



MCDONALD JACOBS

AUDIT COMMUNICATION LETTER

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

Jill Oswald
Principal

Dennis C. Johnson, CPA
of counsel

James R. McDonald, CPA
of counsel

March 24, 2011

To the Finance Committee and Board of Directors
Columbia Land Trust

We have audited the consolidated financial statements of Columbia Land Trust and TR Land Conservancy (collectively the Trust) for the year ended December 31, 2010, and have issued our report thereon dated March 24, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Trust are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010.

During 2010, Columbia Land Trust became the sole member of TR Land Conservancy. Accounting principles generally accepted in the United States of America require that the results of operations of the acquired organization be reported as if the transfer occurred at the beginning of the period. As such, all activity of TR Land Conservancy for 2010 has been included in the consolidated financial statements.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

We noted no other transactions entered into by the Trust during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Estimates significant to the financial statements include:

Valuation of Donated Property: Management's estimate of the value of donated property is based on third-party appraisals or assessed values. We evaluated the key factors and assumptions used to develop the valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Allocation of expenses: Management's estimate of allocated expenses is based on employee hours incurred and charged to programs and supporting services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. One adjustment was identified as a result of our audit and corrected by management. The adjustment resulted in an increase to pledges receivable and an increase to contribution revenue of \$50,000.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 24, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee and Board of Directors and management of Columbia Land Trust and is not intended to be and should not be used by anyone other than these specified parties.

McDonald Jacobz, P.C.

COLUMBIA LAND TRUST

**Audited Consolidated
Financial Statements
and Report Required
by Government Auditing
Standards**

**For the Year Ended
December 31, 2010**

On April 23, 2011, my grandmother will celebrate her 109th birthday. As a young bride in Ohio, she and my grandfather drove their Ford thousands of miles to visit relatives, look for work and explore the beautiful lands of our country. They car camped and later used a small trailer to venture as far as Canada and Mexico. My grandmother still loves to see the landscapes unfold as she peers out from the passenger window.

Her travels brought her to live in Oregon around 70 years ago. It was here that she opened a restaurant and watched her kids graduate from high school. When Marie was born in 1902, the population of Oregon and Washington was 1,250,000. She has seen the population expand by a magnitude of ten. In Marie's lifetime, she has seen communications transition from the Pony Express to the US Postal Service, to telephone, to instantaneous wireless messaging. She has seen the creation of the national forest system. She has seen streetcars be replaced by automobiles, and in some cases, transition back to streetcars. She has seen the introduction of airplanes, jets and space travel.

At Columbia Land Trust, looking ahead 100 years is our mid-term view. This means that we must build an organization, systems and programs that will stand the test of time. We must weather the amazing changes that will come our way in the next 100 years - changes that we can hardly imagine.

This audit reveals an organization that is effectively building the requisite systems and programs. In 2010, we grew our dedicated and restricted stewardship funds from just over \$1,000,000 to nearly \$3,000,000, thanks in large part to a very generous bequest from long-time supporter Ellie Schiller. We grew our net assets from \$20,900,000 to close to \$28,500,000. And once again, our audit provided a clean opinion which is the best report that we can receive.

We are conserving our great lands for all time, and we are growing an organization to match. On a warm spring day in the year 2120, it is my hope that another 109-year old may reflect back on the amazing and important places conserved in her lifetime by the hard-working and inspiring group of conservationists that make up the Columbia Land Trust.

Thank you for helping make this vision possible!

Jennifer Sims
Board President



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

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*Jill Oswald
Principal*

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*James R. McDonald, CPA
of counsel*

The Board of Directors
Columbia Land Trust and
TR Land Conservancy
Vancouver, Washington

We have audited the accompanying consolidated statement of financial position of Columbia Land Trust (the Trust) (a nonprofit corporation) as of December 31, 2010, and the related consolidated 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 2009 financial statements and in our report dated March 22, 2010, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Columbia Land Trust as of December 31, 2010, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Strength in Numbers

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, 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 24, 2011

