

**COLUMBIA LAND TRUST**

---

**Audited Consolidated  
Financial Statements**

---

**For the Year Ended  
December 31, 2013**



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

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

Mary Strasdin, CPA  
Shareholder

Jill Oswald  
Shareholder

Anthony Almer, CPA  
Principal

Tyee Carr, CPA  
Principal

Dennis C. Johnson, CPA  
of counsel

To the Board of Directors  
Columbia Land Trust and  
TR Land Conservancy

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, 2013, 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 consolidated 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 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

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

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, 2013, and the changes in their net assets and 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 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014 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  
May 13, 2014

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**  
**(With comparative totals for 2012)**

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and cash equivalents  | \$ 550,490        | \$ 1,090,200      |
| Grants and contributions receivable                              | 609,400           | 53,961            |
| Contracts receivable   | 1,167,408         | 1,028,478         |
| Other receivables  | 19,804            | 500               |
| Cash held for property conservation                              | 579,206           | 579,206           |
| Prepaid expenses and inventory                                   | 35,650            | 47,129            |
| Investments  | 5,355,371         | 3,929,583         |
| Furniture and equipment, net                                     | 31,247            | 32,754            |
| Conservation property  | 46,336,639        | 37,983,491        |
| <br>TOTAL ASSETS   | <br>\$ 54,685,215 | <br>\$ 44,745,302 |
| <b>LIABILITIES AND NET ASSETS</b>                                |                   |                   |
| Liabilities:   |                   |                   |
| Accounts payable and accrued expenses                            | \$ 409,712        | \$ 597,816        |
| Grant payable  | 10,000            | 10,000            |
| Deferred revenue   | 278               | 278               |
| Note payable   | 40,000            | 40,000            |
| Conservation property held on behalf of local governments        | 6,363,594         | 6,363,594         |
| <br>Total liabilities  | <br>6,823,584     | <br>7,011,688     |
| Net assets:  |                   |                   |
| Unrestricted:  |                   |                   |
| Undesignated   | 97,337            | 192,291           |
| Board designated   | 1,372,885         | 1,365,587         |
| Net investment in conservation property and other capital assets | 40,004,292        | 31,652,651        |
| Total unrestricted   | 41,474,514        | 33,210,529        |
| Temporarily restricted   | 3,244,194         | 2,535,507         |
| Permanently restricted   | 3,142,923         | 1,987,578         |
| Total net assets   | 47,861,631        | 37,733,614        |
| <br>TOTAL LIABILITIES AND NET ASSETS                             | <br>\$ 54,685,215 | <br>\$ 44,745,302 |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2013**  
**(With comparative totals for 2012)**

