



MCDONALD JACOBS

## AUDIT COMMUNICATION LETTER

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Principal

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James R. McDonald, CPA  
of counsel

April 11, 2012

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, 2011, and have issued our report thereon dated April 11, 2012. 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 December 15, 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. The significant accounting policies used by Columbia Land 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 2011. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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:

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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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 5, Investments
- Note 10, Contingencies
- Note 17, Related Party Transactions
- Note 20, Endowment

#### 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. The attached schedule summarizes the adjustments identified as a result of our audit and corrected by management.

One adjustment was identified by management during the audit that was not recorded. If the entry was recorded, contracts receivable and revenue would each increase by \$12,495. Management has determined that the effect is immaterial to the financial statements taken as a whole.

#### 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 April 11, 2012.

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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 Jacobson, P.C.*

**COLUMBIA LAND TRUST**  
**SCHEDULE OF AUDIT ADJUSTMENTS**  
**For the year ended December 31, 2011**

|  | Increase (Decrease) |                      |                      | Change<br>in Net<br>Assets |
|--|---------------------|----------------------|----------------------|----------------------------|
|  | Total<br>Assets     | Total<br>Liabilities | Ending<br>Net Assets |                            |
| <b><u>Columbia Land Trust</u></b>                            |                     |                      |                      |                            |
| To accrue additional accounts payable                        | \$ -                | \$ 219,972           | \$ (219,972)         | \$ (219,972)               |
| To record additional contract revenue<br>receivable          | 219,972             | -                    | 219,972              | 219,972                    |
| To record transfer of properties<br>from TR Land Conservancy | 398,205             | -                    | 398,205              | 398,205                    |
| To record pledge receivable                                  | 75,000              | -                    | 75,000               | 75,000                     |
| To correct ending inventory                                  | (7,191)             | -                    | (7,191)              | (7,191)                    |
| Per client: To record additional amounts<br>receivable       | <u>73,173</u>       | <u>-</u>             | <u>73,173</u>        | <u>73,173</u>              |
|  | 759,159             | 219,972              | 539,187              | 539,187                    |
| <b><u>TR Land Conservancy</u></b>                            |                     |                      |                      |                            |
| To record transfer of properties<br>to Columbia Land Trust   | <u>(398,205)</u>    | <u>-</u>             | <u>(398,205)</u>     | <u>(398,205)</u>           |
| Impact of adjustments on:                                    | <u>\$ 360,954</u>   | <u>\$ 219,972</u>    | <u>\$ 140,982</u>    | <u>\$ 140,982</u>          |

**COLUMBIA LAND TRUST**

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**Audited Consolidated  
Financial Statements**

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**For the Year Ended  
December 31, 2011**

The attached financial statements show you Columbia Land Trust “by the numbers.” The numbers matter. As a land trust, we’re in the perpetuity business. It’s important to us, to our supporters, and to the community, that we operate in a businesslike manner, that our books are open and transparent, and that our finances are sound. If you review these financial statements, I think you’ll find that all of that is true.

But the finances are just the bones. I hope you will also keep in mind the flesh and blood that makes this organization a living, growing thing.

There’s the land, of course. The big story over the last year has been the growth in what we’re able to do, both far and near. We conserved and restored key properties from the Klickitat River to the Coast, including several in or close to the Portland metropolitan area. We also laid the groundwork for some impressive acquisitions in 2012. Already this year we acquired Columbia Stock Ranch comprising 920-acres on the Oregon side in the Columbia River estuary, as well as over 700 acres near the Coast in Washington. This summer we are scheduled to receive nearly 300 acres along the Hood River as part of a conservation transaction that will protect 3.5 miles of the river just upstream from the City of Hood River. At the same time, we are working with homeowners right in their backyards in the Portland Metropolitan area to improve habitat for birds and other wildlife through our growing Backyard Habitat program.

While the spotlight is often on our acquisitions, it’s what we do after we acquire property that really makes the difference. We monitor, protect, and restore lands. For almost ten years we have been restoring tidal wetlands along Grays River in Wahkiakum County, Washington. To date we have restored vital tidal influences to over 400 acres within a Grays River conservation area of more than 1,000 acres. The work goes on year after year with plans to restore thousands of additional acres of land throughout the region.

Another thing the financial statements don’t show is the growing professionalism of our staff and organization. Columbia Land Trust is well into the accreditation process, and we hope to be accredited later this year. While this may not make for the most compelling headline, it represents a landmark step in the growing maturity of our organization. Accreditation will help assure our members and funders that we are doing our work according to the best practices in the land trust business.

Columbia Land Trust did a lot in 2011 to protect, and restore this land that we love. We look forward to another good year in 2012.