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2010
(With comparative totals for 2009)

| | 2010 | 2009 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 881,177 | \$ 680,713 |
| Grants and contributions receivable | 104,000 | 211,361 |
| Contracts receivable | 916,112 | 148,269 |
| Note receivable | - | 400,000 |
| Other receivables | 117,333 | 13,457 |
| Cash held for property conservation | 602,775 | 1,016,830 |
| Prepaid expenses and inventory | 53,567 | 47,236 |
| Investments | 3,499,069 | 1,515,828 |
| Furniture and equipment, net | 6,194 | 14,099 |
| Conservation property | 29,272,071 | 23,458,336 |
| TOTAL ASSETS | \$ 35,452,298 | \$ 27,506,129 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 308,891 | \$ 200,179 |
| Grant payable | 10,000 | 10,000 |
| Deferred revenue | 2,153 | - |
| Notes payable | 285,000 | 60,000 |
| Conservation property held on behalf of local governments | 6,363,594 | 6,363,594 |
| Total liabilities | 6,969,638 | 6,633,773 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 565,306 | 508,518 |
| Board designated | 1,209,725 | 889,269 |
| Net investment in conservation property and other capital assets | 22,914,671 | 17,108,841 |
| Total unrestricted | 24,689,702 | 18,506,628 |
| Temporarily restricted | 1,917,351 | 2,205,220 |
| Permanently restricted | 1,875,607 | 160,508 |
| Total net assets | 28,482,660 | 20,872,356 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 35,452,298 | \$ 27,506,129 |

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2010
(With comparative totals for 2009)

| | 2010 | | | | 2009 Total |
|---|----------------------|---------------------------|---------------------------|---------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
| Support and revenue: | | | | | |
| Contributions | \$ 556,005 | \$ 110,759 | \$ - | \$ 666,764 | \$ 725,688 |
| Bequest | 608,994 | - | 1,665,099 | 2,274,093 | - |
| Private and government grants | 318,587 | 4,461,571 | - | 4,780,158 | 2,828,866 |
| Donated materials and services | 145,095 | - | - | 145,095 | 309,132 |
| Special events, net of direct expenses of \$52,995 in 2010 and \$73,934 in 2009 | 120,938 | - | - | 120,938 | 95,759 |
| Investment income | 19,084 | - | - | 19,084 | 18,012 |
| Net realized/unrealized gains | 94,963 | 51,331 | - | 146,294 | 176,285 |
| Other income | 131,205 | 765 | - | 131,970 | 1,234,093 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of purpose restrictions | 1,852,671 | (1,852,671) | - | - | - |
| Total support and revenue | <u>3,847,542</u> | <u>2,771,755</u> | <u>1,665,099</u> | <u>8,284,396</u> | <u>5,387,835</u> |
| Expenses: | | | | | |
| Program services: | | | | | |
| Land conservation | 1,030,418 | - | - | 1,030,418 | 598,044 |
| Public outreach | 164,113 | - | - | 164,113 | 201,619 |
| Land stewardship | 1,349,763 | - | - | 1,349,763 | 573,638 |
| Total program services | 2,544,294 | - | - | 2,544,294 | 1,373,301 |
| Management and general | 316,697 | - | - | 316,697 | 208,746 |
| Fundraising | 440,755 | - | - | 440,755 | 327,836 |
| Total expenses | <u>3,301,746</u> | <u>-</u> | <u>-</u> | <u>3,301,746</u> | <u>1,909,883</u> |
| Change in net assets before non-operating activities | 545,796 | 2,771,755 | 1,665,099 | 4,982,650 | 3,477,952 |
| Non-operating activities: | | | | | |
| Net assets released from restrictions upon the acquisition of conservation property | 3,208,121 | (3,208,121) | - | - | - |
| Change in net assets before changes related to acquisition of TR Land Conservancy | 3,753,917 | (436,366) | 1,665,099 | 4,982,650 | 3,477,952 |
| Change in net assets related to acquisition | 2,429,157 | 148,497 | 50,000 | 2,627,654 | - |
| Net assets: | | | | | |
| Beginning of year | <u>18,506,628</u> | <u>2,205,220</u> | <u>160,508</u> | <u>20,872,356</u> | <u>17,394,404</u> |
| End of year | <u>\$ 24,689,702</u> | <u>\$ 1,917,351</u> | <u>\$ 1,875,607</u> | <u>\$28,482,660</u> | <u>\$ 20,872,356</u> |