|   | 2013                     |                           |                           | Total                    | 2012<br>Total            |
|---|--------------------------|---------------------------|---------------------------|--------------------------|--------------------------|
|   | Unrestricted             | Temporarily<br>Restricted | Permanently<br>Restricted |                          |                          |
| <b>Support and revenue:</b>   |                          |                           |                           |                          |                          |
| Contributions and bequests  | \$ 739,654               | \$ 1,090,694              | \$ 1,155,345              | \$ 2,985,693             | \$ 1,745,637             |
| Private and government grants   | 248,547                  | 3,002,491                 | -                         | 3,251,038                | 2,355,865                |
| Donated materials and services  | 89,931                   | -                         | -                         | 89,931                   | 155,041                  |
| Special events, net of direct expenses of<br>\$105,137 in 2013 and \$113,613 in 2012      | 119,656                  | -                         | -                         | 119,656                  | 54,959                   |
| Interest income   | 1,257                    | -                         | -                         | 1,257                    | 1,268                    |
| Investment income, net of fees  | 133,890                  | 356,789                   | -                         | 490,679                  | 408,588                  |
| Other income  | 283,701                  | -                         | -                         | 283,701                  | 25,816                   |
| Net assets released from restrictions:  |                          |                           |                           |                          |                          |
| Satisfaction of purpose restrictions  | 3,600,333                | (3,600,333)               | -                         | -                        | -                        |
| <b>Total support and revenue</b>  | <b>5,216,969</b>         | <b>849,641</b>            | <b>1,155,345</b>          | <b>7,221,955</b>         | <b>4,747,174</b>         |
| <b>Expenses:</b>  |                          |                           |                           |                          |                          |
| Program services:   |                          |                           |                           |                          |                          |
| Land conservation   | 1,258,551                | -                         | -                         | 1,258,551                | 1,977,220                |
| Public outreach   | 300,843                  | -                         | -                         | 300,843                  | 147,172                  |
| Land stewardship  | 2,893,407                | -                         | -                         | 2,893,407                | 1,611,785                |
| <b>Total program services</b>   | <b>4,452,801</b>         | <b>-</b>                  | <b>-</b>                  | <b>4,452,801</b>         | <b>3,736,177</b>         |
| Management and general  | 393,492                  | -                         | -                         | 393,492                  | 282,472                  |
| Fundraising   | 435,116                  | -                         | -                         | 435,116                  | 445,312                  |
| <b>Total expenses</b>   | <b>5,281,409</b>         | <b>-</b>                  | <b>-</b>                  | <b>5,281,409</b>         | <b>4,463,961</b>         |
| <br>Change in net assets before<br>non-operating activities                               | <br>(64,440)             | 849,641                   | 1,155,345                 | 1,940,546                | 283,213                  |
| <b>Non-operating activities:</b>  |                          |                           |                           |                          |                          |
| Grants received for acquisition of<br>conservation property                               | -                        | 6,772,731                 | -                         | 6,772,731                | 8,030,417                |
| Donated land  | 1,414,740                | -                         | -                         | 1,414,740                | 355,000                  |
| Net assets released from restrictions<br>upon the acquisition of conservation<br>property | 6,913,685                | (6,913,685)               | -                         | -                        | -                        |
| <br>Change in net assets  | <br>8,263,985            | 708,687                   | 1,155,345                 | 10,128,017               | 8,668,630                |
| <b>Net assets:</b>  |                          |                           |                           |                          |                          |
| Beginning of year   | 33,210,529               | 2,535,507                 | 1,987,578                 | 37,733,614               | 29,064,984               |
| <br>End of year   | <br><u>\$ 41,474,514</u> | <br><u>\$ 3,244,194</u>   | <br><u>\$ 3,142,923</u>   | <br><u>\$ 47,861,631</u> | <br><u>\$ 37,733,614</u> |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2013  
(With comparative totals for 2012)

|  | 2013              |                 |                  |                |                        |                     |              |                  |              |              |
|--|-------------------|-----------------|------------------|----------------|------------------------|---------------------|--------------|------------------|--------------|--------------|
|  | Program Services  |                 |                  |                |                        | Supporting Services |              |                  |              |              |
|  | Land Conservation | Public Outreach | Land Stewardship | Total Programs | Management and General | Indirect Costs      | Fund-raising | Total Supporting | Total        | 2012 Total   |
| Salaries and related costs                         | \$ 359,891        | \$ 155,852      | \$ 384,811       | \$ 900,554     | \$ 284,577             | \$ 1,589            | \$ 299,082   | \$ 585,248       | \$ 1,485,802 | \$ 1,221,874 |
| Professional services                              | 462,939           | 68,469          | 25,819           | 557,227        | 25,100                 | 52,319              | 21,892       | 99,311           | 656,538      | 914,056      |
| Property acquisition costs                         | 325,391           | -               | -                | 325,391        | -                      | -                   | -            | -                | 325,391      | 881,734      |
| Property maintenance                               | -                 | -               | 2,240,908        | 2,240,908      | -                      | -                   | -            | -                | 2,240,908    | 959,514      |
| Occupancy  | -                 | -               | 2,116            | 2,116          | -                      | 124,707             | -            | 124,707          | 126,823      | 116,067      |
| Postage and shipping                               | 396               | 2,457           | 80               | 2,933          | -                      | 3,470               | 29,503       | 32,973           | 35,906       | 21,874       |
| Printing and publications                          | 1,150             | 16,228          | 146              | 17,524         | -                      | 9,653               | 21,173       | 30,826           | 48,350       | 35,125       |
| License and fees                                   | 2,645             | 1,582           | 51,484           | 55,711         | 10,185                 | 5,134               | 1,761        | 17,080           | 72,791       | 81,895       |
| Supplies   | 18,012            | 9,227           | 58,938           | 86,177         | 17,402                 | 6,427               | 1,244        | 25,073           | 111,250      | 51,994       |
| Equipment and repair                               | 2,602             | 428             | 13,863           | 16,893         | 1,321                  | 25,999              | 10,909       | 38,229           | 55,122       | 70,702       |
| Meetings and training                              | 1,645             | 547             | 2,966            | 5,158          | 4,480                  | 2,244               | 2,402        | 9,126            | 14,284       | 13,124       |
| Travel   | 15,426            | 7,790           | 30,700           | 53,916         | 1,471                  | (2,253)             | 558          | (224)            | 53,692       | 41,785       |
| Telephone  | 113               | 390             | 173              | 676            | 66                     | 19,715              | 17           | 19,798           | 20,474       | 19,979       |
| Insurance  | -                 | -               | 2,664            | 2,664          | -                      | 25,474              | -            | 25,474           | 28,138       | 17,870       |
| Interest expense                                   | -                 | -               | -                | -              | -                      | 2,405               | -            | 2,405            | 2,405        | 6,587        |
| Other  | 170               | 1,859           | 176              | 2,205          | 1,082                  | 248                 | -            | 1,330            | 3,535        | 9,781        |
| Total expenses before allocation of indirect costs | 1,190,380         | 264,829         | 2,814,844        | 4,270,053      | 345,684                | 277,131             | 388,541      | 1,011,356        | 5,281,409    | 4,463,961    |
| Allocation of indirect costs                       | 68,171            | 36,014          | 78,563           | 182,748        | 47,808                 | (277,131)           | 46,575       | (182,748)        | -            | -            |
| Total expenses                                     | \$ 1,258,551      | \$ 300,843      | \$ 2,893,407     | \$ 4,452,801   | \$ 393,492             | \$ -                | \$ 435,116   | \$ 828,608       | \$ 5,281,409 | \$ 4,463,961 |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2013**  
**(With comparative totals for 2012)**

