



McDONALD JACOBS

AUDIT COMMUNICATION LETTER

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

April 11, 2013

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, 2012, and have issued our report thereon dated April 11, 2013. 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 26, 2012. 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 2012. 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:

Strength in Numbers

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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.

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 these estimates in determining that they are 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 11, Contingencies
- Note 18, Related Party Transactions
- Note 21, 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. One adjustment was recorded for \$355,000 of donated property for which the donor did not provide the appraised value until after year-end.

Additionally, one misstatement was not recorded for approximately \$16,000 of obsolete inventory that management anticipates adjusting in 2013. 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, 2013.

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

**Audited Consolidated
Financial Statements**

**For the Year Ended
December 31, 2012**

GROWING STRONG

Rub across the rings of a piece of cut wood and your hand travels years, decades, even centuries.

With each new ring, with each year that passes, a tree grows new volume—so that a 25-year-old tree gains easily 25 times the volume of a one-year-old seedling. A tree's trunk is essential: It provides the stability, flexibility and strength a tree needs to survive torrential rains, hurricane-force winds, freezing and all sorts of diseases.

Just two years from now, in 2015, Columbia Land Trust will celebrate its 25-year anniversary. In our early years, we grew slowly, conserving just 150 acres of land in the first seven years. But each year—each new ring—provided us with more lands conserved, more members, more energy and enthusiasm. Today our center is strong: We have conserved more than 21,000 acres of great Pacific Northwest lands.

Now we are ready to embrace an even larger conservation role in the Northwest. Over the next three years, we aim to double the amount of land we've conserved since 1990 to more than 40,000 acres. Our ability to achieve these goals is directly linked to the strength we have achieved over the last 23 years.

Today, Columbia Land Trust is the most experienced, most respected, largest land-conservation organization working in this area. We have become a national thought leader among land trusts. We've earned accreditation. In the next three years we will conserve even more great places that define the Pacific Northwest—so that 1,000 years from now, a child can stand in awe at the base of a majestic tree, one that began as they all do, with the miraculous germination of a seed.

Our 2012 audit is a study of the internal structure and strength of Columbia Land Trust. In your hands is the data that demonstrates that we have set aside more than \$3,000,000 for forever stewardship of the land (Note 21, page 21) that we now hold land recorded at \$37,983,491 (Note 7, page 14) and that the gifts from our generous donors are leveraged many times over.

Move your eyes across these sheets of paper and you will observe the strength that will allow us to be responsible stewards of these places for years, decades, even centuries. Thanks so much for your support.

My best,

Glenn Lamb
Executive Director



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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The Board of Directors
Columbia Land Trust and
TR Land Conservancy

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Columbia Land Trust and TR Land Conservancy (the Trust), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

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to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbia Land Trust and TR Land Conservancy as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Columbia Land Trust's 2011 consolidated financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013 on our consideration of the 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* in considering the Trust's internal control over financial reporting and compliance.

McDonald Jacobson, P.C.

Portland, Oregon
April 11, 2013

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With comparative totals for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,090,200	\$ 312,872
Grants and contributions receivable	53,961	216,000
Contracts receivable	1,028,478	1,535,900
Other receivables	500	73,673
Cash held for property conservation	579,206	597,125
Prepaid expenses and inventory	47,129	43,976
Investments	3,929,583	3,519,957
Furniture and equipment, net	32,754	8,370
Conservation property	37,983,491	29,835,195
 TOTAL ASSETS	 \$ 44,745,302	 \$ 36,143,068
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 597,816	\$ 499,054
Grant payable	10,000	10,000
Deferred revenue	278	5,436
Notes payable	40,000	200,000
Conservation property held on behalf of local governments	6,363,594	6,363,594
 Total liabilities	 7,011,688	 7,078,084
Net assets:		
Unrestricted:		
Undesignated	192,291	126,488
Board designated, as restated for 2011	1,365,587	1,237,729
Net investment in conservation property and other capital assets	31,652,651	23,479,971
Total unrestricted	33,210,529	24,844,188
Temporarily restricted, as restated for 2011	2,535,507	2,233,218
Permanently restricted	1,987,578	1,987,578
Total net assets	37,733,614	29,064,984
 TOTAL LIABILITIES AND NET ASSETS	 \$ 44,745,302	 \$ 36,143,068