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010
(With comparative totals for 2009)

| | Program Services | | | | Supporting Services | | | | Total | |
|--|-------------------|-----------------|------------------|----------------|------------------------|----------------|--------------|------------|--------------|--------------|
| | Land Conservation | Public Outreach | Land Stewardship | Total Programs | Management and General | Indirect Costs | Fund-raising | Total | | |
| Salaries and related costs | \$ 396,627 | \$ 93,016 | \$ 228,700 | \$ 718,343 | \$ 152,177 | \$ 27,671 | \$ 222,124 | \$ 401,972 | \$ 1,120,315 | \$ 869,115 |
| Professional services | 376,271 | 22,678 | 206,544 | 605,493 | 98,518 | 20,654 | 99,556 | 218,728 | 824,221 | 358,542 |
| Property acquisition costs | 118,991 | - | - | 118,991 | - | - | - | - | 118,991 | 74,575 |
| Property maintenance | 1,766 | - | 757,372 | 759,138 | - | - | - | - | 759,138 | 241,213 |
| Occupancy | 2,852 | 951 | 1,520 | 5,323 | 383 | 100,008 | 3,229 | 103,620 | 108,943 | 97,566 |
| Postage and shipping | 671 | 3,606 | 123 | 4,400 | 49 | 2,557 | 11,392 | 13,998 | 18,398 | 13,690 |
| Printing and publications | 201 | 15,296 | 247 | 15,744 | 80 | 3,926 | 26,748 | 30,754 | 46,498 | 28,717 |
| License and fees | 2,441 | 1,200 | 24,362 | 28,003 | 15,261 | 4,646 | (81) | 19,826 | 47,829 | 45,146 |
| Supplies | 14,385 | 1,780 | 46,048 | 62,213 | 713 | 5,035 | 15,559 | 21,307 | 83,520 | 31,559 |
| Equipment and repair | 17,984 | 920 | 6,249 | 25,153 | 3,394 | 21,428 | 7,375 | 32,197 | 57,350 | 26,460 |
| Meetings and training | 2,150 | 1,042 | 2,238 | 5,430 | 3,322 | 1,164 | 1,606 | 6,092 | 11,522 | 10,386 |
| Travel | 11,724 | 2,980 | 30,588 | 45,292 | 1,237 | 374 | 3,331 | 4,942 | 50,234 | 41,602 |
| Telephone | 491 | 140 | 220 | 851 | 215 | 17,550 | 430 | 18,195 | 19,046 | 17,898 |
| Insurance | - | - | - | - | 1,643 | 16,530 | - | 18,173 | 18,173 | 12,736 |
| Interest expense | - | - | - | - | - | 3,929 | - | 3,929 | 3,929 | 28,175 |
| Depreciation | - | - | - | - | 3,412 | 4,493 | - | 7,905 | 7,905 | 11,276 |
| Bad debt | - | - | - | - | 3,970 | - | - | 3,970 | 3,970 | 665 |
| Other | 242 | 160 | 160 | 562 | 293 | 420 | 489 | 1,202 | 1,764 | 562 |
| Total expenses before allocation of indirect costs | 946,796 | 143,769 | 1,304,371 | 2,394,936 | 284,667 | 230,385 | 391,758 | 906,810 | 3,301,746 | 1,909,883 |
| Allocation of indirect costs | 83,622 | 20,344 | 45,392 | 149,358 | 32,030 | (230,385) | 48,997 | (149,358) | - | - |
| Total expenses | \$ 1,030,418 | \$ 164,113 | \$ 1,349,763 | \$ 2,544,294 | \$ 316,697 | \$ - | \$ 440,755 | \$ 757,452 | \$ 3,301,746 | \$ 1,909,883 |

Total expenses before allocation of indirect costs

Allocation of indirect costs

Total expenses

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2010
(With comparative totals for 2009)

