

# COLUMBIA LAND TRUST

*Audited Financial Statements*

For the Year Ended December 31, 2016



McDONALD JACOBS

As I have walked through my neighborhood over the last 30 years, I have watched small trees grow from four to forty feet tall. I have seen trees loaded with snow and ice snap under the extra burden. And yet, I have seen trees lashed by winter winds still standing straight and tall the next day. Some old northwest trees live for more than 1,000 years.

I sometimes think of trees as a good metaphor for Columbia Land Trust. We aim to be around not just for decades, but for centuries. Therefore, when we grow, it is crucial that our growth increases our core structural strength. We want our growth to make us more capable of withstanding future storms and less likely to snap under an unexpected burden.

In 2016, Columbia Land Trust grew our restricted and dedicated funds from \$7,963,429 to \$17,160,706. These funds are a key measure of our structural strength, because these funds assure that we can be responsible stewards of our conserved lands. (These funds should not be confused with reserve funds, which are also an indication of organizational strength. We have \$1,594,696 of undesignated reserves). Our restricted and dedicated funds are the broad yet flexible trunk that allows us to withstand a big storm.

We didn't grow a strong trunk by happenstance. This is a result of careful planning and generous action. When long-time Columbia Land Trust board member Tim Moeller passed away in 2015, he left a very generous planned gift to the Land Trust that accounts for about \$3,000,000 of our 2016 growth in funds. In addition, the Port of Vancouver, working with Columbia River Advocates for Nurturing the Environment (CRANE), were responsible for growing our funds by \$7,778,494. Bonneville Power Administration has also been an important contributor.

All of these funds come from the actions of dedicated conservationists. People, just like you and me, considering how they can make the most of their time in this world. We provide Columbia Land Trust with the core strength, that strong and flexible trunk, to ensure that our conserved lands will be stewarded for centuries to come.

Thank you for your part in making this possible!

My very best,

Glenn Lamb  
Executive Director



Shareholders

MARK A. CLIFT, CPA  
KARIN S. WANDTKE, CPA  
SANG AHN, CPA  
GERARD DEBLOIS JR., CPA  
MARY STRASDIN, CPA  
ANTHONY ALMER, CPA  
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA  
SUSAN J. MARKS, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Columbia Land Trust

We have audited the accompanying financial statements of Columbia Land Trust (the Trust) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial statements*

Management is responsible for the preparation and fair presentation of these 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 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Trust'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 financial statements referred to above present fairly, in all material respects, the financial position of Columbia Land Trust as of December 31, 2016, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the Columbia Land Trust's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 25, 2017, on our consideration of Columbia Land Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbia Land Trust's internal control over financial reporting and compliance.

*McDonald Jacobz, P.C.*

Portland, Oregon  
May 25, 2017

COLUMBIA LAND TRUST  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(With comparative totals for 2015)

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,740,544	\$ 1,124,437
Grants and contributions receivable	5,679,368	178,446
Contracts receivable	345,167	747,147
Cash held for property conservation	554,735	579,206
Prepaid expenses	31,802	34,957
Investments	10,892,181	6,061,570
Property and equipment, net	69,331	49,375
Conservation property	61,583,041	49,100,978
 TOTAL ASSETS	 \$ 80,896,169	 \$ 57,876,116
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 468,395	\$ 405,434
Note payable	20,000	30,000
Conservation property held on behalf of local governments	6,108,594	6,363,594
Total liabilities	6,596,989	6,799,028
Net assets:		
Unrestricted:		
Undesignated	1,594,696	326,900
Board designated	3,233,735	1,384,636
Net investment in conservation property and other capital assets	55,543,778	42,786,759
Total unrestricted	60,372,209	44,498,295
Temporarily restricted	9,803,757	2,728,579
Permanently restricted	4,123,214	3,850,214
Total net assets	74,299,180	51,077,088
 TOTAL LIABILITIES AND NET ASSETS	 \$ 80,896,169	 \$ 57,876,116

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2016  
(With comparative totals for 2015)

