

# COLUMBIA LAND TRUST

Audited Financial Statements

For the Year Ended December 31, 2017



MCDONALD JACOBS

Every day I am amazed at the nature of the northwest, from tiny flowers being pollinated by mason bees in my backyard, to the ancient call of the sandhill crane, to the long arc of a wild river pulsing toward the Columbia. And every day I am reminded of the urgency to conserve these places as I look across my city and see so many construction cranes making space for the hundreds of thousands of people moving here in the years ahead.

We have grown Columbia Land Trust to be a key leader in conserving and caring for the vital lands and water of the Columbia River region, these amazing things that we witness every day, through sound science and strong relationships.

Our ability to achieve this mission is linked to our financial health. And this annual audit is an important measure of our financial health.

However, the audit requirements of the Financial Accounting Standards Board don't always make the most important financial measures jump out at you. Let me point out a few key indicators.

Every year supporters give us unrestricted financial gifts (see line Contributions, page 4). These gifts give our staff the ability to build relationships, write grants and conserve land valued in the tens of millions of dollars. Sustained unrestricted annual gifts is a key measure of our health.

The financial value of the lands that we have conserved can be found on line labeled Conservation Property on page 3, totaling \$63,205,212. But keep in mind that this does not include the value of lands that we were instrumental in conserving but do not currently hold. I estimate that we have ensured conservation of an additional \$20,000,000 of land through our partners.

With every property that comes in to our ownership, we take on a forever commitment to care for those lands. The primary way that we meet our long term stewardship obligation is through people's estate gifts, which we then manage as a real or quasi-endowment. The balance of these funds is \$11,713,274 and can be found on page 22.

But there are other important measures of our health that don't show up on these financial statements.

The ecological health of our lands is crucially important to meeting our mission. Columbia Land Trust staff is currently leading the way in deploying an audit of ecological health, called Ecological Integrity Assessments. Once in place, these will show if our lands are actually providing the ecological values that we desire.

Another important aspect of good ecological health is that a property in excellent condition needs far less human management since there are few invasive weeds or expensive management challenges. Ecologically healthy properties can mean lower cost annual stewardship.

Finally, the biggest long-term factor of our financial health is if our work is actually important to the people of the Columbia River region. Everything that we do is rooted in people, be they staff, board, volunteers, partners, or funders. And people will act to conserve nature if they know it.

Ultimately, the greatest measure of our financial health may be the degree to which the people of the northwest continue to be inspired by nature, and compelled to act to conserve and care for it. In 2018 we are deploying new programs to engage more and more people in conservation.

Thank you for supporting Columbia Land Trust!

Glenn Lamb, Executive Director

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Columbia Land Trust

### **Report on Financial Statements**

We have audited the accompanying financial statements of Columbia Land Trust (the Trust) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Land Trust as of December 31, 2017, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the Columbia Land Trust's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018, 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 that 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 effectiveness of Columbia Land Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbia Land Trust's internal control over financial reporting and compliance.

*McDonald Jacobson, P.C.*

Portland, Oregon  
May 24, 2018

COLUMBIA LAND TRUST  
STATEMENT OF FINANCIAL POSITION  
December 31, 2017  
(With comparative totals for 2016)

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 555,922	\$ 1,740,544
Grants and contributions receivable	4,108,320	5,679,368
Contracts receivable	1,434,457	345,167
Cash held for property conservation	540,071	554,735
Prepaid expenses	44,494	31,802
Investments	13,620,598	10,892,181
Property and equipment, net	132,315	69,331
Conservation property	63,205,212	61,583,041
 TOTAL ASSETS	 \$ 83,641,389	 \$ 80,896,169
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 455,695	\$ 468,395
Note payable	20,000	20,000
Conservation property held on behalf of local governments	6,108,594	6,108,594
Total liabilities	6,584,289	6,596,989
Net assets:		
Unrestricted:		
Undesignated	549,294	1,594,696
Board designated	4,057,614	3,233,735
Net investment in conservation property and other capital assets	57,228,933	55,543,778
Total unrestricted	61,835,841	60,372,209
Temporarily restricted	11,061,426	9,803,757
Permanently restricted	4,159,833	4,123,214
Total net assets	77,057,100	74,299,180
 TOTAL LIABILITIES AND NET ASSETS	 \$ 83,641,389	 \$ 80,896,169