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 4,982,650 | \$ 3,477,952 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 7,905 | 11,276 |
| Realized and unrealized gains on investments | (146,294) | (176,285) |
| Net assets acquired from TR land Conservancy | 250,432 | - |
| Donations of conservation properties | - | (225,600) |
| Proceeds restricted to the acquisition of conservation property | (2,782,909) | (2,150,181) |
| Proceeds from contributions restricted to long-term investment | - | (1,500) |
| Forgiveness of debt | - | (5,000) |
| (Increase) decrease in: | | |
| Grants and contributions receivable | 107,361 | 69,123 |
| Contracts receivable | (767,843) | (12,083) |
| Other current assets | (110,207) | 7,397 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 108,712 | 20,156 |
| Other liabilities | 2,153 | - |
| Net cash provided by (used in) operating activities | <u>1,651,960</u> | <u>1,015,255</u> |
| Cash flows from investing activities: | | |
| Proceeds from note receivable | 400,000 | - |
| Purchase of conservation land | (3,436,513) | (2,066,267) |
| Purchase of furniture and equipment | - | (10,617) |
| Proceeds from sale of investments | 473,259 | 434,342 |
| Purchase of investments | <u>(2,310,206)</u> | <u>(430,216)</u> |
| Net cash used in investing activities | <u>(4,873,460)</u> | <u>(2,072,758)</u> |
| Cash flows from financing activities: | | |
| Proceeds restricted to the acquisition of conservation property | 2,782,909 | 2,150,181 |
| Proceeds from contributions restricted to long-term investment | - | 1,500 |
| Payments on notes payable | (10,000) | (425,000) |
| Proceeds from notes payable | <u>235,000</u> | <u>-</u> |
| Net cash provided by financing activities | <u>3,007,909</u> | <u>1,726,681</u> |
| Net increase (decrease) in cash and cash equivalents | (213,591) | 669,178 |
| Cash and cash equivalents - beginning of year | <u>1,697,543</u> | <u>1,028,365</u> |
| Cash and cash equivalents - end of year | <u>\$ 1,483,952</u> | <u>\$ 1,697,543</u> |
| Cash and cash equivalents | \$ 881,177 | \$ 680,713 |
| Cash held for property conservation | <u>602,775</u> | <u>1,016,830</u> |
| | <u>\$ 1,483,952</u> | <u>\$ 1,697,543</u> |

See notes to financial statements.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

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 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 18,129 acres at 141 different sites through the Columbia River Region. The Trust's support is derived primarily from private and government grants and contributions.

TR Land Conservancy is a nonprofit organization with a purpose of conservation and managing real property owned by the Conservancy or over which the Conservancy holds a conservation easement. TR Land Conservancy became a member organization on July 1, 2010 with Columbia Land Trust as the sole member. This change in the corporate structure was done to facilitate the combination of the two organizations through the transfer of TR Land Conservancy conservation properties to the Columbia Land Trust.

Columbia Land Trust and TR Land Conservancy's (collectively, the Trust) 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 CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

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 Consolidation

In 2010, Columbia Land Trust became the sole member of TR Land Conservancy. The 2010 financial statements are presented on the consolidated basis and includes all activities of both organizations for the entire year. The consolidated financial statements include the accounts of Columbia Land Trust and TR Land Conservancy. All significant inter-organization amounts have been eliminated in consolidation.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

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.

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, 2010 and 2009, inventory totaled approximately \$38,800 and \$41,300, respectively.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Income Tax Status

Columbia Land Trust and TR Land Conservancy are 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 neither organization has activities subject to unrelated business income tax. Neither organization is a private foundation.

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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2010 and 2009, 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.

| | 2010 | 2009 |
|---|------------|------------|
| Professional services | \$ 118,590 | \$ 44,739 |
| Bargain sale on land and donated property | - | 225,600 |
| Other | 26,505 | 38,793 |
| Total in-kind contributions | \$ 145,095 | \$ 309,132 |

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 CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

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 2009

The financial information as of December 31, 2009 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 March 24, 2011, 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, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| Expected to be collected in: | | |
| Less than one year | 42,500 | 123,361 |
| One to five years | <u>61,500</u> | <u>88,000</u> |
| Total grants and contributions receivable | <u>\$ 104,000</u> | <u>\$ 211,361</u> |

Grants and contributions receivable of approximately \$15,000 at December 31, 2010 are restricted for use in stewardship and conservation programs. Uncollectible receivables are expected to be insignificant.

Conditional grants receivable from a related party which are contingent on performance and matching requirements approximate \$100,000 at December 31, 2010, and accordingly, are not reported in the financial statements. These grants will be recorded as revenue when the conditions have been met.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

4. CONTRACTS RECEIVABLE

Contracts receivable are unsecured and are summarized as follows at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Washington Department of Fish and Wildlife | \$ 34,654 | \$ 10,700 |
| U.S. Fish and Wildlife Service | 131,879 | 35,147 |
| Salmon Recovery Funding Board (passed through state of Washington) | 227,639 | 70,605 |
| Bonneville Power Administration | 66,103 | 12,081 |
| American Bird Conservancy | 100,000 | - |
| National Fish and Wildlife Foundation | 95,812 | - |
| Meyer Memorial Trust | 50,000 | - |
| Lower Columbia River Estuary Partnership | 34,898 | - |
| State of Washington Department of Ecology | 27,348 | - |
| The Nature Conservancy | 24,325 | - |
| Natural Resources and Conservation Services | 19,087 | - |
| State of Washington Department of Natural Resources | 18,709 | - |
| Audubon Society | 17,843 | - |
| Metro | 15,985 | - |
| Yakama Nation | 15,801 | - |
| State of Oregon Department of Fish and Wildlife | 12,110 | - |
| Others | <u>23,919</u> | <u>19,736</u> |
| Total contracts receivable | <u>\$ 916,112</u> | <u>\$ 148,269</u> |