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |                     |
| Change in net assets  | \$ 10,128,017       | \$ 8,668,630        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation  | 10,336              | 8,683               |
| Realized and unrealized gains on investments  | (378,762)           | (334,305)           |
| Donations of conservation properties  | (1,414,740)         | (355,000)           |
| Proceeds restricted to the acquisition of conservation property                                       | (6,772,731)         | (8,030,417)         |
| Proceeds from contributions restricted to endowment   | (1,155,345)         | -                   |
| (Increase) decrease in:   |                     |                     |
| Grants and contributions receivable   | (555,439)           | 162,039             |
| Contracts receivable  | (138,930)           | 507,422             |
| Other current assets  | (7,825)             | 70,020              |
| Increase (decrease) in:   |                     |                     |
| Accounts payable and accrued expenses   | (188,104)           | 98,762              |
| Other liabilities   | -                   | (5,158)             |
| Net cash provided by (used in) operating activities   | <u>(473,523)</u>    | <u>790,676</u>      |
| <b>Cash flows from investing activities:</b>  |                     |                     |
| Purchase of conservation land   | (6,938,408)         | (7,793,296)         |
| Purchase of furniture and equipment   | (8,829)             | (33,067)            |
| Proceeds from sale of investments   | 2,686,633           | 336,030             |
| Purchase of investments   | <u>(3,733,659)</u>  | <u>(411,351)</u>    |
| Net cash used in investing activities   | <u>(7,994,263)</u>  | <u>(7,901,684)</u>  |
| <b>Cash flows from financing activities:</b>  |                     |                     |
| Proceeds restricted to the acquisition of conservation property                                       | 6,772,731           | 8,030,417           |
| Proceeds from contributions restricted to endowment   | 1,155,345           | -                   |
| Payments on notes payable   | -                   | <u>(160,000)</u>    |
| Net cash provided by financing activities   | <u>7,928,076</u>    | <u>7,870,417</u>    |
| Net increase (decrease) in cash and cash equivalents  | (539,710)           | 759,409             |
| Cash and cash equivalents - beginning of year   | <u>1,669,406</u>    | <u>909,997</u>      |
| Cash and cash equivalents - end of year   | <u>\$ 1,129,696</u> | <u>\$ 1,669,406</u> |
| Cash and cash equivalents   | \$ 550,490          | \$ 1,090,200        |
| Cash held for property conservation   | <u>579,206</u>      | <u>579,206</u>      |
|   | <u>\$ 1,129,696</u> | <u>\$ 1,669,406</u> |