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2017  
(With comparative totals for 2016)

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue:</b>					
Contributions	\$ 826,433	\$ 1,377,259	\$ 36,619	\$ 2,240,311	\$ 9,215,175
Bequests	5,044	-	-	5,044	3,594,159
Private and government grants	1,379,244	1,701,473	-	3,080,717	1,999,565
Donated materials and services	88,975	-	-	88,975	174,612
Special events, net of direct expenses of \$115,856 in 2017 and \$129,628 in 2016	221,157	10,500	-	231,657	160,375
Investment income, net of fees	410,556	1,104,766	-	1,515,322	594,270
Other income	143,257	82,577	-	225,834	328,899
Net assets released from restrictions:					
Satisfaction of purpose restrictions	<u>2,883,431</u>	<u>(2,883,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,958,097</u>	<u>1,393,144</u>	<u>36,619</u>	<u>7,387,860</u>	<u>16,067,055</u>
<b>Expenses:</b>					
Program services:					
Land conservation	1,316,560	-	-	1,316,560	1,060,541
Public outreach	471,011	-	-	471,011	477,366
Land stewardship	<u>3,202,056</u>	<u>-</u>	<u>-</u>	<u>3,202,056</u>	<u>2,776,261</u>
Total program services	4,989,627	-	-	4,989,627	4,314,168
Management and general	627,523	-	-	627,523	575,443
Fundraising	<u>706,851</u>	<u>-</u>	<u>-</u>	<u>706,851</u>	<u>667,710</u>
Total expenses	<u>6,324,001</u>	<u>-</u>	<u>-</u>	<u>6,324,001</u>	<u>5,557,321</u>
Change in net assets before non-operating activities	(365,904)	1,393,144	36,619	1,063,859	10,509,734
<b>Non-operating activities:</b>					
Grants received for acquisition of conservation property	-	1,503,085	-	1,503,085	1,699,458
Donated land	190,976	-	-	190,976	11,012,900
Net assets released from restrictions upon the acquisition of conservation property	<u>1,638,560</u>	<u>(1,638,560)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	1,463,632	1,257,669	36,619	2,757,920	23,222,092
<b>Net assets:</b>					
Beginning of year	<u>60,372,209</u>	<u>9,803,757</u>	<u>4,123,214</u>	<u>74,299,180</u>	<u>51,077,088</u>
End of year	<u>\$ 61,835,841</u>	<u>\$ 11,061,426</u>	<u>\$ 4,159,833</u>	<u>\$ 77,057,100</u>	<u>\$ 74,299,180</u>

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2017  
(With comparative totals for 2016)

	2017				2016					
	Program Services				Supporting Services					
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund-raising	Total	2016 Total	
Salaries and related costs	\$ 506,342	\$ 182,797	\$ 741,940	\$ 1,431,079	\$ 431,960	\$ 7,243	\$ 508,815	\$ 948,018	\$ 2,379,097	\$ 2,241,033
Professional services	108,624	200,716	78,482	387,822	68,163	45,535	34,270	147,968	535,790	745,994
Property acquisition costs	55,941	-	-	55,941	-	-	-	-	55,941	50,874
Property maintenance	-	-	1,767,219	1,767,219	-	-	-	-	1,767,219	1,500,101
Occupancy	-	-	37,272	37,272	3,615	178,022	-	181,637	218,909	212,195
Postage and shipping	154	3,547	203	3,904	45	3,560	42,376	45,981	49,885	47,218
Printing and publications	681	25,070	1,159	26,910	-	12,751	5,535	18,286	45,196	60,308
License and fees	1,026	998	113,865	115,889	33,415	37,236	1,432	72,103	187,992	145,288
Supplies	279	13,023	275,901	289,203	421	5,887	9,363	15,671	304,874	229,208
Equipment and repair	3,662	3,670	24,594	31,926	8,291	34,016	19,828	62,135	94,061	105,100
Meetings and training	3,439	3,799	3,009	10,247	7,578	604	1,131	9,313	19,560	15,070
Travel	11,395	2,502	28,112	42,009	5,909	175	811	6,895	48,904	46,748
Telephone	-	330	2,362	2,692	-	17,759	-	17,759	20,451	21,647
Insurance	-	-	2,400	2,400	-	36,734	-	36,734	39,134	35,043
Conservation easement	535,045	-	-	535,045	-	-	-	-	535,045	-
Other	4,400	4,369	4,442	13,211	-	5,279	3,453	8,732	21,943	101,474
Total expenses before allocation of indirect costs	1,230,988	440,821	3,080,960	4,752,769	559,397	384,821	627,014	1,571,232	6,324,001	5,557,321
Allocation of indirect costs	85,572	30,190	121,096	236,858	68,126	(384,821)	79,837	(236,858)	-	-
Total expenses	\$ 1,316,560	\$ 471,011	\$ 3,202,056	\$ 4,989,627	\$ 627,523	\$ -	\$ 706,851	\$ 1,334,374	\$ 6,324,001	\$ 5,557,321