5. NOTE RECEIVABLE

The Trust had a note receivable of \$400,000 from Washington State Parks, due March 31, 2010. The note was paid in full during the year ended December 31, 2010.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

6. INVESTMENTS

Investments at December 31, 2010 and 2009 are carried at fair value and consist of the following:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Funds held at the Community Foundation for Southwest Washington | \$ 361,443 | \$ 333,605 |
| Equity Funds | 1,618,839 | 727,272 |
| Fixed income funds | 922,752 | 390,051 |
| Cash equivalents | <u>596,035</u> | <u>64,900</u> |
| Total investments | <u>\$ 3,499,069</u> | <u>\$ 1,515,828</u> |

Investments include funds held for investment with the Community Foundation for Southwest Washington (CFSW). The Trust's funds are pooled with other assets managed by CFSW and are invested in debt and equity securities. The Trust has not granted variance power to CFSW. Investment income is reported net of investment fees of \$9,433 and \$8,657 at December 31, 2010 and 2009, 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.

7. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------|-----------------|------------------|
| Computer hardware and software | \$ 54,407 | \$ 54,407 |
| Office equipment and furniture | 11,150 | 11,150 |
| Stewardship equipment | <u>29,259</u> | <u>29,259</u> |
| Total property and equipment | 94,816 | 94,816 |
| Less accumulated depreciation | <u>88,622</u> | <u>80,717</u> |
| Net property and equipment | <u>\$ 6,194</u> | <u>\$ 14,099</u> |

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

8. CONSERVATION PROPERTY

Conservation property consists of the following at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|
| Fee simple land and property | 22,890,177 | \$ 17,075,442 |
| Land held on behalf of local governments | 6,363,594 | 6,363,594 |
| Access easments | 18,300 | 18,300 |
| Downpayment on land | <u>-</u> | <u>1,000</u> |
| Net property and equipment | <u>\$ 29,272,071</u> | <u>\$ 23,458,336</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 to reach Trust land and property.

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, 2010, the Trust held 30 conservation easements on 1,163 acres of land. At December 31, 2009, the Trust held 21 conservation easements on 708 acres of land.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

10. NOTES PAYABLE

Notes payable consist of the following at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|------------------|
| Unsecured note payable to an individual, with no interest and payment upon maturity. Note is due December 2011. | \$ 50,000 | \$ 60,000 |
| Unsecured note payable to a related party individual, with no interest and payment upon maturity. Option to renew for one year. Note is due December 2012. | 50,000 | - |
| Unsecured note payable to an individual, with no interest and payment upon maturity. Option to renew for one year. Note is due December 2013. | 50,000 | - |
| Unsecured note payable to an individual, with no interest and payment upon maturity. Option to renew for one year. Note is due December 2011. | 50,000 | - |
| Note payable to an individual with no interest and payment upon maturity. Note is due December 2011. | <u>85,000</u> | <u>-</u> |
| Total notes payable | <u>\$ 285,000</u> | <u>\$ 60,000</u> |

Interest forgiven under the terms of the above notes for the years ended December 31, 2010 and 2009 totals \$3,929 and \$28,175, respectively, and has been recognized in the accompanying financial statements as an in-kind contribution.

Current maturities of notes payable are as follows:

| | |
|---------------------------------------|-------------------|
| For the year ending December 31, 2011 | \$ 135,000 |
| 2012 | 100,000 |
| 2013 | <u>50,000</u> |
| | <u>\$ 285,000</u> |

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 CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

12. LEASE COMMITMENTS

The Trust leases its administrative offices in Vancouver under an operating lease which expires in December 2013 with monthly rent of \$7,000 with annual increases. An office in Astoria is leased under an operating lease expiring in May 2014 with monthly rent of \$242, increasing annually. Offices in Hood River are leased on a month-to-month basis.

