

March 22, 2010

McDonald Jacobs, P.C.  
520 SW Yamhill, Suite 500  
Portland, Oregon 97204

We are providing this letter in connection with your audit of the statement of financial position of Columbia Land Trust as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Columbia Land Trust in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of March 22, 2010, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Trust's control.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Trust involving-
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust received in communications from employees, former employees, grantors, regulators, or others.
8. The Trust has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Trust is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
10. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Trust vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

12. Columbia Land Trust is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Trust's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
13. There are no –
  - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that we are aware of that must be disclosed in accordance with *Accounting Standards Codification 450, Contingencies* (formerly *Statement of Financial Accounting Standards No. 5*) or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments..
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Accounting Standards Codification 450, Contingencies*.
  - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
15. In regards to the information return preparation services performed by you, we have:
  - a. Made all management decisions and performed all management functions,
  - b. Designated an individual with suitable skill, knowledge, or experience to oversee the services,
  - c. Evaluated the adequacy and results of the services performed, and
  - d. Accepted responsibility for the results of the services.

16. The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.
17. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
18. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance and other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
  - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.

- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards resulting from other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, *Cost Sharing and Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have charged costs to federal awards in accordance with applicable cost principles.
- k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- o. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- p. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

- q. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
  - r. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.

No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: \_\_\_\_\_ Signed: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

**COLUMBIA LAND TRUST**

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**Audited Financial  
Statements**

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**For the Year Ended  
December 31, 2009**

## **Columbia Land Trust annual report (Jennifer's letter)**

2009 was a "watershed" year for the Columbia Land Trust. We wrapped up two decades of work conserving lands from the mouth of the mighty Columbia River, through the forests of the Coast Range and Cascades, to the scenic deserts east of the mountains. While the down economy created unprecedented challenges, we still surpassed a key benchmark with over 10,000 acres now conserved ... forever.

Certainly the number of acres is one indicator of our progress. While harder to measure, other indicators may be far more important: key habitat areas protected, wildlife corridors secured, natural processes restored, and more local citizens involved. For example, our Crazy Johnson project near the Grays River in Washington ensured that one of the most important chum salmon spawning sites in the entire Columbia Basin is now protected and will be restored. Our growing work east of the Cascades in Klickitat County continues to connect conserved lands. And our forestry initiative made significant strides in the last year, positioning us to protect tens of thousands of acres of forestlands on the slopes of Mount St. Helens.

Our success in 2009 and over the last 20 years makes me incredibly optimistic about the future. In fact, in 2010, with your help, we'll establish an updated five-year strategic plan to guide our work. We'll continue to focus on saving and restoring the most important, vital habitats. We'll also work to ensure that our conservation work supports local community priorities such as economy, education, clean air and water, and access to nature for everyone.

Collaboration and partnerships have been hallmarks of success for Columbia Land Trust. To help navigate this tough economy, we have strengthened and expanded our partnerships. Most significant has been the effort to combine with the Three Rivers Land Conservancy to better serve the Portland/Vancouver metropolitan area and the Columbia region as a whole. I'm excited about joining together and look forward to accomplishing even more with our combined strengths.

With the incredible and enduring support of our members and funders, we accomplished so much. Yet we have so much more to do. You can help make the next two decades even better!

Jennifer Sims

<p>Between the reporting period of this document (calendar year 2009) and its printing, Columbia Land Trust and Three Rivers Land Conservancy formally agreed to become one organization. For more details, please visit <a href="http://www.columbialandtrust.org">www.columbialandtrust.org</a>.</p>
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## INDEPENDENT AUDITOR'S REPORT

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, 2009, 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 2008 financial statements and in our report dated March 17, 2009, 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Land Trust as of December 31, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010, 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 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 22, 2010