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2017  
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,757,920	\$ 23,222,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,258	17,142
Realized and unrealized gains on investments	(1,171,920)	(460,712)
Note payable converted to donation	-	(10,000)
Donations of conservation properties	(190,976)	(11,012,900)
Proceeds restricted to the acquisition of conservation property	(1,503,085)	(1,699,458)
Proceeds from contributions restricted to endowment	(36,619)	(273,000)
(Increase) decrease in:		
Grants and contributions receivable	1,571,048	(5,500,922)
Contracts receivable	(1,089,290)	401,980
Other current assets	(12,692)	3,155
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,700)	62,961
Net cash provided by operating activities	<u>339,944</u>	<u>4,750,338</u>
<b>Cash flows from investing activities:</b>		
Purchase of conservation land	(1,431,195)	(1,724,163)
Purchase of property and equipment	(91,242)	(37,098)
Proceeds from sale of investments	5,204,365	1,744,630
Purchase of investments	<u>(6,760,862)</u>	<u>(6,114,529)</u>
Net cash used in investing activities	<u>(3,078,934)</u>	<u>(6,131,160)</u>
<b>Cash flows from financing activities:</b>		
Proceeds restricted to the acquisition of conservation property	1,503,085	1,699,458
Proceeds from contributions restricted to endowment	36,619	273,000
Net cash provided by financing activities	<u>1,539,704</u>	<u>1,972,458</u>
Net increase (decrease) in cash and cash equivalents	(1,199,286)	591,636
Cash and cash equivalents - beginning of year	<u>2,295,279</u>	<u>1,703,643</u>
Cash and cash equivalents - end of year	<u>\$ 1,095,993</u>	<u>\$ 2,295,279</u>
Cash and cash equivalents	\$ 555,922	\$ 1,740,544
Cash held for property conservation	540,071	554,735
	<u>\$ 1,095,993</u>	<u>\$ 2,295,279</u>

See notes to financial statements.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

1. THE ORGANIZATION

Description of Organization

Columbia Land Trust (the Trust) is a nonprofit organization founded in 1990 with the mission to conserve and care for vital lands, waters, and wildlife of the Columbia River region. Based in Vancouver, Washington, with offices in Astoria, Hood River and Portland, 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 32,721 acres at 203 different sites throughout the Columbia River Region. The Trust's support is derived primarily from private and government grants and contributions.

The 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 landowners, 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, 2017

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 in which the Trust is involved. 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 the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions in 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.

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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Grants and Contributions Receivable

Grants and 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.

Contracts Receivable

Contracts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Investments

Investments consist of marketable securities and are carried at current market value. Net appreciation (depreciation) 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.

Property and Equipment

Acquisitions of property 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 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. Conservation property value is held at a constant value and is not adjusted for depreciation or re-assessment. Also see Note 8 regarding conservation easements.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

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

The Trust follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Trust's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

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. Contributions of unrestricted and temporarily restricted gifts are recognized at the time of the gift.