Steve Cook  
Board President



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

*Jake Jacobs, CPA*

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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, 2011, 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 2010 financial statements and in our report dated March 24, 2011, 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, 2011, and the 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 April 11, 2012, 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 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.*

April 11, 2012



**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**  
**(With comparative totals for 2010)**

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and cash equivalents  | \$ 312,872        | \$ 881,177        |
| Grants and contributions receivable                              | 216,000           | 104,000           |
| Contracts receivable   | 1,535,900         | 866,112           |
| Other receivables  | 73,673            | 167,333           |
| Cash held for property conservation                              | 597,125           | 602,775           |
| Prepaid expenses and inventory                                   | 43,976            | 53,567            |
| Investments  | 3,519,957         | 3,499,069         |
| Furniture and equipment, net                                     | 8,370             | 6,194             |
| Conservation property  | 29,835,195        | 29,272,071        |
| <br>TOTAL ASSETS   | <br>\$ 36,143,068 | <br>\$ 35,452,298 |
| <b>LIABILITIES AND NET ASSETS</b>                                |                   |                   |
| Liabilities:   |                   |                   |
| Accounts payable and accrued expenses                            | \$ 499,054        | \$ 308,891        |
| Grant payable  | 10,000            | 10,000            |
| Deferred revenue   | 5,436             | 2,153             |
| Notes payable  | 200,000           | 285,000           |
| Conservation property held on behalf of local governments        | 6,363,594         | 6,363,594         |
| <br>Total liabilities  | <br>7,078,084     | <br>6,969,638     |
| Net assets:  |                   |                   |
| Unrestricted:  |                   |                   |
| Undesignated   | 126,488           | 565,306           |
| Board designated   | 1,283,795         | 1,209,725         |
| Net investment in conservation property and other capital assets | 23,479,971        | 22,914,671        |
| Total unrestricted   | 24,890,254        | 24,689,702        |
| Temporarily restricted   | 2,187,152         | 1,917,351         |
| Permanently restricted   | 1,987,578         | 1,875,607         |
| Total net assets   | 29,064,984        | 28,482,660        |
| <br>TOTAL LIABILITIES AND NET ASSETS                             | <br>\$ 36,143,068 | <br>\$ 35,452,298 |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2011**  
**(With comparative totals for 2010)**

|   | 2011                 |                           |                           | Total                | 2010<br>Total        |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted |                      |                      |
| <b>Support and revenue:</b>   |                      |                           |                           |                      |                      |
| Contributions   | \$ 567,614           | \$ 828,824                | \$ -                      | \$ 1,396,438         | \$ 666,764           |
| Bequests  | 10,960               | -                         | 111,971                   | 122,931              | 2,274,093            |
| Private and government grants   | 287,161              | 2,789,345                 | -                         | 3,076,506            | 4,780,158            |
| Donated materials and services  | 68,742               | -                         | -                         | 68,742               | 145,095              |
| Special events, net of direct expenses of<br>\$103,411 in 2011 and \$52,995 in 2010       | 96,590               | -                         | -                         | 96,590               | 103,238              |
| Investment income   | 4,883                | -                         | -                         | 4,883                | 19,084               |
| Net realized/unrealized gains   | 63,229               | 15,473                    | -                         | 78,702               | 146,294              |
| Other income  | 159,584              | -                         | -                         | 159,584              | 131,970              |
| Net assets released from restrictions:  |                      |                           |                           |                      |                      |
| Satisfaction of purpose restrictions  | 3,119,440            | (3,119,440)               | -                         | -                    | -                    |
| <b>Total support and revenue</b>  | <u>4,378,203</u>     | <u>514,202</u>            | <u>111,971</u>            | <u>5,004,376</u>     | <u>8,266,696</u>     |
| <b>Expenses:</b>  |                      |                           |                           |                      |                      |
| Program services:   |                      |                           |                           |                      |                      |
| Land conservation   | 1,198,930            | -                         | -                         | 1,198,930            | 1,030,418            |
| Public outreach   | 120,039              | -                         | -                         | 120,039              | 164,113              |
| Land stewardship  | 2,347,039            | -                         | -                         | 2,347,039            | 1,349,763            |
| Total program services  | 3,666,008            | -                         | -                         | 3,666,008            | 2,544,294            |
| Management and general  | 296,709              | -                         | -                         | 296,709              | 316,697              |
| Fundraising   | 459,335              | -                         | -                         | 459,335              | 423,055              |
| <b>Total expenses</b>   | <u>4,422,052</u>     | <u>-</u>                  | <u>-</u>                  | <u>4,422,052</u>     | <u>3,284,046</u>     |
| <br>  |                      |                           |                           |                      |                      |
| Change in net assets before<br>non-operating activities                                   | (43,849)             | 514,202                   | 111,971                   | 582,324              | 4,982,650            |
| <b>Non-operating activities:</b>  |                      |                           |                           |                      |                      |
| Net assets released from restrictions<br>upon the acquisition of conservation<br>property | 244,401              | (244,401)                 | -                         | -                    | -                    |
| Change in net assets before changes related<br>to acquisition of TR Land Conservancy      | 200,552              | 269,801                   | 111,971                   | 582,324              | 4,982,650            |
| Change in net assets related to acquisition   | -                    | -                         | -                         | -                    | 2,627,654            |
| <br>  |                      |                           |                           |                      |                      |
| Change in net assets  | 200,552              | 269,801                   | 111,971                   | 582,324              | 7,610,304            |
| <b>Net assets:</b>  |                      |                           |                           |                      |                      |
| Beginning 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>    |
| <br>  |                      |                           |                           |                      |                      |
| End of year   | <u>\$ 24,890,254</u> | <u>\$ 2,187,152</u>       | <u>\$ 1,987,578</u>       | <u>\$ 29,064,984</u> | <u>\$ 28,482,660</u> |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2011**  
**(With comparative totals for 2010)**