	2016				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue:</b>					
Contributions and bequests	\$ 691,744	\$ 8,250,431	\$ 273,000	\$ 9,215,175	\$ 1,763,479
Bequests	3,594,159	-	-	3,594,159	-
Private and government grants	402,779	1,596,786	-	1,999,565	1,434,740
Donated materials and services	174,612	-	-	174,612	61,616
Special events, net of direct expenses of \$129,628 in 2016 and \$106,162 in 2015	160,375	-	-	160,375	135,068
Investment income (loss), net of fees	208,375	385,895	-	594,270	(181,654)
Other income	310,999	17,900	-	328,899	744,965
Net assets released from restrictions:					
Satisfaction of purpose restrictions	2,671,094	(2,671,094)	-	-	-
Total support and revenue	<u>8,214,137</u>	<u>7,579,918</u>	<u>273,000</u>	<u>16,067,055</u>	<u>3,958,214</u>
<b>Expenses:</b>					
Program services:					
Land conservation	1,060,541	-	-	1,060,541	747,896
Public outreach	477,366	-	-	477,366	351,406
Land stewardship	2,776,261	-	-	2,776,261	1,468,737
Total program services	4,314,168	-	-	4,314,168	2,568,039
Management and general	575,443	-	-	575,443	551,059
Fundraising	667,710	-	-	667,710	456,307
Total expenses	<u>5,557,321</u>	<u>-</u>	<u>-</u>	<u>5,557,321</u>	<u>3,575,405</u>
Change in net assets before non-operating activities	2,656,816	7,579,918	273,000	10,509,734	382,809
<b>Non-operating activities:</b>					
Grants received for acquisition of conservation property	-	1,699,458	-	1,699,458	1,653,029
Donated land	11,012,900	-	-	11,012,900	213,776
Net assets released from restrictions upon the acquisition of conservation property	2,204,198	(2,204,198)	-	-	-
Change in net assets	15,873,914	7,075,178	273,000	23,222,092	2,249,614
<b>Net assets:</b>					
Beginning of year	<u>44,498,295</u>	<u>2,728,579</u>	<u>3,850,214</u>	<u>51,077,088</u>	<u>48,827,474</u>
End of year	<u>\$ 60,372,209</u>	<u>\$ 9,803,757</u>	<u>\$ 4,123,214</u>	<u>\$ 74,299,180</u>	<u>\$ 51,077,088</u>

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2016  
(With comparative totals for 2015)

	2016										2015 Total
	Program Services					Supporting Services					
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund- raising	Total Supporting	Total	Total	
Salaries and related costs	\$ 539,603	\$ 202,524	\$ 639,878	\$ 1,382,005	\$ 399,621	\$ -	\$ 459,427	\$ 859,048	\$ 2,241,053	\$ 1,789,088	
Professional services	334,227	164,476	120,701	619,404	42,948	57,261	26,381	126,590	745,994	416,921	
Property acquisition costs	50,874	-	-	50,874	-	-	-	-	50,874	84,907	
Property maintenance	-	-	1,500,101	1,500,101	-	-	-	-	1,500,101	609,427	
Occupancy	-	-	29,273	29,273	-	182,922	-	182,922	212,195	164,482	
Postage and shipping	167	3,413	90	3,670	6	3,743	39,799	43,548	47,218	28,288	
Printing and publications	-	26,582	2,984	29,566	-	17,017	13,725	30,742	60,308	33,733	
License and fees	3,858	420	89,328	93,606	27,891	21,981	1,810	51,682	145,288	121,824	
Supplies	1,030	29,701	189,121	219,852	805	7,348	1,203	9,356	229,208	76,689	
Equipment and repair	3,077	5,507	34,128	42,712	5,091	43,609	13,688	62,388	105,100	98,781	
Meetings and training	1,640	2,316	2,716	6,672	3,320	803	4,275	8,398	15,070	18,080	
Travel	9,518	3,640	25,267	38,425	3,877	1,267	3,179	8,323	46,748	49,287	
Telephone	344	120	1,084	1,548	-	20,099	-	20,099	21,647	20,347	
Insurance	-	-	-	-	-	35,043	-	35,043	35,043	34,689	
Interest expense	-	-	-	-	-	1,800	-	1,800	1,800	2,640	
Other	13,571	378	25,818	39,767	19,814	13,222	26,871	59,907	99,674	26,222	
Total expenses before allocation of indirect costs	957,909	439,077	2,660,489	4,057,475	503,373	406,115	590,358	1,499,846	5,557,321	3,575,405	
Allocation of indirect costs	102,632	38,289	115,772	256,693	72,070	(406,115)	77,352	(256,693)	-	-	
Total expenses	\$ 1,060,541	\$ 477,366	\$ 2,776,261	\$ 4,314,168	\$ 575,443	\$ -	\$ 667,710	\$ 1,243,153	\$ 5,557,321	\$ 3,575,405	