Restrictions and Unrestricted Revenue and Support, Continued

Temporarily restricted funds are released as unrestricted support 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's members are considered equivalent to unrestricted contributions and are recognized as revenue when received.

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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services, Continued

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, 2017 and 2016, the Trust received the following in-kind contributions:

	<u>2017</u>	<u>2016</u>
Pro-bono legal and consulting service	\$ 35,830	\$ 20,412
Advertising	-	103,215
Special event goods and services	41,046	43,560
Other	<u>12,099</u>	<u>7,425</u>
Donated materials and services	88,975	174,612
Bargain sale on land and donated property	<u>190,976</u>	<u>11,012,900</u>
Total in-kind contributions	<u>\$ 279,951</u>	<u>\$ 11,187,512</u>

Donated property has been capitalized and other materials and services have been charged to the program or event to which they apply.

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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 2016

The financial information as of December 31, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Trust has evaluated all subsequent events through May 24, 2018, the date the financial statements were available to be issued.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Expected to be collected in:		
Less than one year	\$ 1,827,765	\$ 2,043,442
One to five years	<u>2,280,555</u>	<u>3,635,926</u>
Total grants and contributions receivable	<u>\$ 4,108,320</u>	<u>\$ 5,679,368</u>

Management estimates that any uncollectible accounts will be insignificant.

Approximately 84% of grants and contributions receivable at December 31, 2017 (85% in 2016) are due from one donor. Additionally, substantially all of the balances are receivable from individuals or entities located within Oregon and Washington.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

4. CONTRACTS RECEIVABLE

Contracts receivable are unsecured and are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Salmon Recovery Funding Board (passed through State of Washington)	\$ 507,558	\$ 40,408
Bonneville Power Administration	117,259	117,795
State of Washington Wildlife Recreation program	58,708	27,065
State of Washington Department of Ecology	-	93,983
Yakima Nation	568,842	-
Others	<u>182,090</u>	<u>65,916</u>
Total contracts receivable	<u>\$ 1,434,457</u>	<u>\$ 345,167</u>

Amounts included in contracts receivable that are over 90 days past due totaled approximately \$110,000 and \$103,000 at December 31, 2017 and 2016, respectively.

5. INVESTMENTS

Investments at December 31, 2017 and 2016 are carried at fair value and consist of the following:

	<u>2017</u>	<u>2016</u>
Funds held at the Community Foundation for Southwest Washington	\$ -	\$ 278,362
Mutual funds:		
Fixed income	2,444,765	1,773,932
Equity securities	9,301,756	5,452,589
Other mutual funds	-	1,171,283
Cash equivalents	<u>1,874,077</u>	<u>2,216,015</u>
Total investments	<u>\$ 13,620,598</u>	<u>\$ 10,892,181</u>

Investment income for the years ended December 31, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 382,974	\$ 173,798
Net realized/unrealized gains	1,171,920	460,712
Investment fees	<u>(39,572)</u>	<u>(40,240)</u>
Net investment income	<u>\$ 1,515,322</u>	<u>\$ 594,270</u>

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

5. INVESTMENTS, Continued

Funds held at the Community Foundation for Southwest Washington (CFSW) at December 31, 2016 are pooled with other assets managed by CFSW and are invested in debt and equity securities. The Trust did not grant variance power to CFSW. The account was closed in 2017.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017 and 2016:

	2017	2016
Leasehold improvements	\$ 22,219	\$ 22,218
Computer hardware and software	68,236	68,236
Office equipment and furniture	11,150	11,150
Stewardship equipment	217,111	125,870
Total property and equipment	318,716	227,474
Less accumulated depreciation	186,401	158,143
Net property and equipment	\$ 132,315	\$ 69,331

7. CONSERVATION PROPERTY

Conservation property consists of the following at December 31, 2017 and 2016:

	2017	2016
Fee simple land and property	\$ 57,050,502	\$ 55,356,441
Land held on behalf of local governments	6,108,594	6,108,594
Access easements	18,300	18,300
Fee simple land in progress	27,816	99,706
Total conservation property	\$ 63,205,212	\$ 61,583,041

*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.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

7. CONSERVATION PROPERTY, Continued

*Access Easements* include easements purchased or donated for the purpose of accessing certain properties owned by another person or entity to reach Trust land and property.