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

**1. THE ORGANIZATION**

Description of Organization

Columbia Land Trust (the Trust) is a nonprofit organization founded in 1990 with the mission to conserve and care for vital lands, waters, and wildlife of the Columbia River region. Based in Vancouver, Washington, with offices in Astoria, Hood River and Portland, Oregon, the Trust provides opportunities for community members to conserve their land through conservation easements and donation of fee simple ownership. The Trust also raises money for stewardship and to purchase priority lands for conservation. Since its formation, the Trust has conserved more than 24,245 acres at 175 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, 2013**

**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, 2013**

**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. Inventory totaled approximately \$13,000 and \$28,700 at December 31, 2013 and 2012, respectively.

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, 2013**

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

The Trust's information returns for years ended December 31, 2009 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.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

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

Restrictions 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 when received.

Donated Materials and Services

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

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, 2013 and 2012, 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.

|   | 2013                | 2012              |
|---|---------------------|-------------------|
| Pro-bono legal service from related parties | \$ 14,985           | \$ 32,773         |
| Other in-kind professional services         | 28,142              | 52,943            |
| Imputed interest on notes payable           | 2,400               | 6,857             |
| Special events items and other goods        | 44,404              | 62,468            |
|   | 89,931              | 155,041           |
| Bargain sale on land and donated property   | 1,414,740           | 355,000           |
| Total in-kind contributions                 | <u>\$ 1,504,671</u> | <u>\$ 510,041</u> |

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

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

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.

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 2012

The consolidated financial information as of December 31, 2012 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 financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Trust has evaluated all subsequent events through May 13, 2014, the date the consolidated financial statements were available to be issued.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable are summarized as follows at December 31, 2013 and 2012:

|   | <u>2013</u>       | <u>2012</u>      |
|---|-------------------|------------------|
| Expected to be collected in:              |                   |                  |
| Less than one year                        | \$ 349,000        | \$ 52,211        |
| One to five years                         | 260,400           | 1,750            |
| Total grants and contributions receivable | <u>\$ 609,400</u> | <u>\$ 53,961</u> |

Uncollectible receivables are expected to be insignificant.

**4. CONTRACTS RECEIVABLE**

Contracts receivable are unsecured and are summarized as follows at December 31, 2013 and 2012:

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| U.S. Fish and Wildlife Service                                     | \$ 115,756          | \$ -                |
| U.S. Department of Interior  | -                   | 101,212             |
| Salmon Recovery Funding Board (passed through State of Washington) | 157,968             | 159,251             |
| Bonneville Power Administration                                    | 726,459             | 553,128             |
| Oregon Department of Fish and Wildlife                             | -                   | 67,458              |
| State of Washington Wildlife Recreation program                    | 65,771              | -                   |
| Others   | 101,454             | 147,429             |
| Total contracts receivable   | <u>\$ 1,167,408</u> | <u>\$ 1,028,478</u> |

Amounts included in contracts receivable that are over 90 days totaled approximately \$355,200 and \$95,300 at December 31, 2013 and 2012, respectively.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**5. INVESTMENTS**

Investments at December 31, 2013 and 2012 are carried at fair value and consist of the following:

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| Funds held at the Community Foundation<br>for Southwest Washington | \$ 416,276          | \$ 371,759          |
| Mutual funds:  |                     |                     |
| Fixed income   | 1,863,030           | 1,319,828           |
| Equity securities  | 2,331,121           | 1,665,261           |
| All asset  | 696,935             | 486,140             |
| Cash equivalents   | <u>48,009</u>       | <u>86,595</u>       |
| Total investments  | <u>\$ 5,355,371</u> | <u>\$ 3,929,583</u> |

Investment income for the years ended December 31, 2013 and 2012 consists of:

|                               | <u>2013</u>       | <u>2012</u>       |
|-------------------------------|-------------------|-------------------|
| Interest and dividends        | \$ 138,026        | \$ 97,419         |
| Net realized/unrealized gains | 378,762           | 334,305           |
| Investment fees               | <u>(26,109)</u>   | <u>(23,136)</u>   |
| Net investment income         | <u>\$ 490,679</u> | <u>\$ 408,588</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.