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2012
(With comparative totals for 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions	\$ 572,364	\$ 1,173,273	\$ -	\$ 1,745,637	\$ 1,396,438
Bequests	-	-	-	-	122,931
Private and government grants	170,533	10,215,749	-	10,386,282	3,076,506
Donated materials and services	155,041	-	-	155,041	68,742
Donated land	355,000	-	-	355,000	-
Special events, net of direct expenses of \$113,613 in 2012 and \$103,411 in 2011	54,959	-	-	54,959	96,590
Interest income	1,268	-	-	1,268	4,883
Investment income, net of fees	127,858	280,730	-	408,588	78,702
Other income	25,816	-	-	25,816	159,584
Net assets released from restrictions:					
Satisfaction of purpose restrictions	2,952,021	(2,952,021)	-	-	-
Total support and revenue	<u>4,414,860</u>	<u>8,717,731</u>	<u>-</u>	<u>13,132,591</u>	<u>5,004,376</u>
Expenses:					
Program services:					
Land conservation	1,977,220	-	-	1,977,220	1,198,930
Public outreach	147,172	-	-	147,172	120,039
Land stewardship	1,611,785	-	-	1,611,785	2,347,039
Total program services	3,736,177	-	-	3,736,177	3,666,008
Management and general	282,472	-	-	282,472	296,709
Fundraising	445,312	-	-	445,312	459,335
Total expenses	<u>4,463,961</u>	<u>-</u>	<u>-</u>	<u>4,463,961</u>	<u>4,422,052</u>
Change in net assets before non-operating activities	(49,101)	8,717,731	-	8,668,630	582,324
Non-operating activities:					
Net assets released from restrictions upon the acquisition of conservation property	8,415,442	(8,415,442)	-	-	-
Change in net assets	8,366,341	302,289	-	8,668,630	582,324
Net assets:					
Beginning of year, as restated	<u>24,844,188</u>	<u>2,233,218</u>	<u>1,987,578</u>	<u>29,064,984</u>	<u>28,482,660</u>
End of year	<u>\$ 33,210,529</u>	<u>\$ 2,535,507</u>	<u>\$ 1,987,578</u>	<u>\$ 37,733,614</u>	<u>\$ 29,064,984</u>

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2012
(With comparative totals for 2011)

	Program Services				Supporting Services				Total 2011	
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund- raising	Total Supporting		
Salaries and related costs	\$ 436,790	\$ 48,973	\$ 256,681	\$ 742,444	\$ 180,685	\$ 20,329	\$ 278,416	\$ 479,430	\$ 1,221,874	\$ 1,169,538
Professional services	589,838	71,580	122,857	784,275	42,738	49,389	37,654	129,781	914,056	1,035,164
Property acquisition costs	432,145	-	449,589	881,734	-	-	-	-	881,734	138,940
Property maintenance	377,857	-	581,657	959,514	-	-	-	-	959,514	1,584,393
Occupancy	-	-	795	795	482	114,790	-	115,272	116,067	107,657
Postage and shipping	1,068	1,478	290	2,836	54	3,242	15,742	19,038	21,874	21,280
Printing and publications	758	4,270	373	5,401	-	3,716	26,008	29,724	35,125	24,781
License and fees	8,959	720	54,926	64,605	3,756	10,299	3,235	17,290	81,895	63,285
Supplies	8,128	4,374	27,584	40,086	1,066	7,368	3,474	11,908	51,994	112,449
Equipment and repair	629	-	30,052	30,681	8,378	22,982	8,661	40,021	70,702	53,487
Meetings and training	3,862	1,613	1,995	7,470	2,656	625	2,373	5,654	13,124	7,666
Travel	18,246	2,141	25,306	45,693	601	(7,166)	2,657	(3,908)	41,785	42,871
Telephone	638	69	77	784	55	19,126	14	19,195	19,979	17,714
Insurance	-	-	-	-	2,304	15,566	-	17,870	17,870	22,635
Interest expense	-	-	-	-	-	6,587	-	6,587	6,587	16,565
Other	2,897	406	1,528	4,831	764	206	3,980	4,950	9,781	3,627
Total expenses before allocation of indirect costs	1,881,815	135,624	1,553,710	3,571,149	243,539	267,059	382,214	892,812	4,463,961	4,422,052
Allocation of indirect costs	95,405	11,548	58,075	165,028	38,933	(267,059)	63,098	(165,028)	-	-
Total expenses	\$ 1,977,220	\$ 147,172	\$ 1,611,785	\$ 3,736,177	\$ 282,472	\$ -	\$ 445,312	\$ 727,784	\$ 4,463,961	\$ 4,422,052

See notes to financial statements.