**COLUMBIA LAND TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**  
**(With comparative totals for 2008)**

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 680,713	\$ 1,028,365
Grants and contributions receivable	211,361	280,484
Contracts receivable	148,269	136,186
Note receivable	400,000	400,000
Other receivables	13,457	4,500
Prepaid expenses and inventory	47,236	63,590
Investments	1,515,828	1,343,669
Cash held for purchase of conservation property	1,016,830	-
Furniture and equipment, net	14,099	14,758
Conservation property	23,458,336	21,166,469
 TOTAL ASSETS	 \$ 27,506,129	 \$ 24,438,021
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 200,179	\$ 180,023
Grant payable	10,000	10,000
Notes payable	60,000	490,000
Conservation property held on behalf of local governments	6,363,594	6,363,594
 Total liabilities	 6,633,773	 7,043,617
Net assets:		
Unrestricted:		
Undesignated	508,518	508,520
Board designated	889,269	634,779
Net investment in conservation property and other capital assets	17,108,841	14,817,633
Total unrestricted	18,506,628	15,960,932
Temporarily restricted	2,205,220	1,274,464
Permanently restricted	160,508	159,008
Total net assets	20,872,356	17,394,404
 TOTAL LIABILITIES AND NET ASSETS	 \$ 27,506,129	 \$ 24,438,021

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2009**  
**(With comparative totals for 2008)**

	2009				2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue:</b>					
Contributions	\$ 586,288	\$ 137,900	\$ 1,500	\$ 725,688	\$ 514,668
Private and government grants	50,000	2,778,866	-	2,828,866	1,965,979
Donated materials and services	83,532	225,600	-	309,132	160,973
Special events, net of direct expenses of \$73,934 in 2009 and \$47,376 in 2008	95,759	-	-	95,759	133,789
Gain on sale of property	-	-	-	-	35,489
Investment income	18,012	-	-	18,012	50,159
Net realized/unrealized gains (losses)	136,693	39,592	-	176,285	(381,087)
Other income	37,565	1,196,528	-	1,234,093	17,635
Net assets released from restrictions:					
Satisfaction of purpose restrictions	1,155,863	(1,155,863)	-	-	-
Total support and revenue	2,163,712	3,222,623	1,500	5,387,835	2,497,605
<b>Expenses:</b>					
Program services:					
Land conservation	598,044	-	-	598,044	558,184
Public outreach	201,619	-	-	201,619	186,167
Land stewardship	573,638	-	-	573,638	722,959
Total program services	1,373,301	-	-	1,373,301	1,467,310
Management and general	208,746	-	-	208,746	324,191
Fundraising	327,836	-	-	327,836	372,025
Total expenses	1,909,883	-	-	1,909,883	2,163,526
Change in net assets before non-operating activities	253,829	3,222,623	1,500	3,477,952	334,079
<b>Non-operating activities:</b>					
Net assets released from restrictions upon the acquisition of conservation property	2,291,867	(2,291,867)	-	-	-
Grants and direct costs to acquire property	-	-	-	-	(264,411)
Total non-operating activities	2,291,867	(2,291,867)	-	-	(264,411)
Change in net assets	2,545,696	930,756	1,500	3,477,952	69,668
<b>Net assets:</b>					
Beginning of year	15,960,932	1,274,464	159,008	17,394,404	17,324,736
End of year	\$ 18,506,628	\$ 2,205,220	\$ 160,508	\$ 20,872,356	\$ 17,394,404

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2009**  
**(With comparative totals for 2008)**