**6. FURNITURE AND EQUIPMENT**

Furniture and equipment consist of the following at December 31, 2013 and 2012:

|                                | <u>2013</u>      | <u>2012</u>      |
|--------------------------------|------------------|------------------|
| Computer hardware and software | \$ 63,236        | \$ 54,406        |
| Office equipment and furniture | 11,150           | 11,150           |
| Stewardship equipment          | <u>68,676</u>    | <u>68,676</u>    |
| Total furniture and equipment  | 143,062          | 134,232          |
| Less accumulated depreciation  | <u>111,815</u>   | <u>101,478</u>   |
| Net furniture and equipment    | <u>\$ 31,247</u> | <u>\$ 32,754</u> |



**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**7. CONSERVATION PROPERTY**

Conservation property consists of the following at December 31, 2013 and 2012:

|  | 2013          | 2012          |
|--|---------------|---------------|
| Fee simple land and property             | \$ 39,908,418 | \$ 31,601,597 |
| Land held on behalf of local governments | 6,363,594     | 6,363,594     |
| Access easements                         | 18,300        | 18,300        |
| Fee simple land in progress              | 46,327        | -             |
| Total conservation property              | \$ 46,336,639 | \$ 37,983,491 |

*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 consolidated financial statements do not include any amounts for these property interests. At December 31, 2013 and 2012, the Trust held 45 conservation easements on 1,612 acres of land.



**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**9. LINE OF CREDIT**

The Trust has a \$250,000 unsecured revolving line of credit with West Coast Bank, expiring March 2014. Advances on the credit line are payable on demand and carry an interest rate of 4.0% at December 31, 2013 (prime plus 0.5% with a minimum rate of 4.0% at December 31, 2012). There were no advances on the line of credit at December 31, 2013 and 2012. The line was not renewed; however, management is renegotiating the agreement with the bank.

**10. NOTE PAYABLE**

Note payable at December 31, 2013 and 2012 consists of one note payable to an individual, with no interest and principal due upon maturity. The note is due December 2015.

Interest forgiven under the terms of the notes payable for the years ended December 31, 2013 and 2012 totals \$2,405 and \$6,587, respectively, and has been recognized in the accompanying consolidated financial statements as an in-kind contribution.

Future maturities of notes payable are as follows:

|  |                  |
|--|------------------|
| For the years ending December 31, 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 with monthly rent starting at \$7,000 and annual increases up to \$7,400 per month. This lease expired in December 2013 and was renewed upon its termination. Under the new lease agreement the Trust will make monthly rent payments beginning at \$7,400 with annual increases up to \$8,086, expiring June 2017.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**12. LEASE COMMITMENTS, Continued**

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 \$265. Warehouse space is leased in Vancouver under an operating lease expiring January 2014 with monthly rent of \$1,015. The lease was renewed after year-end through January 2015 with monthly payments of \$1,045.

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, 2013, 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 for the above leases totaled approximately \$130,700 and \$118,500 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease commitments under operating leases are as follows:

|  |                   |
|--|-------------------|
| For the years ending December 31, 2014 | 112,100           |
| 2015                                   | 92,500            |
| 2016                                   | 94,200            |
| 2017                                   | 48,500            |
|  | <u>\$ 347,300</u> |

**13. STEWARDSHIP COMMITMENT**

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

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**14. BOARD DESIGNATED NET ASSETS**

Board designated net assets are reserved as follows at December 31, 2013 and 2012:

|                                   | <u>2013</u>         | <u>2012</u>         |
|-----------------------------------|---------------------|---------------------|
| Stewardship endowment (Note 21)   | \$ 1,240,385        | \$ 1,233,087        |
| Operating reserve                 | 132,500             | 132,500             |
| Total board designated net assets | <u>\$ 1,372,885</u> | <u>\$ 1,365,587</u> |

**15. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31, 2013 and 2012:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Land acquisition and related costs      | \$ 1,017,469        | \$ 1,118,913        |
| Stewardship funds                       | 997,276             | 966,783             |
| Earnings on endowment (Note 21)         | 632,528             | 313,047             |
| Specific projects                       | -                   | 75,776              |
| Other restrictions                      | 73,221              | 29,988              |
| Future periods                          | 523,700             | 31,000              |
| Total temporarily restricted net assets | <u>\$ 3,244,194</u> | <u>\$ 2,535,507</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 both December 31, 2013 and 2012, there was approximately \$579,206, included in temporarily restricted net assets related to this purpose.