|  | Program Services     |                    |                     |                   |                           | Supporting Services |                  |            | Total<br>Supporting<br>Services | Total<br>2010 |
|--|----------------------|--------------------|---------------------|-------------------|---------------------------|---------------------|------------------|------------|---------------------------------|---------------|
|  | Land<br>Conservation | Public<br>Outreach | Land<br>Stewardship | Total<br>Programs | Management<br>and General | Indirect<br>Costs   | Fund-<br>raising | Total      |                                 |               |
| Salaries and related costs                         | \$ 409,167           | \$ 68,323          | \$ 287,296          | \$ 764,786        | \$ 148,516                | \$ 29,383           | \$ 226,853       | \$ 404,752 | \$ 1,169,538                    | \$ 1,120,315  |
| Professional services                              | 512,423              | 13,460             | 252,197             | 778,080           | 64,241                    | 45,711              | 147,132          | 257,084    | 1,035,164                       | 823,601       |
| Property acquisition costs                         | 138,940              | -                  | -                   | 138,940           | -                         | -                   | -                | -          | 138,940                         | 118,991       |
| Property maintenance                               | 2,387                | -                  | 1,582,006           | 1,584,393         | -                         | -                   | -                | -          | 1,584,393                       | 759,138       |
| Occupancy  | -                    | -                  | 12                  | 12                | -                         | 107,645             | -                | 107,645    | 107,657                         | 108,943       |
| Postage and shipping                               | 250                  | 1,836              | 54                  | 2,140             | 257                       | 3,031               | 15,852           | 19,140     | 21,280                          | 16,965        |
| Printing and publications                          | 981                  | 12,459             | 151                 | 13,591            | 45                        | 3,125               | 8,020            | 11,190     | 24,781                          | 42,817        |
| License and fees                                   | 4,136                | -                  | 25,713              | 29,849            | 27,859                    | 6,057               | (480)            | 33,436     | 63,285                          | 47,829        |
| Supplies   | 5,536                | 3,689              | 93,347              | 102,572           | 578                       | 5,568               | 3,731            | 9,877      | 112,449                         | 71,654        |
| Equipment and repair                               | 9,683                | 25                 | 9,119               | 18,827            | 3,565                     | 26,881              | 40               | 30,486     | 49,313                          | 57,350        |
| Meetings and training                              | 2,081                | 1,339              | 774                 | 4,194             | 3,161                     | 222                 | 89               | 3,472      | 7,666                           | 11,522        |
| Travel   | 12,440               | 3,367              | 24,767              | 40,574            | 713                       | (793)               | 2,377            | 2,297      | 42,871                          | 50,134        |
| Telephone  | 49                   | -                  | 14                  | 63                | 212                       | 17,439              | -                | 17,651     | 17,714                          | 19,046        |
| Insurance  | -                    | -                  | -                   | -                 | 9,072                     | 13,563              | -                | 22,635     | 22,635                          | 18,173        |
| Interest expense                                   | -                    | -                  | -                   | -                 | -                         | 16,565              | -                | 16,565     | 16,565                          | 3,929         |
| Depreciation                                       | -                    | -                  | -                   | -                 | -                         | 4,174               | -                | 4,174      | 4,174                           | 7,905         |
| Bad debt   | -                    | -                  | -                   | -                 | -                         | -                   | -                | -          | -                               | 3,970         |
| Other  | 417                  | 40                 | 1,678               | 2,135             | 473                       | 169                 | 850              | 1,492      | 3,627                           | 1,764         |
| Total expenses before allocation of indirect costs | 1,098,490            | 104,538            | 2,277,128           | 3,480,156         | 258,692                   | 278,740             | 404,464          | 941,896    | 4,422,052                       | 3,284,046     |
| Allocation of indirect costs                       | 100,440              | 15,501             | 69,911              | 185,852           | 38,017                    | (278,740)           | 54,871           | (185,852)  | -                               | -             |
| Total expenses                                     | \$ 1,198,930         | \$ 120,039         | \$ 2,347,039        | \$ 3,666,008      | \$ 296,709                | \$ -                | \$ 459,335       | \$ 756,044 | \$ 4,422,052                    | \$ 3,284,046  |