	Program Services				Supporting Services				Total	Total 2008
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund- raising	Total		
Salaries and related costs	\$ 283,775	\$ 97,658	\$ 152,649	\$ 534,082	\$ 122,328	\$ 25,544	\$ 187,161	\$ 335,033	\$ 869,115	\$ 970,891
Professional services	147,039	53,303	75,628	275,970	26,380	5,564	50,628	82,572	358,542	402,451
Property acquisition costs	74,575	-	-	74,575	-	-	-	-	74,575	57,069
Property maintenance	6,635	-	234,578	241,213	-	-	-	-	241,213	265,636
Occupancy	-	-	-	-	-	97,566	-	97,566	97,566	98,408
Postage and shipping	353	1,877	77	2,307	42	1,788	9,553	11,383	13,690	20,405
Printing and publications	170	13,001	350	13,521	313	2,185	12,698	15,196	28,717	33,672
License and fees	(279)	290	25,395	25,406	15,171	5,106	(537)	19,740	45,146	48,083
Supplies	462	4,934	18,006	23,402	234	3,576	4,347	8,157	31,559	55,441
Office equipment and repair	245	-	3,528	3,773	3,531	11,065	8,091	22,687	26,460	35,384
Meetings and training	3,755	1,103	1,257	6,115	1,743	886	1,642	4,271	10,386	26,646
Travel	8,869	4,016	23,168	36,053	215	(46)	5,380	5,549	41,602	36,218
Telephone	50	35	43	128	53	17,717	-	17,770	17,898	17,385
Insurance	-	-	-	-	-	12,736	-	12,736	12,736	10,936
Interest expense	-	-	-	-	-	28,175	-	28,175	28,175	14,902
Depreciation	-	-	-	-	6,737	2,861	1,678	11,276	11,276	14,461
Bad debt	-	-	-	-	665	-	-	665	665	53,637
Other	-	46	11	57	(2)	507	-	505	562	1,901
Total expenses before allocation of indirect costs	525,649	176,263	534,690	1,236,602	177,410	215,230	280,641	673,281	1,909,883	2,163,526
Allocation of indirect costs	72,395	25,356	38,948	136,699	31,336	(215,230)	47,195	(136,699)	-	-
Total expenses	<u>\$ 598,044</u>	<u>\$ 201,619</u>	<u>\$ 573,638</u>	<u>\$ 1,373,301</u>	<u>\$ 208,746</u>	<u>\$ -</u>	<u>\$ 327,836</u>	<u>\$ 536,582</u>	<u>\$ 1,909,883</u>	<u>\$ 2,163,526</u>

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2009**  
**(With comparative totals for 2008)**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,477,952	\$ 69,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,276	14,461
Realized and unrealized (gains) losses on investments	(176,285)	381,087
Gain on the sale of property	-	(35,489)
Donations of conservation properties	(225,600)	(78,000)
Proceeds restricted to the acquisition of conservation property	(2,150,181)	(958,789)
Proceeds from contributions restricted to long-term investment	(1,500)	(5,004)
Forgiveness of debt	(5,000)	-
(Increase) decrease in:		
Grants and contributions receivable	69,123	885,856
Contracts receivable	(12,083)	267,661
Other current assets	7,397	(55,631)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,156	(399,452)
Other liabilities	-	(29,840)
Net cash provided by operating activities	<u>1,015,255</u>	<u>56,528</u>
<b>Cash flows from investing activities:</b>		
Loans made for note receivable	-	(404,500)
Purchase of conservation land	(2,066,267)	(954,789)
Purchase of furniture and equipment	(10,617)	(4,500)
Proceeds from sale of investments	434,342	377,050
Purchase of investments	(430,216)	(388,272)
Proceeds from the sale of property	-	44,489
Net cash used in investing activities	<u>(2,072,758)</u>	<u>(1,330,522)</u>
<b>Cash flows from financing activities:</b>		
Proceeds restricted to the acquisition of conservation property	2,150,181	958,789
Proceeds from contributions restricted to long-term investment	1,500	5,004
Payments on notes payable	(425,000)	(150,000)
Proceeds from notes payable	-	450,000
Net cash provided by financing activities	<u>1,726,681</u>	<u>1,263,793</u>
Net increase (decrease) in cash and cash equivalents	669,178	(10,201)
Cash and cash equivalents - beginning of year	<u>1,028,365</u>	<u>1,038,566</u>
Cash and cash equivalents - end of year	<u>\$ 1,697,543</u>	<u>\$ 1,028,365</u>
Cash and cash equivalents	\$ 680,713	\$ 1,028,365
Cash held for purchase of conservation property	<u>1,016,830</u>	<u>-</u>
	<u>\$ 1,697,543</u>	<u>\$ 1,028,365</u>

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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 10,050 acres at 114 different sites through the Columbia River Region. The Trust's support is derived primarily from private and government grants and contributions.

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, 2009**

**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 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, 2009**

**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 (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.

Inventory

Inventory, which consists primarily of books, T-shirts, baseball hats, and other items held for sale at various functions and public meetings, is carried at the lower of cost, as determined on a first-in-first-out basis, or market. At December 31, 2009 and 2008, inventory totaled approximately \$41,300 and \$48,800, 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. See also Note 9 regarding conservation easements.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

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

Income Tax Status

Columbia Land Trust is a nonprofit corporation exempt from federal and state 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, 2009 and 2008, 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.