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2016  
(With comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 23,222,092	\$ 2,249,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,142	17,434
Realized and unrealized (gains) losses on investments	(460,712)	318,549
Note payable converted to donation	(10,000)	-
Donations of conservation properties	(11,012,900)	(213,776)
Proceeds restricted to the acquisition of conservation property	(1,699,458)	(1,653,029)
Proceeds from contributions restricted to endowment	(273,000)	(520,413)
(Increase) decrease in:		
Grants and contributions receivable	(5,500,922)	178,056
Contracts receivable	401,980	550,183
Other current assets	3,155	24,656
Increase (decrease) in:		
Accounts payable and accrued expenses	62,961	70,316
Other liabilities	-	(7,558)
Net cash provided by operating activities	<u>4,750,338</u>	<u>1,014,032</u>
<b>Cash flows from investing activities:</b>		
Purchase of conservation land	(1,724,163)	(1,672,178)
Purchase of property and equipment	(37,098)	(25,096)
Proceeds from sale of investments	1,744,630	2,804,989
Purchase of investments	<u>(6,114,529)</u>	<u>(3,483,883)</u>
Net cash used in investing activities	<u>(6,131,160)</u>	<u>(2,376,168)</u>
<b>Cash flows from financing activities:</b>		
Proceeds restricted to the acquisition of conservation property	1,699,458	1,653,029
Proceeds from contributions restricted to endowment	273,000	520,413
Payments on notes payable	-	(313,500)
Net cash provided by financing activities	<u>1,972,458</u>	<u>1,859,942</u>
Net increase in cash and cash equivalents	591,636	497,806
Cash and cash equivalents - beginning of year	<u>1,703,643</u>	<u>1,205,837</u>
Cash and cash equivalents - end of year	<u>\$ 2,295,279</u>	<u>\$ 1,703,643</u>
Cash and cash equivalents	\$ 1,740,544	\$ 1,124,437
Cash held for property conservation	<u>554,735</u>	<u>579,206</u>
	<u>\$ 2,295,279</u>	<u>\$ 1,703,643</u>

See notes to financial statements.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

I. 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 32,028 acres at 209 different sites throughout the Columbia River Region. The Trust's support is derived primarily from private and government grants and contributions.

The Trust's programs include:

**Land Conservation**

The Trust conserves the most important and threatened land using all the tools of private, voluntary land conservation. The Trust works exclusively with willing landowners to find ways to conserve, forever, the scenic and natural values of the land and water. Landowners donate or sell a conservation interest in their land, such as development rights or full ownership, to the Trust. The Trust manages the land under a stewardship plan and, if necessary, legally defends its conservation values. The Trust also identifies priority conservation lands to purchase. Further, the Trust conserves working forest and agricultural land for the purpose of keeping the land in resource production.

**Public Outreach**

The Trust increases awareness about the benefits of private land conservation and the mission of the Trust. Methods include focusing education and outreach to support conservation in priority areas, targeting technical advisors to 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 FINANCIAL STATEMENTS, Continued  
December 31, 2016

1. THE ORGANIZATION, Continued

**Land Stewardship**

Protecting and enhancing the conservation values of lands acquired by the Trust is some of the most important work in which the Trust is involved. It is the responsibility of the Stewardship Program to protect conservation values and to be a good neighbor and community member for all Trust properties through science-based management. The Trust evaluates every property for its conservation value, the threats to these values, and for opportunities to enhance conservation values through responsible management. A stewardship plan is developed and implemented based on this analysis to include annual monitoring as part of an adaptive management framework. A number of Trust conservation properties currently include significant restoration work to replace lost functions and increase the conservation value of the property. Volunteers are a growing resource for the Stewardship Program with volunteers of all ages participating in planning and implementation. Individuals and groups are providing hundreds of hours of service stewarding conserved lands. A stewardship funding strategy, including gift donations during the acquisition process, is an integral part of every new conservation project. Stewardship funds are used to provide for future expenses of restoration, monitoring, enforcing compliance with easement restrictions, and underwriting legal defense of the conservation protections for all Trust properties. The Trust has also established a stewardship endowment to provide permanent support for program activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Trust reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions in to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

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

Cash and Cash Equivalents

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

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.