**16. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are held in endowment funds total \$3,142,923 and \$1,987,578 at December 31, 2013 and 2012, respectively. The principal portion of the endowment is permanently restricted and income on the principal is restricted to the Trust's stewardship (see Note 21, Endowment).

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**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, 2013 and 2012 totaled approximately \$36,700 and \$30,300, respectively.

**18. RELATED PARTY TRANSACTIONS**

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

At times, the Trust has vendor relationships with companies where board members are employed. Amounts paid to related party vendors totaled \$10,495 during the year ended December 31, 2012. There were no payments to related parties during the year ended December 31, 2013. In addition, the Trust received in-kind professional services from companies where board members are employees (Note 2).

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

**19. CONCENTRATIONS OF CREDIT RISK**

The Trust maintains its cash balances in several financial institutions, and has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). The balances, at times, may exceed the federally insured limit. Uninsured balances approximated \$975,800 and \$125,000 at December 31, 2013 and 2012, 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.

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.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**19. CONCENTRATIONS OF CREDIT RISK, Continued**

The Trust's revenues are concentrated with 63% of total revenues coming from two sources for the year ended December 31, 2013 and 69% of total revenues coming from two sources for the year ended 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, 2013 are as follows:

|                                 | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|---------------------------------|-------------------|----------------|----------------|
| <b><u>December 31, 2013</u></b> |                   |                |                |
| Investments:                    |                   |                |                |
| Community Foundation            | \$ 416,276        | \$ -           | \$ 416,276     |
| Mutual funds:                   |                   |                |                |
| Fixed income - domestic         | 1,567,169         | 1,567,169      | -              |
| Fixed income - global           | 295,861           | 295,861        | -              |
| Equity - domestic               | 1,150,480         | 1,150,480      | -              |
| Equity - international/global   | 1,180,641         | 1,180,641      | -              |
| All asset - domestic            | 696,935           | 696,935        | -              |

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**20. FAIR VALUE MEASUREMENTS, Continued**

Fair values of assets measured on recurring basis at December 31, 2012 are as follows:

| <u>December 31, 2012</u>      | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</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        | -              |

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**

The 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 the Trust have 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.

**COLUMBIA LAND TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2013**

**21. ENDOWMENT, Continued**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by the Act. The Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the Trust and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the Trust, and
- (7) The investment policies of the Trust.

Endowment net asset composition by type of fund as of December 31, 2013 and 2012 are as follows:

|                                  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|----------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <u>December 31, 2013</u>         |                     |                           |                           |                     |
| Donor-restricted endowment funds | \$ -                | \$ 632,528                | \$ 3,142,923              | \$ 3,775,451        |
| Board-designated endowment funds | 1,240,385           | -                         | -                         | 1,240,385           |
| Total                            | <u>\$ 1,240,385</u> | <u>\$ 632,528</u>         | <u>\$ 3,142,923</u>       | <u>\$ 5,015,836</u> |
| <u>December 31, 2012</u>         |                     |                           |                           |                     |
| Donor-restricted endowment funds | \$ -                | \$ 313,047                | \$ 1,987,578              | \$ 2,300,625        |
| Board-designated endowment funds | 1,233,087           | -                         | -                         | 1,233,087           |
| Total                            | <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, 2013**