COLUMBIA LAND TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2012
(With comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,668,630	\$ 582,324
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,683	4,174
Realized and unrealized gains on investments	(334,305)	(83,029)
Donations of conservation properties	(355,000)	-
Proceeds restricted to the acquisition of conservation property	(8,030,417)	(506,722)
Proceeds from contributions restricted to endowment	-	(111,971)
(Increase) decrease in:		
Grants and contributions receivable	162,039	(112,000)
Contracts receivable	507,422	(669,788)
Other current assets	70,020	103,251
Increase (decrease) in:		
Accounts payable and accrued expenses	98,762	190,163
Other liabilities	<u>(5,158)</u>	<u>3,283</u>
Net cash provided by (used in) operating activities	<u>790,676</u>	<u>(600,315)</u>
Cash flows from investing activities:		
Purchase of conservation land	(7,793,296)	(563,124)
Purchase of furniture and equipment	(33,067)	(6,350)
Proceeds from sale of investments	336,030	4,097,145
Purchase of investments	<u>(411,351)</u>	<u>(4,035,004)</u>
Net cash used in investing activities	<u>(7,901,684)</u>	<u>(507,333)</u>
Cash flows from financing activities:		
Proceeds restricted to the acquisition of conservation property	8,030,417	506,722
Proceeds from contributions restricted to endowment	-	111,971
Payments on notes payable	<u>(160,000)</u>	<u>(85,000)</u>
Net cash provided by financing activities	<u>7,870,417</u>	<u>533,693</u>
Net increase (decrease) in cash and cash equivalents	759,409	(573,955)
Cash and cash equivalents - beginning of year	<u>909,997</u>	<u>1,483,952</u>
Cash and cash equivalents - end of year	<u>\$ 1,669,406</u>	<u>\$ 909,997</u>
Cash and cash equivalents	\$ 1,090,200	\$ 312,872
Cash held for property conservation	<u>579,206</u>	<u>597,125</u>
	<u>\$ 1,669,406</u>	<u>\$ 909,997</u>

See notes to financial statements.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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 20,200 acres at 157 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 landowners, showcasing successful projects to promote conservation and stewardship, and introducing the general public to land conservation through tours and publications.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

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 consolidated financial statements include the accounts of Columbia Land Trust and TR Land Conservancy. All significant inter-organization amounts have been eliminated in consolidation for both years.

Basis of Presentation

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

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

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *Continued*
December 31, 2012

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

Basis of Presentation, *Continued*

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

Cash and Cash Equivalents

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

Grants and Contributions Receivable

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Trust is notified of the commitment.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Trust has an established right to the bequest and the proceeds are measurable.

Contracts Receivable

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

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 both December 31, 2012 and 2011, inventory totaled approximately \$28,700.

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 consolidated 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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Also see 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, 2008 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 consolidated statement of activities as net assets released from restrictions.

Contributions restricted for long-term stewardship of conservation properties are generally not property-specific. Contributions of unrestricted and temporarily restricted gifts are recognized at the time of the gift. 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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services

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

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

During the years ended December 31, 2012 and 2011, 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.

	2012	2011
Professional services	\$ 85,716	\$ 32,988
Other	69,325	35,754
	155,041	68,742
Bargain sale on land and donated property	355,000	-
Total in-kind contributions	\$ 510,041	\$ 68,742

Contributions of Long-Lived Assets

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

Expense Allocation

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

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2011

The consolidated financial information as of December 31, 2011 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

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

Subsequent Events

The Trust has evaluated all subsequent events through April 11, 2013, the date the consolidated financial statements were available to be issued.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are summarized as follows at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Expected to be collected in:		
Less than one year	\$ 52,211	\$ 185,000
One to five years	<u>1,750</u>	<u>31,000</u>
Total grants and contributions receivable	<u>\$ 53,961</u>	<u>\$ 216,000</u>