In addition, the Trust leased certain office equipment under operating leases which expired 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, 2010, 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 \$91,200 and \$90,600 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease commitments under operating leases are as follows:

| | |
|---------------------------------------|-------------------|
| For the year ending December 31, 2011 | \$ 87,000 |
| 2012 | 89,400 |
| 2013 | 91,900 |
| 2014 | <u>1,300</u> |
| | <u>\$ 269,600</u> |

13. STEWARDSHIP COMMITMENT

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

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

14. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved as follows at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|---------------------|-------------------|
| Stewardship endowment (Note 21) | \$ 1,077,225 | \$ 889,269 |
| Operating reserve | <u>132,500</u> | <u>-</u> |
| Total board designated net assets | <u>\$ 1,209,725</u> | <u>\$ 889,269</u> |

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Land acquisition and related costs | \$ 943,214 | \$ 1,267,934 |
| Stewardship funds | 753,528 | 660,403 |
| Specific projects | 4,040 | 145,649 |
| Organizational development | 27,569 | 11,734 |
| Future periods | <u>189,000</u> | <u>119,500</u> |
| Total temporarily restricted net assets | <u>\$ 1,917,351</u> | <u>\$ 2,205,220</u> |

As of December 31, 2009, 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 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, 2010 and 2009, there was approximately \$602,800 and \$1,017,000, respectively, included in temporarily restricted net assets related to this activity.

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2010 and 2009 total \$1,875,607 and \$160,508, 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 CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

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% 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 December 31, 2010 and 2009 totaled approximately \$21,500 and \$20,900, respectively.

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 following transactions with related parties occurred during the years ended December 31, 2010 and 2009:

Fees totaling \$7,349 and \$12,170 for professional services were paid during 2010 and 2009, respectively, to a law firm where a board member is employed.

The Trust has bank accounts at a bank where a board member is a key 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 Oregon and Washington.

The Trust's revenues are also concentrated for the year ended December 31, 2010 with 56% of total revenues coming from two sources. Credit risk for accounts receivable is concentrated at December 31, 2010 with 27% of the balances from two contracting agencies.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

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 basis at December 31, 2010 are as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|-------------------------------------|-------------------|----------------|----------------|
| <u>December 31, 2010</u> | | | |
| Investments: | | | |
| Community Foundation | \$ 361,443 | \$ - | \$ 361,443 |
| Stocks | 791,488 | 791,488 | - |
| Mutual funds | 827,350 | 827,350 | |
| Municipal bonds | 520,279 | 520,279 | |
| Fixed income funds | 402,474 | 402,474 | |
| <u>December 31, 2009</u> | | | |
| Investments: | | | |
| Community Foundation | \$ 333,605 | \$ - | \$ 333,605 |
| Mutual funds | 727,272 | 727,272 | - |
| Fixed income funds | 390,051 | 390,051 | - |

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

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

21. ENDOWMENT

Columbia Land Trust's endowment consists of two 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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

21. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of December 31, 2010 and 2009:

| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <u>December 31, 2010</u> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 43,265 | \$ 1,875,607 | \$ 1,918,872 |
| Board-designated endowment funds | <u>1,077,225</u> | <u>-</u> | <u>-</u> | <u>1,077,225</u> |
| Total | <u>\$ 1,077,225</u> | <u>\$ 43,265</u> | <u>\$ 1,875,607</u> | <u>\$ 2,996,097</u> |
| <u>December 31, 2009</u> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 27,562 | \$ 160,508 | \$ 188,070 |
| Board-designated endowment funds | <u>889,269</u> | <u>-</u> | <u>-</u> | <u>889,269</u> |
| Total | <u>\$ 889,269</u> | <u>\$ 27,562</u> | <u>\$ 160,508</u> | <u>\$ 1,077,339</u> |

Changes in endowment net assets for the year ended December 31, 2010 and 2009:

| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets - December 31, 2008 | \$ 634,779 | \$ - | \$ 159,008 | \$ 793,787 |
| Investment return: | | | | |
| Net realized and unrealized appreciation and investment income | 104,546 | 27,562 | - | 132,108 |
| Contributions | 149,944 | - | 1,500 | 151,444 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets - December 31, 2009 | 889,269 | 27,562 | 160,508 | 1,077,339 |
| Investment return: | | | | |
| Net realized and unrealized appreciation and investment income | 85,056 | 15,703 | - | 100,759 |
| Contributions and bequests | 102,900 | - | 1,665,099 | 1,767,999 |
| Acquisition of TR Land Conservancy | - | - | 50,000 | 50,000 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets - December 31, 2010 | <u>\$ 1,077,225</u> | <u>\$ 43,265</u> | <u>\$ 1,875,607</u> | <u>\$ 2,996,097</u> |