Investments

Investments consist of marketable securities and are carried at current market value. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities. Interest income is accrued as earned and reported net of investment advisory fees. Security transactions are recorded on a trade-date basis.

Property and Equipment

Acquisitions of property 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 is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 6 years.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 is a 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 the organization has no activities subject to unrelated business income tax. The organization is not 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, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restrictions and Unrestricted Revenue and Support, Continued

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, 2016 and 2015, the Trust received the following in-kind contributions:

	<u>2016</u>	<u>2015</u>
Pro-bono legal and consulting service	\$ 20,412	\$ 29,527
Advertising	103,215	-
Special event goods and services	43,560	25,132
Other	<u>7,425</u>	<u>6,957</u>
Donated materials and services	174,612	61,616
Bargain sale on land and donated property	<u>11,012,900</u>	<u>213,776</u>
Total in-kind contributions	<u>\$ 11,187,512</u>	<u>\$ 275,392</u>

Donated property has been capitalized and other materials and services have been charged to the program or event to which they apply.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

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 statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Summarized Financial Information for 2015

The financial information as of December 31, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

The 2015 financial statements included the accounts of Columbia Land Trust and TR Land Conservancy. All significant inter-organization amounts were eliminated in consolidation. During 2016, the remaining assets of TR Land Conservancy totaling approximately \$82,000 were transferred to Columbia Land Trust and TR Land Conservancy was dissolved.

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 25, 2017, the date the financial statements were available to be issued.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are summarized as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Expected to be collected in:		
Less than one year	\$ 2,043,442	\$ 167,446
One to five years	<u>3,635,926</u>	<u>11,000</u>
Total grants and contributions receivable	<u>\$ 5,679,368</u>	<u>\$ 178,446</u>

Management estimates that any uncollectible accounts will be insignificant.

Approximately 85% of grants and contributions receivable at December 31, 2016 are due from one donor. Additionally, substantially all of the balances are receivable from individuals or entities located within Oregon and Washington.

4. CONTRACTS RECEIVABLE

Contracts receivable are unsecured and are summarized as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Salmon Recovery Funding Board (passed through State of Washington)	\$ 40,408	\$ 368,894
Bonneville Power Administration	117,795	191,922
Oregon Watershed Enhancement Board	-	26,196
State of Washington Wildlife Recreation program	27,065	70,955
State of Washington Department of Ecology	93,983	-
Others	<u>65,916</u>	<u>89,180</u>
Total contracts receivable	<u>\$ 345,167</u>	<u>\$ 747,147</u>

Amounts included in contracts receivable that are over 90 days past due totaled approximately \$103,000 and \$311,000 at December 31, 2016 and 2015, respectively.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

5. INVESTMENTS

Investments at December 31, 2016 and 2015 are carried at fair value and consist of the following:

	<u>2016</u>	<u>2015</u>
Funds held at the Community Foundation for Southwest Washington	\$ 278,362	\$ 414,001
Mutual funds:		
Fixed income	1,773,932	1,439,487
Equity securities	5,452,589	3,687,693
Other mutual funds	1,171,283	383,722
Cash equivalents	<u>2,216,015</u>	<u>136,667</u>
Total investments	<u>\$ 10,892,181</u>	<u>\$ 6,061,570</u>

Investment income (loss) for the years ended December 31, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 173,798	\$ 170,300
Net realized/unrealized gains (losses)	460,712	(318,549)
Investment fees	<u>(40,240)</u>	<u>(33,405)</u>
Net investment income (loss)	<u>\$ 594,270</u>	<u>\$ (181,654)</u>

Funds held at the Community Foundation for Southwest Washington (CFSW) 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. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 22,218	\$ 22,218
Computer hardware and software	68,236	63,236
Office equipment and furniture	11,150	11,150
Stewardship equipment	<u>125,870</u>	<u>93,772</u>
Total property and equipment	227,474	190,376
Less accumulated depreciation	<u>158,143</u>	<u>141,001</u>
Net property and equipment	<u>\$ 69,331</u>	<u>\$ 49,375</u>



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

7. CONSERVATION PROPERTY

Conservation property consists of the following at December 31, 2016 and 2015:

	2016	2015
Fee simple land and property	\$ 55,356,441	\$ 42,719,084
Land held on behalf of local governments	6,108,594	6,363,594
Access easements	18,300	18,300
Fee simple land in progress	99,706	-
Total conservation property	\$ 61,583,041	\$ 49,100,978

*Fee Simple Land and Property* includes conservation land and property held and maintained by the Trust. These lands are held for conservation purposes consistent with the Trust's mission and/or donor restrictions and are reported at cost and/or fair value as of the date received.