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, 2011**  
**(With comparative totals for 2010)**

|   | <u>2011</u>        | <u>2010</u>         |
|---|--------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                    |                     |
| Change in net assets  | \$ 582,324         | \$ 7,610,304        |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                    |                     |
| Depreciation  | 4,174              | 7,905               |
| Realized and unrealized gains on investments  | (78,702)           | (146,294)           |
| Net assets acquired from TR land Conservancy  | -                  | 250,432             |
| Proceeds restricted to the acquisition of conservation property                         | (506,722)          | (2,782,909)         |
| Proceeds from contributions restricted to endowment                                     | (111,971)          | (1,665,099)         |
| Transfer of assets upon acquisition of TR Land Conservancy                              | -                  | (2,627,654)         |
| (Increase) decrease in:   |                    |                     |
| Grants and contributions receivable   | (112,000)          | 107,361             |
| Contracts receivable  | (669,788)          | (767,843)           |
| Other current assets  | 103,251            | (110,207)           |
| Increase (decrease) in:   |                    |                     |
| Accounts payable and accrued expenses   | 190,163            | 108,712             |
| Other liabilities   | 3,283              | 2,153               |
| Net cash used in operating activities   | <u>(595,988)</u>   | <u>(13,139)</u>     |
| <b>Cash flows from investing activities:</b>  |                    |                     |
| Proceeds from note receivable   | -                  | 400,000             |
| Purchase of conservation land   | (563,124)          | (3,436,513)         |
| Purchase of furniture and equipment   | (6,350)            | -                   |
| Proceeds from sale of investments   | 4,097,145          | 473,259             |
| Purchase of investments   | <u>(4,039,331)</u> | <u>(2,310,206)</u>  |
| Net cash used in investing activities   | <u>(511,660)</u>   | <u>(4,873,460)</u>  |
| <b>Cash flows from financing activities:</b>  |                    |                     |
| Proceeds restricted to the acquisition of conservation property                         | 506,722            | 2,782,909           |
| Proceeds from contributions restricted to endowment                                     | 111,971            | 1,665,099           |
| Payments on notes payable   | (85,000)           | (10,000)            |
| Proceeds from notes payable   | -                  | 235,000             |
| Net cash provided by financing activities   | <u>533,693</u>     | <u>4,673,008</u>    |
| Net decrease in cash and cash equivalents   | (573,955)          | (213,591)           |
| Cash and cash equivalents - beginning of year   | <u>1,483,952</u>   | <u>1,697,543</u>    |
| Cash and cash equivalents - end of year   | <u>\$ 909,997</u>  | <u>\$ 1,483,952</u> |
| Cash and cash equivalents   | \$ 312,872         | \$ 881,177          |
| Cash held for property conservation   | <u>597,125</u>     | <u>602,775</u>      |
|   | <u>\$ 909,997</u>  | <u>\$ 1,483,952</u> |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2011**

**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 Portland, Oregon, the Trust provides opportunities for community members to conserve their land through conservation easements and donation of fee simple ownership. The Trust also raises money for stewardship and to purchase priority lands for conservation. Since its formation, the Trust has conserved more than 18,390 acres at 150 different sites throughout 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 organizational 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, 2011**

**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

The 2011 consolidated financial statements include the accounts of Columbia Land Trust and TR Land Conservancy. During 2010, Columbia Land Trust became the sole member of TR Land Conservancy and the 2010 comparative amounts are presented on the consolidated basis and include all activities of both organizations for the entire year. All significant inter-organization amounts have been eliminated in consolidation for both years.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**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

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

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, 2011 and 2010, inventory totaled approximately \$28,700 and \$38,800, respectively.



**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**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. Conservation property value is held at a constant value and is not adjusted for depreciation or re-assessment. See also Note 8 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.

The Trust's information returns for years ended December 31, 2007 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

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.



**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

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

Restricted and Unrestricted Revenue and Support, continued

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

Donated Materials and Services

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

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, 2011 and 2010, 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.

|                             | <u>2011</u>      | <u>2010</u>       |
|-----------------------------|------------------|-------------------|
| Professional services       | \$ 32,988        | \$ 118,590        |
| Other                       | <u>35,754</u>    | <u>26,505</u>     |
| Total in-kind contributions | <u>\$ 68,742</u> | <u>\$ 145,095</u> |

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.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

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

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 2010

The financial information as of December 31, 2010 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 April 11, 2012, 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, 2011 and 2010:

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Expected to be collected in:              |                   |                   |
| Less than one year                        | \$ 185,000        | \$ 42,500         |
| One to five years                         | <u>31,000</u>     | <u>61,500</u>     |
| Total grants and contributions receivable | <u>\$ 216,000</u> | <u>\$ 104,000</u> |

Grants and contributions receivable of approximately \$75,000 at December 31, 2011 are restricted for use in stewardship and conservation programs. Uncollectible receivables are expected to be insignificant.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE, Continued**