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

21. ENDOWMENT, Continued

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 which it has achieved, 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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2010

22. CONSOLIDATION OF TR LAND CONSERVANCY

Effective June 16, 2010, Columbia Land Trust entered into an agreement to become the sole member of TR Land Conservancy (previously Three Rivers Land Conservancy). Assets acquired were adjusted to fair value. The following beginning assets, liabilities and net assets of TR Land Conservancy have been recorded in the consolidated financial statements.

| | | |
|--|----|-------------------------|
| Cash | \$ | 246,439 |
| Accounts receivable and other assets | | 36,533 |
| Accounts payable and accrued expenses | | (3,893) |
| Deferred revenue | | <u>(28,647)</u> |
| Net assets and liabilities excluding conservation land | | 250,432 |
| Conservation lands at assessed value | | <u>2,377,222</u> |
| | | |
| Net assets received in consolidation | \$ | <u><u>2,627,654</u></u> |

SUPPLEMENTAL INFORMATION



MCDONALD JACOBS

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION**

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*Dennis C. Johnson, CPA
of counsel*

*James R. McDonald, CPA
of counsel*

The Board of Directors
Columbia Land Trust and
TR Land Conservancy
Vancouver, Washington

Our report on our audit of the basic financial statements of Columbia Land Trust and TR Land Conservancy for the year ended December 31, 2010 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McDonald Jacobs, P.C.

March 24, 2011

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

COLUMBIA LAND TRUST
SUPPLEMENTAL INFORMATION - SCHEDULE I
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2010

| | <u>Columbia Land</u> <u>Trust</u> | <u>TR Land</u> <u>Conservancy</u> | <u>Eliminating</u> <u>Entries</u> | <u>Consolidated</u> <u>Total</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 777,365 | \$ 103,812 | \$ - | \$ 881,177 |
| Grants and contributions receivable | 104,000 | - | - | 104,000 |
| Contracts receivable | 906,700 | 9,412 | - | 916,112 |
| Other receivables | 117,333 | - | - | 117,333 |
| Cash held for property conservation | 602,775 | - | - | 602,775 |
| Prepaid expenses and inventory | 53,567 | - | - | 53,567 |
| Investments | 3,499,069 | - | - | 3,499,069 |
| Furniture and equipment, net | 6,194 | - | - | 6,194 |
| Conservation property | <u>28,776,935</u> | <u>495,136</u> | <u>-</u> | <u>29,272,071</u> |
| TOTAL ASSETS | <u>\$ 34,843,938</u> | <u>\$ 608,360</u> | <u>\$ -</u> | <u>\$ 35,452,298</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 303,161 | \$ 5,730 | \$ - | \$ 308,891 |
| Grant payable | 10,000 | - | - | 10,000 |
| Deferred revenue | 278 | 1,875 | - | 2,153 |
| Notes payable | 285,000 | - | - | 285,000 |
| Conservation property held on behalf of local governments | <u>6,363,594</u> | <u>-</u> | <u>-</u> | <u>6,363,594</u> |
| Total liabilities | <u>6,962,033</u> | <u>7,605</u> | <u>-</u> | <u>6,969,638</u> |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | 589,658 | (24,352) | - | 565,306 |
| Board designated | 1,209,725 | - | - | 1,209,725 |
| Net investment in conservation property and other capital assets | <u>22,419,535</u> | <u>495,136</u> | <u>-</u> | <u>22,914,671</u> |
| Total unrestricted | 24,218,918 | 470,784 | - | 24,689,702 |
| Temporarily restricted | 1,787,380 | 129,971 | - | 1,917,351 |
| Permanently restricted | <u>1,875,607</u> | <u>-</u> | <u>-</u> | <u>1,875,607</u> |
| Total net assets | <u>27,881,905</u> | <u>600,755</u> | <u>-</u> | <u>28,482,660</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 34,843,938</u> | <u>\$ 608,360</u> | <u>\$ -</u> | <u>\$ 35,452,298</u> |

See notes to financial statements.