	2009	2008
Professional services	\$ 44,739	\$ 26,477
Bargain sale on land and donated property	225,600	78,000
Donated stewardship supplies	-	15,600
Other	38,793	40,896
	<u>309,132</u>	<u>160,973</u>
Total in-kind contributions	\$ <u>309,132</u>	\$ <u>160,973</u>

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, 2009**

**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's members 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 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 2008

The financial information as of December 31, 2008 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, 2009**

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

Subsequent Events

The Trust has evaluated all subsequent events through March 22, 2010, the date the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable are summarized as follows at December 31, 2009 and 2008:

	2009	2008
Expected to be collected in:		
Less than one year	\$ 123,361	\$ 260,484
One to five years	88,000	20,000
Total grants and contributions receivable	\$ 211,361	\$ 280,484

Grants and contributions receivable of approximately \$92,000 at December 31, 2009 are restricted for use in stewardship and conservation programs. Uncollectible receivables are expected to be insignificant.

Conditional grants receivable which are contingent on performance and matching requirements approximate \$150,000 at December 31, 2009, and accordingly, are not reported in the financial statements. These grants will be recorded as revenue when the conditions have been met

**4. CONTRACTS RECEIVABLE**

Contracts receivable are unsecured and are summarized as follows at December 31, 2009 and 2008:

	2009	2008
Washington Department of Fish and Wildlife	\$ 10,700	\$ 12,532
U.S. Fish and Wildlife Service	35,147	14,347
Salmon Recovery Funding Board (passed through state of Washington)	70,605	81,034
Bonneville Power Administration	12,081	-
Others	19,736	28,273
Total contracts receivable	\$ 148,269	\$ 136,186

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**5. NOTE RECEIVABLE**

The Trust has a note receivable of \$400,000 from Washington State Parks, due March 31, 2010. 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.

**6. INVESTMENTS**

Investments at December 31, 2009 and 2008 are carried at fair value and consist of the following:

	2009	2008
Funds held at the Community Foundation for Southwest Washington	\$ 333,605	\$ 285,374
Equity funds	727,272	478,856
Fixed income funds	390,051	436,501
Cash equivalents	64,900	142,938
Total investments	\$ 1,515,828	\$ 1,343,669

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.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**7. FURNITURE AND EQUIPMENT**

Furniture and equipment consist of the following at December 31, 2009 and 2008:

	2009	2008
Computer hardware and software	\$ 54,407	\$ 53,638
Office equipment and furniture	11,150	11,150
Stewardship equipment	29,259	29,259
	<u>94,816</u>	<u>94,047</u>
Less accumulated depreciation	80,717	79,289
	<u>80,717</u>	<u>79,289</u>
Furniture and equipment, net	<u>\$ 14,099</u>	<u>\$ 14,758</u>

**8. CONSERVATION PROPERTY**

Conservation property consists of the following at December 31, 2009 and 2008:

	2009	2008
Fee simple land and property	\$ 17,075,442	\$ 14,739,575
Land held on behalf of local governments	6,363,594	6,363,594
Access easements	18,300	22,300
Down payment on land	1,000	41,000
	<u>1,000</u>	<u>41,000</u>
	<u>\$ 23,458,336</u>	<u>\$ 21,166,469</u>

*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.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**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, 2009, the Trust holds 21 conservation easements on 708 acres of land.

**10. NOTES PAYABLE**

Notes payable consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Unsecured note payable to one individual, with no interest. Note is due December 2011.	\$ 60,000	\$ 65,000
Unsecured notes payable to eight individuals, with no interest. Notes were paid off during 2009.	<u>-</u>	<u>425,000</u>
Total	60,000	490,000
Less current portion	<u>-</u>	<u>290,000</u>
Long-term portion	<u>\$ 60,000</u>	<u>\$ 200,000</u>

Interest forgiven under the terms of the above notes for the years ended December 31, 2009 and 2008 totals \$28,175 and \$14,902, respectively, and has been recognized in the accompanying financial statements as an in-kind contribution.