**21. ENDOWMENT, Continued**

Changes in endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets -                                  |                     |                                   |                                   |                     |
| December 31, 2011                                       | \$ 1,105,229        | \$ 104,826                        | \$ 1,987,578                      | \$ 3,197,633        |
| Investment return:                                      |                     |                                   |                                   |                     |
| Net realized and unrealized<br>appreciation, investment | 127,858             | 280,730                           | -                                 | 408,588             |
| Contributions and bequests                              | -                   | -                                 | -                                 | -                   |
| Appropriation of endowment<br>assets for expenditure    | <u>-</u>            | <u>(72,509)</u>                   | <u>-</u>                          | <u>(72,509)</u>     |
| Endowment net assets -                                  |                     |                                   |                                   |                     |
| December 31, 2012                                       | 1,233,087           | 313,047                           | 1,987,578                         | 3,533,712           |
| Investment return:                                      |                     |                                   |                                   |                     |
| Net realized and unrealized<br>appreciation, investment | 133,890             | 356,789                           | -                                 | 490,679             |
| Contributions and bequests                              | -                   | -                                 | 1,155,345                         | 1,155,345           |
| Appropriation of endowment<br>assets for expenditure    | <u>(126,592)</u>    | <u>(37,308)</u>                   | <u>-</u>                          | <u>(163,900)</u>    |
| Endowment net assets -                                  |                     |                                   |                                   |                     |
| December 31, 2013                                       | <u>\$ 1,240,385</u> | <u>\$ 632,528</u>                 | <u>\$ 3,142,923</u>               | <u>\$ 5,015,836</u> |

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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



COLUMBIA LAND TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2013

21. ENDOWMENT, Continued

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.

**SUPPLEMENTARY 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*

*Mary Strasdin, CPA  
Shareholder*

*Jill Oswald  
Shareholder*

*Anthony Almer, CPA  
Principal*

*Tyee Carr, CPA  
Principal*

*Dennis C. Johnson, CPA  
of counsel*

To 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, 2013, and our report thereon dated May 13, 2014, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was 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  
May 13, 2014

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

**COLUMBIA LAND TRUST**  
**SUPPLEMENTARY INFORMATION - SCHEDULE I**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

|   | Columbia Land<br>Trust | TR Land<br>Conservancy | Eliminating<br>Entries | Consolidated<br>Total |
|---|------------------------|------------------------|------------------------|-----------------------|
| <b>ASSETS</b>   |                        |                        |                        |                       |
| Cash and cash equivalents   | \$ 469,393             | \$ 81,097              | \$ -                   | \$ 550,490            |
| Grants and contributions receivable                                 | 609,400                | -                      | -                      | 609,400               |
| Contracts receivable  | 1,167,408              | -                      | -                      | 1,167,408             |
| Other receivables   | 19,804                 | -                      | -                      | 19,804                |
| Cash held for property conservation                                 | 579,206                | -                      | -                      | 579,206               |
| Prepaid expenses and inventory                                      | 34,692                 | 958                    | -                      | 35,650                |
| Investments   | 5,355,371              | -                      | -                      | 5,355,371             |
| Furniture and equipment, net  | 31,247                 | -                      | -                      | 31,247                |
| Conservation property   | 46,336,639             | -                      | -                      | 46,336,639            |
| <br>TOTAL ASSETS  | <br>\$ 54,603,160      | <br>\$ 82,055          | <br>\$ -               | <br>\$ 54,685,215     |
| <br><b>LIABILITIES AND NET ASSETS</b>                               |                        |                        |                        |                       |
| Liabilities:  |                        |                        |                        |                       |
| Accounts payable and accrued expenses                               | \$ 408,947             | \$ 765                 | \$ -                   | \$ 409,712            |
| Grant payable   | 10,000                 | -                      | -                      | 10,000                |
| Deferred revenue  | 278                    | -                      | -                      | 278                   |
| Note payable  | 40,000                 | -                      | -                      | 40,000                |
| Conservation property held on behalf<br>of local governments        | 6,363,594              | -                      | -                      | 6,363,594             |
| Total liabilities   | 6,822,819              | 765                    | -                      | 6,823,584             |
| Net assets (deficit):   |                        |                        |                        |                       |
| Unrestricted:   |                        |                        |                        |                       |
| Undesignated  | 130,753                | (33,416)               | -                      | 97,337                |
| Board designated  | 1,372,885              | -                      | -                      | 1,372,885             |
| Net investment in conservation property<br>and other capital assets | 40,004,292             | -                      | -                      | 40,004,292            |
| Total unrestricted  | 41,507,930             | (33,416)               | -                      | 41,474,514            |
| Temporarily restricted  | 3,129,488              | 114,706                | -                      | 3,244,194             |
| Permanently restricted  | 3,142,923              | -                      | -                      | 3,142,923             |
| Total net assets  | 47,780,341             | 81,290                 | -                      | 47,861,631            |
| <br>TOTAL LIABILITIES AND NET ASSETS                                | <br>\$ 54,603,160      | <br>\$ 82,055          | <br>\$ -               | <br>\$ 54,685,215     |

See independent auditor's report on supplementary information.