COLUMBIA LAND TRUST
SUPPLEMENTAL INFORMATION - SCHEDULE II
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

| | Columbia Land Trust | TR Land Conservancy | Eliminating Entries | Consolidated Total |
|---|------------------------|------------------------|------------------------|-----------------------|
| Changes in unrestricted net assets: | | | | |
| Support and revenue: | | | | |
| Contributions and bequests | \$ 1,151,284 | \$ 13,715 | \$ - | \$ 1,164,999 |
| Private and government grants | 200,000 | 118,587 | - | 318,587 |
| Donated materials and services | 145,095 | - | - | 145,095 |
| Special events, net of direct expenses of \$52,995 | 120,938 | - | - | 120,938 |
| Investment income | 19,084 | - | - | 19,084 |
| Net realized/unrealized gains (losses) | 87,122 | 7,841 | - | 94,963 |
| Other income | 127,961 | 3,244 | - | 131,205 |
| Net assets released from restrictions | 1,833,587 | 19,084 | - | 1,852,671 |
| Total support and revenue | <u>3,685,071</u> | <u>162,471</u> | <u>-</u> | <u>3,847,542</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Land conservation | 933,310 | 97,108 | - | 1,030,418 |
| Public outreach | 153,876 | 10,237 | - | 164,113 |
| Land stewardship | 1,272,490 | 77,273 | - | 1,349,763 |
| Total program services | 2,359,676 | 184,618 | - | 2,544,294 |
| Management and general | 283,715 | 32,982 | - | 316,697 |
| Fundraising | 419,597 | 21,158 | - | 440,755 |
| Total expenses | <u>3,062,988</u> | <u>238,758</u> | <u>-</u> | <u>3,301,746</u> |
| Change in net assets before non-operating activities | 622,083 | (76,287) | - | 545,796 |
| Non-operating activities: | | | | |
| Net assets released from restrictions upon the acquisition of conservation property | 3,208,121 | - | - | 3,208,121 |
| Grant of lands to Columbia Land Trust | - | (1,882,086) | 1,882,086 | - |
| Change in unrestricted net assets | <u>3,830,204</u> | <u>(1,958,373)</u> | <u>1,882,086</u> | <u>3,753,917</u> |
| Change in temporarily restricted net assets: | | | | |
| Contributions | 110,201 | 21,250 | (20,692) | 110,759 |
| Private and government grants | 4,461,571 | - | - | 4,461,571 |
| Donated land | 1,882,086 | - | (1,882,086) | - |
| Net realized/unrealized gains | 51,331 | - | - | 51,331 |
| Other income | 765 | - | - | 765 |
| Grant to Columbia Land Trust | - | (20,692) | 20,692 | - |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | (1,833,587) | (19,084) | - | (1,852,671) |
| Acquisition of conservation property | (3,208,121) | - | - | (3,208,121) |
| Change in temporarily restricted net assets | <u>1,464,246</u> | <u>(18,526)</u> | <u>(1,882,086)</u> | <u>(436,366)</u> |
| Change in permanently restricted net assets: | | | | |
| Contributions | 1,715,099 | - | (50,000) | 1,665,099 |
| Grant to Columbia Land Trust | - | (50,000) | 50,000 | - |
| Change in permanently restricted net assets | <u>1,715,099</u> | <u>(50,000)</u> | <u>-</u> | <u>1,665,099</u> |
| Change in net assets before changes related to acquisition of TR Land Conservancy | 7,009,549 | (2,026,899) | - | 4,982,650 |
| Excess value of assets received in acquisition | - | 666,222 | - | 666,222 |
| Net assets: | | | | |
| Beginning of year | <u>20,872,356</u> | <u>1,961,432</u> | <u>-</u> | <u>22,833,788</u> |
| End of year | <u>\$ 27,881,905</u> | <u>\$ 600,755</u> | <u>\$ -</u> | <u>\$ 28,482,660</u> |

See notes to financial statements.

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



MCDONALD JACOBS

**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**

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*Dennis C. Johnson, CPA
of counsel*

*James R. McDonald, CPA
of counsel*

The Board of Directors
Columbia Land Trust
Vancouver, Washington

We have audited the financial statements of Columbia Land Trust (the Trust) (a nonprofit corporation) as of and for the year ended December 31, 2010 and have issued our report thereon dated March 24, 2011. 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 material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Columbia Land Trust in a separate letter dated March 24, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the Trust, 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.

McDonald Jacobz, P.C.

March 24, 2011