*Fee Simple Land in Progress* includes the initial costs of preparing to purchase conservation property.

8. 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, 2017 the Trust held 52 conservation easements on 5,487 acres of land (47 conservation easements and 4,654 acres of land at December 31, 2016).

9. LINE OF CREDIT

The Trust has a \$500,000 unsecured revolving line of credit with Columbia State Bank, expiring July 2018. Advances on the credit line are payable on demand and carry an interest rate of 5.5% at December 31, 2017 (prime plus 1% with a minimum rate of 4.5%). There were no advances on the line of credit at December 31, 2017 and 2016.

10. NOTE PAYABLE

The Trust has an unsecured note payable to an individual, with no interest and payment upon maturity. Note is due December 2020. Balances was \$20,000 at December 31, 2017 and 2016.

Interest forgiven under the terms of the note payable for the years ended December 31, 2017 and 2016 totals \$1,200 and \$1,800, respectively, and has been recognized in the accompanying financial statements as an in-kind contribution. During 2016, the lender forgave \$10,000 of the note as a contribution to the Trust.

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 will be required to be returned in the future.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

12. LEASE COMMITMENTS

The Trust's main office in Vancouver is leased under an operating lease beginning February 2016 and expiring January 2023. Monthly rent is currently \$10,691 subject to annual increases. The Trust also leases an office in Portland under an operating lease which expires September 2020, with current monthly rent of \$2,185 subject to annual increases. The Trust receives one month with no rent annually. Both of these leases are expensed over the life of the lease on a straight-line basis with deferred rent totaling \$28,831 at December 31, 2017, recorded as a liability (\$27,083 at December 31, 2016).

Warehouse, equipment and other offices and storage are leased under operating leases with total monthly rent of approximately \$3,300 expiring at various dates through January 2019.

Rent expense for the above leases totaled approximately \$195,200 and \$192,900 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease commitments under operating leases are as follows:

For the years ending December 31, 2018	\$	182,100
2019		159,300
2020		156,800
2021		138,700
2022		141,400
Thereafter		11,800
	\$	790,100

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 habitats 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, 2017, 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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

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.

14. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved as follows at December 31, 2017 and 2016:

	2017	2016
Stewardship endowment (Note 21)	\$ 3,831,961	\$ 2,951,743
Operating reserve	84,300	132,500
Other	141,353	149,492
Total board designated net assets	\$ 4,057,614	\$ 3,233,735

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	2017	2016
Land acquisition and related costs	\$ 1,107,464	\$ 910,776
Stewardship funds	5,784,159	7,340,419
Earnings on endowment (Note 21)	3,701,480	1,482,790
Other restrictions	140,123	52,389
Future periods	328,200	17,383
Total temporarily restricted net assets	\$ 11,061,426	\$ 9,803,757

Included in temporarily restricted net assets for stewardship funds are contributions to the Trust from a legal settlement of parties unrelated to the Trust who have selected the Trust to provide conservation required by the legal settlement. At December 31, 2017 and 2016, there was approximately \$540,100 and \$554,700, respectively, included in temporarily restricted net assets related to this purpose.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are held in endowment funds total \$4,159,833 and \$4,123,214 at December 31, 2017 and 2016, respectively. The principal portion of the endowment is permanently restricted and income on the principal is restricted to the Trust's stewardship (see Note 21, Endowment).

17. RETIREMENT PLAN

Effective January 1, 2016, the Trust adopted a 401(k) plan, available to all employees after completing three consecutive months of service. Employees may contribute up to the statutory limit of their pre-tax earnings each period and the Trust provides contributions to the 401(k) plan up to 5% of the annual compensation of each participating employee. Contributions to the 401(k) plan for December 31, 2017 totaled approximately \$91,100 (\$82,900 in 2016).