*Land Held on Behalf of Local Governments* includes land for which the Trust holds title and has committed to convey the property to local governmental agencies upon request or at the expiration of a specified period. In each of these transactions, a Memorandum of Understanding (MOU) has been executed between the Trust and the local governmental agency, dictating the terms of the future transfer. Accordingly, a corresponding liability is reported in the accompanying statement of financial position.

*Access Easements* include easements purchased or donated for the purpose of accessing certain properties owned by another person or entity to reach Trust land and property.

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

8. CONSERVATION EASEMENTS

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At December 31, 2016 the Trust held 47 conservation easements on 4,654 acres of land (52 conservation easements and 4,658 acres of land at December 31, 2015).

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
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9. LINE OF CREDIT

The Trust has a \$500,000 unsecured revolving line of credit with Columbia State Bank, expiring March 2017. Advances on the credit line are payable on demand and carry an interest rate of 4.5% at December 31, 2016 (prime plus 1% with a minimum rate of 4.5%). There were no advances on the line of credit at December 31, 2016. Subsequent to year end, the line of credit was renewed through May 2017.

10. NOTE PAYABLE

The Trust has an unsecured note payable to an individual, with no interest and payment upon maturity. Note is due December 2020. Balances at December 31, 2016 and 2015 was \$20,000 and \$30,000, respectively.

Interest forgiven under the terms of the note payable for the years ended December 31, 2016 and 2015 totals \$1,800, and has been recognized in the accompanying financial statements as an in-kind contribution. During 2016, the lender forgave \$10,000 of the note as a contribution to the Trust.

II. CONTINGENCIES

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

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

12. LEASE COMMITMENTS

The Trust's main office in Vancouver is leased under an operating lease beginning February 2016 and expiring January 2023. Monthly rent is currently \$10,039 subject to annual increases. The total lease is expensed over the life of the lease on a straight-line basis with deferred rent totaling \$27,083 at December 31, 2016, recorded as a liability.

The Trust also leases an office in Portland under an operating lease which expires September 2020, with current monthly rent of \$2,122 subject to annual increases. The Trust receives one month with no rent annually.

Warehouse, equipment and other offices and storage are leased under operating leases with total monthly rent of approximately \$4,000 expiring at various dates through January 2018.

Rent expense for the above leases totaled approximately \$161,300 and \$142,300 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease commitments under operating leases are as follows:

For the years ending December 31, 2017	\$	179,500
2018		159,100
2019		158,200
2020		156,800
2021		138,700
Thereafter		<u>153,200</u>
		<u>\$ 945,500</u>

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 habitats 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, 2016, the Trust has paid \$50 in advance under this arrangement. No in-kind contribution has been recorded in the accompanying financial statements to reflect the below-market lease rate as the value of the contribution is not readily determinable.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

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, 2016 and 2015:

	2016	2015
Stewardship endowment (Note 21)	\$ 2,951,743	\$ 1,102,725
Operating reserve	132,500	132,500
Other	149,492	149,411
Total board designated net assets	\$ 3,233,735	\$ 1,384,636

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Land acquisition and related costs	\$ 910,776	\$ 1,222,176
Stewardship funds	7,340,419	953,319
Earnings on endowment (Note 21)	1,482,790	400,191
Other restrictions	52,389	57,193
Future periods	17,383	95,700
Total temporarily restricted net assets	\$ 9,803,757	\$ 2,728,579

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, 2016 and 2015, there was approximately \$554,700 and \$579,200, respectively, included in temporarily restricted net assets related to this purpose.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are held in endowment funds total \$4,123,214 and \$3,850,214 at December 31, 2016 and 2015, 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).