Grants and contributions receivable of approximately \$50,000 at December 31, 2012 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, 2012

4. CONTRACTS RECEIVABLE

Contracts receivable are unsecured and are summarized as follows at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
U.S. Fish and Wildlife Service	\$ -	\$ 397,559
U.S. Department of Interior	101,212	-
Salmon Recovery Funding Board (passed through State of Washington)	159,251	126,761
Bonneville Power Administration	553,128	132,607
National Fish and Wildlife Foundation	-	134,582
Lower Columbia River Estuary Partnership	-	563,136
Oregon Department of Fish and Wildlife	67,458	-
Others	<u>147,429</u>	<u>181,255</u>
Total contracts receivable	<u>\$ 1,028,478</u>	<u>\$ 1,535,900</u>

5. INVESTMENTS

Investments at December 31, 2012 and 2011 are carried at fair value and consist of the following:

	<u>2012</u>	<u>2011</u>
Funds held at the Community Foundation for Southwest Washington	\$ 371,759	\$ 340,529
Mutual Funds:		
Fixed income	1,319,828	1,105,793
Equity securities	1,665,261	1,412,713
All asset	486,140	458,195
Cash equivalents	<u>86,595</u>	<u>202,727</u>
Total investments	<u>\$ 3,929,583</u>	<u>\$ 3,519,957</u>

Investment income for the years ended December 31, 2012 and 2011 consists of:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 97,419	\$ 13,303
Net realized/unrealized gain	334,305	83,029
Investment fees	<u>(23,136)</u>	<u>(17,630)</u>
Net investment income	<u>\$ 408,588</u>	<u>\$ 78,702</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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

6. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31, 2012 and 2011:

	2012	2011
Computer hardware and software	\$ 54,406	\$ 54,406
Office equipment and furniture	11,150	11,150
Stewardship equipment	68,676	35,610
Total furniture and equipment	134,232	101,166
Less accumulated depreciation	101,478	92,796
Net furniture and equipment	\$ 32,754	\$ 8,370

7. CONSERVATION PROPERTY

Conservation property consists of the following at December 31, 2012 and 2011:

	2012	2011
Fee simple land and property	\$ 31,601,597	\$ 23,332,702
Land held on behalf of local governments	6,363,594	6,363,594
Access easements	18,300	18,300
Fee simple land in progress	-	120,599
Total conservation property	\$ 37,983,491	\$ 29,835,195

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.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

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 consolidated financial statements do not include any amounts for these property interests. At December 31, 2012, the Trust held 48 conservation easements on 1,614 acres of land.

9. LINE OF CREDIT

The Organization has a \$250,000 revolving line of credit with West Coast Bank, expiring March 2013. Advances on the credit line are payable on demand and carry an interest rate of Prime plus 0.5% with a minimum rate of 4.0% (4.0% at December 31, 2012). There were no advances at December 31, 2012. Subsequent to year-end, the line of credit was renewed for one year.

10. NOTES PAYABLE

Notes payable consist of the following at December 31, 2012 and 2011:

	2012	2011
Unsecured note payable to an individual, with no interest and payment upon maturity. Note is due December 2015.	\$ 40,000	\$ 50,000
Unsecured note payable to a related party individual, with no interest and payment upon maturity. Option to renew for one year. Paid in full during 2012.	-	50,000
Unsecured note payable to an individual, with no interest and payment upon maturity. Option to renew for one year. Paid in full during 2012	-	50,000
Unsecured note payable to an individual, with no interest and payment upon maturity. Option to renew for one year. Paid in full during 2012.	-	50,000
Total notes payable	\$ 40,000	\$ 200,000

Interest forgiven under the terms of the above notes for the years ended December 31, 2012 and 2011 totals \$6,587 and \$16,565, respectively, and has been recognized in the accompanying consolidated financial statements as an in-kind contribution.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

10. NOTES PAYABLE, Continued

Current maturities of notes payable are as follows:

For the years ending December 31, 2013	\$	-
2014		-
2015		<u>40,000</u>
	\$	<u>40,000</u>

11. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Trust if so determined in the future. It is management's belief that no significant amounts will be required to be returned in the future.