**COLUMBIA LAND TRUST**  
**SUPPLEMENTARY INFORMATION - SCHEDULE II**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2013**

|   | Columbia<br>Land Trust | TR Land<br>Conservancy | Eliminating<br>Entries | Consolidated<br>Total |
|---|------------------------|------------------------|------------------------|-----------------------|
| <b>Changes in unrestricted net assets:</b>  |                        |                        |                        |                       |
| Support and revenue:  |                        |                        |                        |                       |
| Contributions and bequests  | \$ 739,654             | \$ -                   | \$ -                   | \$ 739,654            |
| Private and government grants   | 248,547                | -                      | -                      | 248,547               |
| Donated materials and services  | 89,931                 | -                      | -                      | 89,931                |
| Donated land  | 1,414,740              | -                      | -                      | 1,414,740             |
| Special events, net of direct expenses  | 119,656                | -                      | -                      | 119,656               |
| Interest income   | 1,082                  | 175                    | -                      | 1,257                 |
| Investment income, net of fees  | 133,890                | -                      | -                      | 133,890               |
| Other income  | 283,701                | -                      | -                      | 283,701               |
| Net assets released from restrictions   | 3,600,333              | -                      | -                      | 3,600,333             |
| Total support and revenue   | <u>6,631,534</u>       | <u>175</u>             | <u>-</u>               | <u>6,631,709</u>      |
| Expenses:   |                        |                        |                        |                       |
| Program services:   |                        |                        |                        |                       |
| Land conservation   | 1,258,551              | -                      | -                      | 1,258,551             |
| Public outreach   | 300,843                | -                      | -                      | 300,843               |
| Land stewardship  | 2,893,407              | -                      | -                      | 2,893,407             |
| Total program services  | 4,452,801              | -                      | -                      | 4,452,801             |
| Management and general  | 393,482                | 10                     | -                      | 393,492               |
| Fundraising   | 435,116                | -                      | -                      | 435,116               |
| Total expenses  | <u>5,281,399</u>       | <u>10</u>              | <u>-</u>               | <u>5,281,409</u>      |
| Change in net assets before non-operating activities                                | 1,350,135              | 165                    | -                      | 1,350,300             |
| Non-operating activities:   |                        |                        |                        |                       |
| Net assets released from restrictions upon the acquisition of conservation property | 6,913,685              | -                      | -                      | 6,913,685             |
| Change in unrestricted net assets   | <u>8,263,820</u>       | <u>165</u>             | <u>-</u>               | <u>8,263,985</u>      |
| <b>Change in temporarily restricted net assets:</b>                                 |                        |                        |                        |                       |
| Contributions   | 1,090,694              | -                      | -                      | 1,090,694             |
| Private and government grants   | 9,775,222              | -                      | -                      | 9,775,222             |
| Investment income, net of fees  | 356,789                | -                      | -                      | 356,789               |
| Net assets released from restrictions:  |                        |                        |                        |                       |
| Satisfaction of purpose restrictions  | (3,600,333)            | -                      | -                      | (3,600,333)           |
| Acquisition of conservation property  | (6,913,685)            | -                      | -                      | (6,913,685)           |
| Change in temporarily restricted net assets   | <u>708,687</u>         | <u>-</u>               | <u>-</u>               | <u>708,687</u>        |
| <b>Change in permanently restricted net assets:</b>                                 |                        |                        |                        |                       |
| Contributions   | 1,155,345              | -                      | -                      | 1,155,345             |
| Change in net assets  | 10,127,852             | 165                    | -                      | 10,128,017            |
| <b>Net assets:</b>  |                        |                        |                        |                       |
| Beginning of year   | 37,652,489             | 81,125                 | -                      | 37,733,614            |
| End of year   | <u>\$ 47,780,341</u>   | <u>\$ 81,290</u>       | <u>\$ -</u>            | <u>\$ 47,861,631</u>  |

See independent auditor's report on supplementary information.