, CPA*

*Susan J. Marks, CPA*

*Dennis C. Johnson, CPA*

*Mark A. Clift, CPA*

*Karin S. Wandtke, CPA*

*Jill Oswald  
Principal*

*James R. McDonald, CPA  
of counsel*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Columbia Land Trust  
Vancouver, Washington

We have audited the financial statements of Columbia Land Trust (a nonprofit organization) as of and for the year ended December 31, 2008 and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Columbia Land Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Trust's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that the misstatement of the Trust's financial statements that is more than inconsequential will not be prevented or detected by the Trust's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Trust's internal control.

*Strength in Numbers*

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ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbia Land Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Columbia Land Trust in a separate letter dated March 17, 2009.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "McDonald Jacobson, P.C." The signature is written in a cursive style.

March 17, 2009