12. 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 and annual increases. The Trust also leases an office in Portland under an operating lease which expires July 2014 with monthly rent of \$1,123 and annual increases. An office in Astoria is leased under an operating lease expiring in May 2014 with monthly rent of \$250 and annual increases. Warehouse space is leased in Vancouver under an operating lease expiring January 2014 with monthly rent of \$990 and 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, 2012, the Trust has paid \$50 in advance under this arrangement. No in-kind contribution has been recorded in the accompanying consolidated 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 \$118,500 and \$91,200 for the years ended December 31, 2012 and 2011, respectively.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

12. LEASE COMMITMENTS, Continued

Future minimum lease commitments under operating leases are as follows:

For the years ending December 31, 2013	122,700
2014	<u>11,800</u>
	<u>\$ 134,500</u>

13. STEWARDSHIP COMMITMENT

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

14. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved as follows at December 31, 2012 and 2011:

	2012	2011
Stewardship endowment (Note 21)	\$ 1,233,087	\$ 1,105,229
Operating reserve	<u>132,500</u>	<u>132,500</u>
Total board designated net assets	<u>\$ 1,365,587</u>	<u>\$ 1,237,729</u>

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2012 and 2011:

	2012	2011
Land acquisition and related costs	\$ 1,118,913	\$ 1,134,030
Stewardship funds	966,783	823,996
Earnings on endowment (Note 21)	313,047	104,826
Specific projects	75,776	25,912
Organizational development	29,988	58,454
Future periods	31,000	86,000
Total temporarily restricted net assets	\$ 2,535,507	\$ 2,233,218

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, 2012 and 2011, there was approximately \$579,206 and \$597,100, respectively, included in temporarily restricted net assets related to this purpose.

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2012 and 2011 total \$1,987,578 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 21, Endowment).

17. RETIREMENT PLANS

The Trust offers a tax-sheltered annuity plan as described under Section 403(b) of the Internal Revenue Code and a Simplified Employee Pension (SEP) plan to substantially all full-time and certain part-time employees. The Trust provides contributions to the SEP plan equal to 3.0% of the annual compensation of each participating employee. Employees are allowed to participate in the plans immediately upon employment, and may make other contributions to the 403(b) plan up to the limits allowed by law. Contributions to the SEP plan for December 31, 2012 and 2011 totaled approximately \$30,300 and \$25,700, respectively.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

18. RELATED PARTY TRANSACTIONS

Related parties include management and other parties that have the ability to significantly influence the management or operating policies of the Trust. The following transactions with related parties occurred during the years ended December 31, 2012 and 2011:

During 2012, fees totaling \$10,495 for marketing services were paid to a firm where a board member is employed. Fees totaling \$20,935 for professional services were paid during 2011 to a law firm where a board member was employed. Additionally, board members provided pro-bono legal services totaling approximately \$32,700 in 2012.

The Trust has bank accounts at a bank where a board member was a key employee through 2011.

19. CONCENTRATIONS OF CREDIT RISK

The Trust maintains its cash balances in several financial institutions, and has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). The balances, at times, may exceed the federally insured limit.

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.

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 69% of total revenues coming from two sources for the year ended December 31, 2012 and 51% of total revenues coming from four sources for the year ended December 31, 2011. The Trust's credit risk for accounts receivable is concentrated with 71% of the balances coming from two contracting agencies for the year ended December 31, 2012 and 76% of the balances coming from four contracting agencies for the year ending December 31, 2011.

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

20. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the consolidated 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, 2012 and 2011 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2012</u>			
Investments:			
Community Foundation	\$ 371,759	\$ -	\$ 371,759
Mutual funds:			
Fixed income - domestic	1,001,055	1,001,055	-
Fixed income - global	318,773	318,773	-
Equity - domestic	794,095	794,095	-
Equity - international/global	871,166	871,166	-
All asset - domestic	332,668	332,668	-
All asset - global	153,472	153,472	-
<u>December 31, 2011</u>			
Investments:			
Community Foundation	\$ 340,529	\$ -	\$ 340,529
Mutual funds:			
Fixed income - domestic	810,431	810,431	-
Fixed income - global	295,362	295,362	-
Equity - domestic	713,328	713,328	-
Equity - international/global	699,385	699,385	-
All asset - domestic	314,231	314,231	-
All asset - global	143,964	143,964	-