18. RELATED PARTY TRANSACTIONS

Related parties include management and other parties that have the ability to significantly influence the management or operating policies of the Trust.

The Trust has a board member in common with an organization that has a conservation easement on a conservation property owned by the Trust.

The Trust also has a board member in common with an accreditation organization.

At times, the Trust receives in-kind professional services from companies where board members are employees (Note 2). In 2017, the Trust received approximately \$29,900 of in-kind professional services related to land conservation and stewardship.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

19. CONCENTRATIONS OF CREDIT RISK

The Trust maintains its cash balances in several financial institutions, and has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Uninsured balances approximated \$951,300 and \$1,499,400 at December 31, 2017 and 2016, respectively.

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.

The Trust's revenues are concentrated with 28% of total revenues coming from one governmental agency during 2017 (64% from one agency in 2016).

20. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets and liabilities.

**Level 2:** Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

**Level 3:** Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

20. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at December 31, 2017 and 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2017</u>			
Investments:			
Mutual funds:			
Fixed income - domestic	\$ 2,036,008	\$ 2,036,008	\$ -
Fixed income - global	408,757	408,757	-
Equity - domestic	7,702,664	7,702,664	-
Equity - international/global	1,599,092	1,599,092	-
 <u>December 31, 2016</u>			
Investments:			
Community Foundation	278,362	-	278,362
Mutual funds:			
Fixed income - domestic	1,537,318	1,537,318	-
Fixed income - global	236,614	236,614	-
Equity - domestic	4,088,583	4,088,583	-
Equity - international/global	1,364,006	1,364,006	-
All asset - domestic	1,171,283	1,171,283	-

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at the Community Foundation in pooled funds are valued at the net asset per unit as provided by the Community Foundation trustees. Net asset value is based on fair value of the underlying assets of the funds using a market approach, using quoted market prices when available.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

21. ENDOWMENT

The Trust's endowment consists of funds established various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (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 the Trust have interpreted Washington's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) 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, the 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 is 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. In accordance with UPMIFA, 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, and
- (7) The investment policies of the Trust.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

21. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>December 31, 2017</u>				
Donor-restricted endowment funds	\$ -	\$ 3,701,480	\$ 4,159,833	\$ 7,861,313
Board-designated endowment funds	3,831,961	-	-	3,831,961
Total	<u>\$ 3,831,961</u>	<u>\$ 3,701,480</u>	<u>\$ 4,159,833</u>	<u>\$ 11,693,274</u>
<u>December 31, 2016</u>				
Donor-restricted endowment funds	\$ -	\$ 1,482,790	\$ 4,123,214	\$ 5,606,004
Board-designated endowment funds	2,951,743	-	-	2,951,743
Total	<u>\$ 2,951,743</u>	<u>\$ 1,482,790</u>	<u>\$ 4,123,214</u>	<u>\$ 8,557,747</u>

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
December 31, 2015	\$ 1,102,725	\$ 400,191	\$ 3,850,214	\$ 5,353,130
Contributions and bequests	1,696,159	965,911	273,000	2,935,070
Investment return, net	200,047	385,895	-	585,942
Appropriation of endowment assets for expenditure	(47,188)	(269,207)	-	(316,395)
Endowment net assets -				
December 31, 2016	2,951,743	1,482,790	4,123,214	8,557,747
Contributions and bequests	813,603	1,794,344	36,619	2,644,566
Investment return, net	483,969	1,014,766	-	1,498,735
Appropriation of endowment assets for expenditure	(417,354)	(590,420)	-	(1,007,774)
Endowment net assets -				
December 31, 2017	<u>\$ 3,831,961</u>	<u>\$ 3,701,480</u>	<u>\$ 4,159,833</u>	<u>\$ 11,693,274</u>



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2017

21. ENDOWMENT, Continued

Return Objectives and Risk Parameters

The 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 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

Distributions are made at such time that the board approves distributions of earnings on the permanently restricted and board-designated endowment funds. Distributions of available earnings may be no greater than five percent of the average annual net fair market value of the endowment assets averaged over the three preceding years. In establishing this policy, the Trust considered 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.