17. RETIREMENT PLANS

Effective January 1, 2016, the Trust adopted a 401(k) plan, available to all employees after completing three consecutive months of service. Employees may contribute up to the statutory limit of their pre-tax earnings each period and the Trust provides contributions to the 401(k) plan up to 5% of the annual compensation of each participating employee. Contributions to the 401(k) plan for December 31, 2016 totaled approximately \$82,900.

During 2015, the Trust offered 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 provided contributions to the SEP plan equal to 4% of the annual compensation of each participating employee. Employees were allowed to participate in the plans immediately upon employment, and could make other contributions to the 403(b) plan up to the limits allowed by law. Contributions to the SEP plan for December 31, 2015 totaled approximately \$56,800. This plan was replaced with the 401(k) plan describe above.

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 Trust has a board member in common with an organization that has a conservation easement on a conservation property owned by the Trust.

At times, the Trust has vendor relationships with companies where board members are employed. Amounts paid to related party vendors totaled approximately \$7,400 for the year ended December 31, 2015. At times, the Trust receives in-kind professional services from companies where board members are employees (Note 2).

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

19. CONCENTRATIONS OF CREDIT RISK

The Trust maintains its cash balances in several financial institutions, and has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Uninsured balances approximated \$1,499,400 and \$807,200 at December 31, 2016 and 2015, 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.

The Trust's revenues are concentrated with 64% of total revenues coming from one governmental agency during 2016 (37% from one agency in 2015).

20. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets and liabilities.

**Level 2:** Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

**Level 3:** Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

20. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at December 31, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2016</u>			
Investments:			
Community Foundation	\$ 278,362	\$ -	\$ 278,362
Mutual funds:			
Fixed income - domestic	1,537,318	1,537,318	-
Fixed income - global	236,614	236,614	-
Equity - domestic	4,088,583	4,088,583	-
Equity - international/global	1,364,006	1,364,006	-
All asset - domestic	1,171,283	1,171,283	-
 <u>December 31, 2015</u>			
Investments:			
Community Foundation	\$ 414,001	\$ -	\$ 414,001
Mutual funds:			
Fixed income - domestic	1,197,621	1,197,621	-
Fixed income - global	241,866	241,866	-
Equity - domestic	2,481,748	2,481,748	-
Equity - international/global	1,205,945	1,205,945	-
All asset - domestic	383,722	383,722	-

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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

21. ENDOWMENT

The Trust's endowment consists of funds established various 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 Prudent Management of Institutional Funds Act (the Act or UPMIFA) 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. In accordance with UPMIFA, 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 FINANCIAL STATEMENTS, Continued  
December 31, 2016

21. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>December 31, 2016</u>				
Donor-restricted endowment funds	\$ -	\$ 1,482,790	\$ 4,123,214	\$ 5,606,004
Board-designated endowment funds	2,951,743	-	-	2,951,743
Total	<u>\$ 2,951,743</u>	<u>\$ 1,482,790</u>	<u>\$ 4,123,214</u>	<u>\$ 8,557,747</u>
<u>December 31, 2015</u>				
Donor-restricted endowment funds	\$ -	\$ 400,191	\$ 3,850,214	\$ 4,250,405
Board-designated endowment funds	1,102,725	-	-	1,102,725
Total	<u>\$ 1,102,725</u>	<u>\$ 400,191</u>	<u>\$ 3,850,214</u>	<u>\$ 5,353,130</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
December 31, 2014	\$ 1,360,104	\$ 692,654	\$ 3,329,801	\$ 5,382,559
Investment return, net	(41,086)	(139,889)	-	(180,975)
Contributions and bequests	-	-	520,413	520,413
Appropriation of endowment assets for expenditure	(216,293)	(152,574)	-	(368,867)
Endowment net assets -				
December 31, 2015	1,102,725	400,191	3,850,214	5,353,130
Investment return, net	200,047	385,895	-	585,942
Contributions and bequests	1,696,159	965,911	273,000	2,935,070
Appropriation of endowment assets for expenditure	(47,188)	(269,207)	-	(316,395)
Endowment net assets -				
December 31, 2016	<u>\$ 2,951,743</u>	<u>\$ 1,482,790</u>	<u>\$ 4,123,214</u>	<u>\$ 8,557,747</u>

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2016

21. ENDOWMENT, Continued

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.

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.