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

20. FAIR VALUE MEASUREMENTS, Continued

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

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

21. ENDOWMENT

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

Interpretation of Relevant Law

The Board of Directors of Columbia Land Trust has interpreted Washington's enacted Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by the Act. 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, 2012

21. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of December 31, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>December 31, 2012</u>				
Donor-restricted endowment funds	\$ -	\$ 313,047	\$ 1,987,578	\$ 2,300,625
Board-designated endowment funds	<u>1,233,087</u>	<u>-</u>	<u>-</u>	<u>1,233,087</u>
Total	<u>\$ 1,233,087</u>	<u>\$ 313,047</u>	<u>\$ 1,987,578</u>	<u>\$ 3,533,712</u>
<u>December 31, 2011</u>				
Donor-restricted endowment funds	\$ -	\$ 104,826	\$ 1,987,578	\$ 2,092,404
Board-designated endowment funds	<u>1,105,229</u>	<u>-</u>	<u>-</u>	<u>1,105,229</u>
Total	<u>\$ 1,105,229</u>	<u>\$ 104,826</u>	<u>\$ 1,987,578</u>	<u>\$ 3,197,633</u>

Changes in endowment net assets for the years ended December 31, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - December 31, 2010	\$ 1,077,225	\$ 43,265	\$ 1,875,607	\$ 2,996,097
Investment return: Net realized and unrealized appreciation, investment and other income (restated)	28,004	61,561	-	89,565
Contributions	-	-	111,971	111,971
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets - December 31, 2011	1,105,229	104,826	1,987,578	3,197,633
Investment return: Net realized and unrealized appreciation, investment	127,858	280,730	-	408,588
Contributions and bequests	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(72,509)</u>	<u>-</u>	<u>(72,509)</u>
Endowment net assets - December 31, 2012	<u>\$ 1,233,087</u>	<u>\$ 313,047</u>	<u>\$ 1,987,578</u>	<u>\$ 3,533,712</u>

COLUMBIA LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2012

21. ENDOWMENT, Continued

Return Objectives and Risk Parameters

Columbia Land Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Trust must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year will vary from the benchmark.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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.

22. RESTATEMENT OF 2011 FINANCIAL STATEMENTS

During the year ended December 31, 2012, the Trust determined that approximately \$46,000 of temporarily restricted investment income earned in 2011 was classified as board designated net assets. The effect of the restatement had no impact on the change in net assets and is not material to the consolidated financial statements as a whole.

SUPPLEMENTAL INFORMATION



McDONALD JACOBS

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

*Jake Jacobs, CPA
Shareholder*

*Susan J. Marks, CPA
Shareholder*

*Mark A. Clift, CPA
Shareholder*

*Karin S. Wandtke, CPA
Shareholder*

*Sang Ahn, CPA
Shareholder*

*Gerard DeBlois Jr., CPA
Shareholder*

*Jill Oswald
Shareholder*

*Mary Strasdin, CPA
Principal*

*Dennis C. Johnson, CPA
of counsel*

The Board of Directors
Columbia Land Trust and
TR Land Conservancy

We have audited the consolidated financial statements of Columbia Land Trust and TR Land Conservancy as of and for the year ended December 31, 2012, and our report thereon dated December 31, 2011, which expressed an unmodified 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.

Portland, Oregon
April 11, 2013

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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COLUMBIA LAND TRUST
SUPPLEMENTAL INFORMATION - SCHEDULE I
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2012