Conditional grants receivable from a related party which are contingent on performance and matching requirements approximate \$50,000 at December 31, 2011, 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, 2011 and 2010:

|  | <u>2011</u>         | <u>2010</u>       |
|--|---------------------|-------------------|
| U.S. Fish and Wildlife Service                                     | \$ 397,559          | \$ 131,879        |
| Salmon Recovery Funding Board (passed through State of Washington) | 126,761             | 227,639           |
| Bonneville Power Administration                                    | 132,607             | 66,103            |
| American Bird Conservancy  | -                   | 100,000           |
| National Fish and Wildlife Foundation                              | 134,582             | 95,812            |
| Lower Columbia River Estuary Partnership                           | 563,136             | 34,898            |
| The Nature Conservancy   | -                   | 24,325            |
| Natural Resources and Conservation Services                        | 22,421              | 19,087            |
| Audubon Society  | 14,128              | 17,843            |
| Metro  | 21,601              | 15,985            |
| Yakama Nation  | -                   | 15,801            |
| Oregon Department of Fish and Wildlife                             | -                   | 12,110            |
| Washington Department of Natural Resources                         | 28,901              | 18,709            |
| Washington Department of Ecology                                   | 22,639              | 27,348            |
| Washington Department of Fish and Wildlife                         | 24,572              | 34,654            |
| Washington Department of Agriculture                               | 15,948              | -                 |
| Others   | 31,045              | 23,919            |
| Total contracts receivable   | <u>\$ 1,535,900</u> | <u>\$ 866,112</u> |

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**5. INVESTMENTS**

Investments at December 31, 2011 and 2010 are carried at fair value and consist of the following:

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Funds held at the Community Foundation |                     |                     |
| for Southwest Washington               | \$ 340,529          | \$ 361,443          |
| Mutual funds - domestic                | 1,989,432           | -                   |
| Mutual funds - international           | 987,269             | -                   |
| Equity securities                      | -                   | 1,618,839           |
| Fixed income securities                | -                   | 922,752             |
| Cash equivalents                       | <u>202,727</u>      | <u>596,035</u>      |
| Total investments                      | <u>\$ 3,519,957</u> | <u>\$ 3,499,069</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 \$10,311 and \$9,433 at December 31, 2011 and 2010, 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.

**6. FURNITURE AND EQUIPMENT**

Furniture and equipment consist of the following at December 31, 2011 and 2010:

|                                | <u>2011</u>     | <u>2010</u>     |
|--------------------------------|-----------------|-----------------|
| Computer hardware and software | \$ 54,406       | \$ 54,407       |
| Office equipment and furniture | 11,150          | 11,150          |
| Stewardship equipment          | <u>35,610</u>   | <u>29,259</u>   |
| Total property and equipment   | 101,166         | 94,816          |
| Less accumulated depreciation  | <u>92,796</u>   | <u>88,622</u>   |
| Net property and equipment     | <u>\$ 8,370</u> | <u>\$ 6,194</u> |

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**7. CONSERVATION PROPERTY**

Conservation property consists of the following at December 31, 2011 and 2010:

|  | 2011          | 2010          |
|--|---------------|---------------|
| Fee simple land and property             | \$ 23,332,702 | \$ 22,890,177 |
| Land held on behalf of local governments | 6,363,594     | 6,363,594     |
| Access easments                          | 18,300        | 18,300        |
| Fee simple land in progress              | 120,599       | -             |
| Total conservation property              | \$ 29,835,195 | \$ 29,272,071 |

*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.

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

**8. CONSERVATION EASEMENTS**

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At December 31, 2011, the Trust held 46 conservation easements on 1,079 acres of land.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**9. NOTES PAYABLE**

Notes payable consist of the following at December 31, 2011 and 2010:

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Unsecured note payable to an individual, with no interest and payment upon maturity. Note is due December 2015.  | \$ 50,000         | \$ 50,000         |
| 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            | 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            | 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 2012.              | 50,000            | 50,000            |
| Note payable to an individual with no interest and payment upon maturity. Paid off during 2011.  | <u>-</u>          | <u>85,000</u>     |
| Total notes payable  | <u>\$ 200,000</u> | <u>\$ 285,000</u> |

Interest forgiven under the terms of the above notes for the years ended December 31, 2011 and 2010 totals \$16,565 and \$3,929, 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, 2012 | \$ 100,000        |
| 2013                                  | 50,000            |
| 2014                                  | -                 |
| 2015                                  | <u>50,000</u>     |
|                                       | <u>\$ 200,000</u> |

**10. 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, 2011**

**11. LEASE COMMITMENTS**

The Trust leases its administrative office in Vancouver under an operating lease which expires in December 2013 with monthly rent of \$7,000 with annual increases. The Trust also leases an office in Portland under an operating lease which expires July 2014 with monthly rent of \$1,123 with annual increases. An office in Astoria is leased under an operating lease expiring in May 2014 with monthly rent of \$250, with annual increases.

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, 2011, 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 \$98,700 and \$91,200 for the years ended December 31, 2011 and 2010, respectively.