Current maturities of notes payable are as follows:

	<u>2009</u>
December 31, 2010	\$ -
2011	<u>60,000</u>
	<u>\$ 60,000</u>

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**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.

**12. LEASE COMMITMENTS**

The Trust leases its administrative offices in Vancouver under an operating lease which expires in April 2010 with monthly rent of \$7,070. An office in Astoria is leased under an operating lease expiring in May 2014 with monthly rent of \$235, increasing annually. 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, 2009, 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 \$90,600 and \$89,300 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending December 31, 2010	\$ 33,289
2011	2,960
2012	3,049
2013	3,140
2014	<u>1,325</u>
	<u>\$ 43,763</u>



**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**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 for stewardship and total \$889,269 and \$634,779 at December 31, 2009 and 2008, respectively.

**15. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31, 2009 and 2008:

	2009	2008
Land acquisition and related costs	\$ 1,267,934	\$ 239,222
Stewardship funds	660,403	670,415
Specific projects	145,649	76,223
Organizational development	11,734	126,679
Future periods	<u>119,500</u>	<u>161,925</u>
Total temporarily restricted net assets	<u>\$ 2,205,220</u>	<u>\$ 1,274,464</u>

Included in temporarily restricted net assets are amounts reported in the statement of activities as other income totaling approximately \$1.2 million. These funds represent proceeds from a legal settlement of parties unrelated to the Trust who have selected the Trust to provide conservation services required by the legal settlement.

**16. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at December 31, 2009 and 2008 consist of \$160,508 and \$159,008, respectively, and are 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.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**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 3.0% in 2009 and 7.5% in 2008 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 2009 and 2008 totaled \$20,915 and \$60,736, respectively.

**18. RELATED PARTY TRANSACTIONS**

Fees totaling \$12,170 for professional services were paid during 2009 to a law firm where a board member is employed.

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

**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.

Credit risk for grants and pledges receivable is concentrated as well because substantially all of the balances are receivable from individuals or entities located within the same geographic region.

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**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.

Fair values of assets measured on recurring and nonrecurring bases at December 31, 2009 are as follows:

	<u>Fair value</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>
Recurring:							
Investments	\$ 1,450,928	\$	1,450,928	\$	-	\$	-
Pledges receivable after one year	88,000		-		-		88,000
Nonrecurring:							
Contributed land	225,600		-		225,600		-

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Pledges receivable after one year have not been discounted because the discount would be immaterial to the financial statements taken as a whole. Fair value of contributed land is determined by reference to the appraisal documents.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pledges receivable in more than one year:

Balance at beginning of year	\$ 20,000
Additional pledges due in more than one year	78,000
Pledges reclassified as due within one year	<u>(10,000)</u>
Balance at end of year	<u>\$ 88,000</u>

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**21. ENDOWMENT**

Columbia Land Trust's endowment consists of 16 individual funds established for a variety of 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 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 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. 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.

Endowment net asset composition by type of fund as of December 31, 2009:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 27,562	\$ 160,508	\$ 188,070
Board-designated endowment funds	889,269	-	-	889,269
Total funds	<u>\$ 889,269</u>	<u>\$ 27,562</u>	<u>\$ 160,508</u>	<u>\$ 1,077,339</u>

**COLUMBIA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2009**

**21. ENDOWMENT, Continued**

Changes in endowment net assets for the year ended December 31, 2009:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 634,779	\$ -	\$ 159,008	\$ 793,787
Investment return:				
Net realized and unrealized appreciation/(depreciation) and investment income	104,546	27,562	-	132,108
Contributions	149,944	-	1,500	151,444
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets - end of year	<u>\$ 889,269</u>	<u>\$ 27,562</u>	<u>\$ 160,508</u>	<u>\$ 1,077,339</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 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 of earnings on the permanently restricted Endowment, it will distribute available earnings equal to 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.

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON 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 corporation) as of and for the year ended December 31, 2009 and have issued our report thereon dated March 22, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination or deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented, or detected and corrected on a timely basis.

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 22, 2010.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, 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 22, 2010