	<u>Columbia Land Trust</u>	<u>TR Land Conservancy</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,009,268	\$ 80,932	\$ -	\$ 1,090,200
Grants and contributions receivable	53,961	-	-	53,961
Contracts receivable	1,028,478	-	-	1,028,478
Other receivables	500	-	-	500
Cash held for property conservation	579,206	-	-	579,206
Prepaid expenses and inventory	46,171	958	-	47,129
Investments	3,929,583	-	-	3,929,583
Furniture and equipment, net	32,754	-	-	32,754
Conservation property	<u>37,983,491</u>	<u>-</u>	<u>-</u>	<u>37,983,491</u>
 TOTAL ASSETS	 <u>\$ 44,663,412</u>	 <u>\$ 81,890</u>	 <u>\$ -</u>	 <u>\$ 44,745,302</u>
 LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 597,051	\$ 765	\$ -	\$ 597,816
Grant payable	10,000	-	-	10,000
Deferred revenue	278	-	-	278
Notes payable	40,000	-	-	40,000
Conservation property held on behalf of local governments	<u>6,363,594</u>	<u>-</u>	<u>-</u>	<u>6,363,594</u>
 Total liabilities	 <u>7,010,923</u>	 <u>765</u>	 <u>-</u>	 <u>7,011,688</u>
 Net assets (deficit):				
Unrestricted:				
Undesignated	225,872	(33,581)	-	192,291
Board designated	1,365,587	-	-	1,365,587
Net investment in conservation property and other capital assets	<u>31,652,651</u>	<u>-</u>	<u>-</u>	<u>31,652,651</u>
Total unrestricted	33,244,110	(33,581)	-	33,210,529
Temporarily restricted	2,420,801	114,706	-	2,535,507
Permanently restricted	<u>1,987,578</u>	<u>-</u>	<u>-</u>	<u>1,987,578</u>
Total net assets	<u>37,652,489</u>	<u>81,125</u>	<u>-</u>	<u>37,733,614</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 44,663,412</u>	 <u>\$ 81,890</u>	 <u>\$ -</u>	 <u>\$ 44,745,302</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, 2012

	<u>Columbia Land Trust</u>	<u>TR Land Conservancy</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
Changes in unrestricted net assets:				
Support and revenue:				
Contributions and bequests	\$ 572,364	\$ -	\$ -	\$ 572,364
Private and government grants	172,650	(2,117)	-	170,533
Donated materials and services	155,041	-	-	155,041
Donated land	379,000	-	(24,000)	355,000
Special events, net of direct expenses	54,959	-	-	54,959
Interest income	999	269	-	1,268
Investment income, net of fees	127,858	-	-	127,858
Other income (loss)	92,510	(66,694)	-	25,816
Net assets released from restrictions	<u>2,952,021</u>	<u>-</u>	<u>-</u>	<u>2,952,021</u>
Total support and revenue	<u>4,507,402</u>	<u>(68,542)</u>	<u>(24,000)</u>	<u>4,414,860</u>
Expenses:				
Program services:				
Land conservation	1,976,920	300	-	1,977,220
Public outreach	147,172	-	-	147,172
Land stewardship	<u>1,609,150</u>	<u>2,635</u>	<u>-</u>	<u>1,611,785</u>
Total program services	3,733,242	2,935	-	3,736,177
Management and general	280,168	2,304	-	282,472
Fundraising	<u>445,312</u>	<u>-</u>	<u>-</u>	<u>445,312</u>
Total expenses	<u>4,458,722</u>	<u>5,239</u>	<u>-</u>	<u>4,463,961</u>
Change in net assets before non-operating activities	48,680	(73,781)	(24,000)	(49,101)
Non-operating activities:				
Net assets released from restrictions upon the acquisition of conservation property	8,415,442	-	-	8,415,442
Grant of lands to Columbia Land Trust	<u>-</u>	<u>(24,000)</u>	<u>24,000</u>	<u>-</u>
Change in unrestricted net assets	<u>8,464,122</u>	<u>(97,781)</u>	<u>-</u>	<u>8,366,341</u>
Change in temporarily restricted net assets:				
Contributions	1,173,273	-	-	1,173,273
Private and government grants	10,215,749	-	-	10,215,749
Investment income, net of fees	280,730	-	-	280,730
Net assets released from restrictions:				
Satisfaction of purpose restrictions	(2,952,021)	-	-	(2,952,021)
Acquisition of conservation property	<u>(8,415,442)</u>	<u>-</u>	<u>-</u>	<u>(8,415,442)</u>
Change in temporarily restricted net assets	<u>302,289</u>	<u>-</u>	<u>-</u>	<u>302,289</u>
Change in net assets	8,766,411	(97,781)	-	8,668,630
Net assets:				
Beginning of year	<u>28,886,078</u>	<u>178,906</u>	<u>-</u>	<u>29,064,984</u>
End of year	<u>\$ 37,652,489</u>	<u>\$ 81,125</u>	<u>\$ -</u>	<u>\$ 37,733,614</u>

See independent auditor's report on supplemental information.