Future minimum lease commitments under operating leases are as follows:

|                                       |                   |
|---------------------------------------|-------------------|
| For the year ending December 31, 2012 | \$ 107,600        |
| 2013                                  | 110,500           |
| 2014                                  | <u>10,800</u>     |
|                                       | <u>\$ 228,900</u> |

**12. 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, 2011**

**13. BOARD DESIGNATED NET ASSETS**

Board designated net assets are reserved as follows at December 31, 2011 and 2010:

|                                   | <u>2011</u>         | <u>2010</u>         |
|-----------------------------------|---------------------|---------------------|
| Stewardship endowment (Note 20)   | \$ 1,151,295        | \$ 1,077,225        |
| Operating reserve                 | <u>132,500</u>      | <u>132,500</u>      |
| Total board designated net assets | <u>\$ 1,283,795</u> | <u>\$ 1,209,725</u> |

**14. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

|   | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| Land acquisition and related costs      | \$ 1,134,030        | \$ 943,214          |
| Stewardship funds                       | 823,996             | 710,263             |
| Earnings on endowment                   | 58,760              | 43,265              |
| Specific projects                       | 25,912              | 4,040               |
| Organizational development              | 58,454              | 27,569              |
| Future periods                          | <u>86,000</u>       | <u>189,000</u>      |
| Total temporarily restricted net assets | <u>\$ 2,187,152</u> | <u>\$ 1,917,351</u> |

Included in temporarily restricted net assets are contributions to the Trust from a legal settlement of parties unrelated to the Trust who have selected the Trust to provide conservation required by the legal settlement. At December 31, 2011 and 2010, there was approximately \$597,100 and \$602,800, respectively, included in temporarily restricted net assets related to this activity.

**15. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at December 31, 2011 and 2010 total \$1,987,578 and \$1,875,607, 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 (see Note 20, Endowment).



**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**16. 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, 2011 and 2010 totaled approximately \$25,700 and \$21,500, respectively.

**17. 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, 2011 and 2010:

Fees totaling \$20,935 and \$7,349 for professional services were paid during 2011 and 2010, respectively, to a law firm where a board member is employed.

The Trust has a note payable to the spouse of a key employee (Note 9).

The Trust has bank accounts at a bank where a board member was a key employee through 2011. Additionally, retirement plan services are provided by a company where a board member is employed.

**18. 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 concentrated with 51% of total revenues coming from four sources for the year ended December 31, 2011 and 56% of total revenues coming from two sources for the year ended December 31, 2010. The Trust's credit risk for accounts receivable is concentrated with 76% of the balances coming from four contracting agencies for the year ended December 31, 2011 and 27% of the balances coming from two contracting agencies for the year ending December 31, 2010.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**19. 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, 2011 are as follows:

|                                 | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|---------------------------------|-------------------|----------------|----------------|
| <b><u>December 31, 2011</u></b> |                   |                |                |
| Investments:                    |                   |                |                |
| Community Foundation            | \$ 340,529        | \$ -           | \$ 340,529     |
| Mutual funds - domestic         | 1,989,432         | 1,989,432      |                |
| Mutual funds - international    | 987,269           | 987,269        |                |
| <br>                            |                   |                |                |
| <b><u>December 31, 2010</u></b> |                   |                |                |
| Investments:                    |                   |                |                |
| Community Foundation            | \$ 361,443        | \$ -           | \$ 361,443     |
| Stocks                          | 791,489           | 791,489        | -              |
| Mutual funds                    | 827,350           | 827,350        | -              |
| Municipal bonds                 | 520,279           | 520,279        | -              |
| Fixed income funds              | 402,473           | 402,473        | -              |

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, 2011**

**20. 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, 2011**

**20. ENDOWMENT, Continued**

Endowment net asset composition by type of fund as of December 31, 2011 and 2010 are as follows:

|                                     | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <u>December 31, 2011</u>            |                     |                           |                           |                     |
| Donor-restricted endowment funds    | \$ -                | \$ 58,760                 | \$ 1,987,578              | \$ 2,046,338        |
| Board-designated<br>endowment funds | <u>1,151,295</u>    | <u>-</u>                  | <u>-</u>                  | <u>1,151,295</u>    |
| Total                               | <u>\$ 1,151,295</u> | <u>\$ 58,760</u>          | <u>\$ 1,987,578</u>       | <u>\$ 3,197,633</u> |
| <u>December 31, 2010</u>            |                     |                           |                           |                     |
| Donor-restricted endowment funds    | \$ -                | \$ 43,265                 | \$ 1,875,607              | \$ 1,918,872        |
| Board-designated<br>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> |

Changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets -<br>December 31, 2009                                 | \$ 889,269          | \$ 27,562                 | \$ 160,508                | \$ 1,077,339        |
| Investment return:  |                     |                           |                           |                     |
| Net realized and unrealized<br>appreciation and<br>investment income        | 85,056              | 15,703                    | -                         | 100,759             |
| Contributions   | 102,900             | -                         | 1,665,099                 | 1,767,999           |
| Acquisition of TR Land<br>Conservancy                                       | -                   | -                         | 50,000                    | 50,000              |
| Appropriation of endowment<br>assets for expenditure                        | <u>-</u>            | <u>-</u>                  | <u>-</u>                  | <u>-</u>            |
| Endowment net assets -<br>December 31, 2010                                 | 1,077,225           | 43,265                    | 1,875,607                 | 2,996,097           |
| Investment return:  |                     |                           |                           |                     |
| Net realized and unrealized<br>appreciation, investment<br>and other income | 74,070              | 15,495                    | -                         | 89,565              |
| Contributions and bequests  | -                   | -                         | 111,971                   | 111,971             |
| Appropriation of endowment<br>assets for expenditure                        | <u>-</u>            | <u>-</u>                  | <u>-</u>                  | <u>-</u>            |
| Endowment net assets -<br>December 31, 2011                                 | <u>\$ 1,151,295</u> | <u>\$ 58,760</u>          | <u>\$ 1,987,578</u>       | <u>\$ 3,197,633</u> |

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**20. 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

Distributions are made at such time that the board approves distributions of earnings on the permanently restricted Endowment. Distributions of available earnings may be no greater than five percent of the average annual net fair market value of the Endowment assets averaged over the three preceding years. In establishing this policy, the Trust considered the long-term expected return on its endowment that is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2011**

**21. 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

We have audited the consolidated financial statements of Columbia Land Trust and TR Land Conservancy as of and for the year ended December 31, 2011, and our report thereon dated December 31, 2010, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*McDonald Jacobs, P.C.*

April 11, 2012

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

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**COLUMBIA LAND TRUST**  
**SUPPLEMENTAL INFORMATION - SCHEDULE I**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**

|   | <u>Columbia Land</u><br><u>Trust</u> | <u>TR Land</u><br><u>Conservancy</u> | <u>Eliminating</u><br><u>Entries</u> | <u>Consolidated</u><br><u>Total</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| <b>ASSETS</b>   |                                      |                                      |                                      |                                     |
| Cash and cash equivalents   | \$ 232,249                           | \$ 80,623                            | \$ -                                 | \$ 312,872                          |
| Grants and contributions receivable                                 | 216,000                              | -                                    | -                                    | 216,000                             |
| Contracts receivable  | 1,533,783                            | 2,117                                | -                                    | 1,535,900                           |
| Other receivables   | 73,673                               | -                                    | -                                    | 73,673                              |
| Cash held for property conservation                                 | 597,125                              | -                                    | -                                    | 597,125                             |
| Prepaid expenses and inventory                                      | 43,976                               | -                                    | -                                    | 43,976                              |
| Investments   | 3,519,957                            | -                                    | -                                    | 3,519,957                           |
| Furniture and equipment, net  | 8,370                                | -                                    | -                                    | 8,370                               |
| Conservation property   | <u>29,738,264</u>                    | <u>96,931</u>                        | <u>-</u>                             | <u>29,835,195</u>                   |
| <br>TOTAL ASSETS  | <br><u>\$ 35,963,397</u>             | <br><u>\$ 179,671</u>                | <br><u>\$ -</u>                      | <br><u>\$ 36,143,068</u>            |
| <br><b>LIABILITIES AND NET ASSETS</b>                               |                                      |                                      |                                      |                                     |
| Liabilities:  |                                      |                                      |                                      |                                     |
| Accounts payable and accrued expenses                               | \$ 498,289                           | \$ 765                               | \$ -                                 | \$ 499,054                          |
| Grant payable   | 10,000                               | -                                    | -                                    | 10,000                              |
| Deferred revenue  | 5,436                                | -                                    | -                                    | 5,436                               |
| Notes payable   | 200,000                              | -                                    | -                                    | 200,000                             |
| Conservation property held on behalf<br>of local governments        | <u>6,363,594</u>                     | <u>-</u>                             | <u>-</u>                             | <u>6,363,594</u>                    |
| <br>Total liabilities   | <br><u>7,077,319</u>                 | <br><u>765</u>                       | <br><u>-</u>                         | <br><u>7,078,084</u>                |
| <br>Net assets (deficit):   |                                      |                                      |                                      |                                     |
| Unrestricted:   |                                      |                                      |                                      |                                     |
| Undesignated  | 159,219                              | (32,731)                             | -                                    | 126,488                             |
| Board designated  | 1,283,795                            | -                                    | -                                    | 1,283,795                           |
| Net investment in conservation property<br>and other capital assets | <u>23,383,040</u>                    | <u>96,931</u>                        | <u>-</u>                             | <u>23,479,971</u>                   |
| Total unrestricted  | 24,826,054                           | 64,200                               | -                                    | 24,890,254                          |
| Temporarily restricted  | 2,072,446                            | 114,706                              | -                                    | 2,187,152                           |
| Permanently restricted  | <u>1,987,578</u>                     | <u>-</u>                             | <u>-</u>                             | <u>1,987,578</u>                    |
| Total net assets  | <u>28,886,078</u>                    | <u>178,906</u>                       | <u>-</u>                             | <u>29,064,984</u>                   |
| <br>TOTAL LIABILITIES AND NET ASSETS                                | <br><u>\$ 35,963,397</u>             | <br><u>\$ 179,671</u>                | <br><u>\$ -</u>                      | <br><u>\$ 36,143,068</u>            |

See independent auditor's report on supplemental information.

**COLUMBIA LAND TRUST**  
**SUPPLEMENTAL INFORMATION - SCHEDULE II**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2011**

|   | <u>Columbia<br/>Land Trust</u> | <u>TR Land<br/>Conservancy</u> | <u>Eliminating<br/>Entries</u> | <u>Consolidated<br/>Total</u> |
|---|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| <b>Changes in unrestricted net assets:</b>  |                                |                                |                                |                               |
| Support and revenue:  |                                |                                |                                |                               |
| Contributions and bequests  | \$ 577,899                     | \$ 675                         | \$ -                           | \$ 578,574                    |
| Private and government grants   | 292,456                        | (5,295)                        | -                              | 287,161                       |
| Donated materials and services  | 68,742                         | -                              | -                              | 68,742                        |
| Donated land  | 398,205                        | -                              | (398,205)                      | -                             |
| Special events, net of direct expenses  | 96,590                         | -                              | -                              | 96,590                        |
| Investment income   | 4,532                          | 351                            | -                              | 4,883                         |
| Net realized/unrealized gains   | 63,229                         | -                              | -                              | 63,229                        |
| Other income  | 159,014                        | 570                            | -                              | 159,584                       |
| Net assets released from restrictions   | <u>3,104,175</u>               | <u>15,265</u>                  | <u>-</u>                       | <u>3,119,440</u>              |
| Total support and revenue   | <u>4,764,842</u>               | <u>11,566</u>                  | <u>(398,205)</u>               | <u>4,378,203</u>              |
| Expenses:   |                                |                                |                                |                               |
| Program services:   |                                |                                |                                |                               |
| Land conservation   | 1,196,543                      | 2,387                          | -                              | 1,198,930                     |
| Public outreach   | 120,039                        | -                              | -                              | 120,039                       |
| Land stewardship  | <u>2,346,789</u>               | <u>250</u>                     | <u>-</u>                       | <u>2,347,039</u>              |
| Total program services  | 3,663,371                      | 2,637                          | -                              | 3,666,008                     |
| Management and general  | 279,401                        | 17,308                         | -                              | 296,709                       |
| Fundraising   | <u>459,335</u>                 | <u>-</u>                       | <u>-</u>                       | <u>459,335</u>                |
| Total expenses  | <u>4,402,107</u>               | <u>19,945</u>                  | <u>-</u>                       | <u>4,422,052</u>              |
| Change in net assets before non-operating activities                                | 362,735                        | (8,379)                        | (398,205)                      | (43,849)                      |
| Non-operating activities:   |                                |                                |                                |                               |
| Net assets released from restrictions upon the acquisition of conservation property | 244,401                        | -                              | -                              | 244,401                       |
| Grant of lands to Columbia Land Trust   | <u>-</u>                       | <u>(398,205)</u>               | <u>398,205</u>                 | <u>-</u>                      |
| Change in unrestricted net assets   | <u>607,136</u>                 | <u>(406,584)</u>               | <u>-</u>                       | <u>200,552</u>                |
| <b>Change in temporarily restricted net assets:</b>                                 |                                |                                |                                |                               |
| Contributions   | 828,824                        | -                              | -                              | 828,824                       |
| Private and government grants   | 2,789,345                      | -                              | -                              | 2,789,345                     |
| Net realized/unrealized gains and earnings  | 15,473                         | -                              | -                              | 15,473                        |
| Net assets released from restrictions:  |                                |                                |                                |                               |
| Satisfaction of purpose restrictions  | (3,104,175)                    | (15,265)                       | -                              | (3,119,440)                   |
| Acquisition of conservation property  | <u>(244,401)</u>               | <u>-</u>                       | <u>-</u>                       | <u>(244,401)</u>              |
| Change in temporarily restricted net assets   | <u>285,066</u>                 | <u>(15,265)</u>                | <u>-</u>                       | <u>269,801</u>                |
| <b>Change in permanently restricted net assets:</b>                                 |                                |                                |                                |                               |
| Contributions   | <u>111,971</u>                 | <u>-</u>                       | <u>-</u>                       | <u>111,971</u>                |
| Change in permanently restricted net assets   | <u>111,971</u>                 | <u>-</u>                       | <u>-</u>                       | <u>111,971</u>                |
| Change in net assets  | 1,004,173                      | (421,849)                      | -                              | 582,324                       |
| <b>Net assets:</b>  |                                |                                |                                |                               |
| Beginning of year   | <u>27,881,905</u>              | <u>600,755</u>                 | <u>-</u>                       | <u>28,482,660</u>             |
| End of year   | <u>\$ 28,886,078</u>           | <u>\$ 178,906</u>              | <u>\$ -</u>                    | <u>\$ 29,064,984</u>          |

See independent auditor's report on supplemental information.