

# COLUMBIA LAND TRUST

Audited Financial Statements

For the Year Ended December 31, 2018



McDONALD JACOBS

As you dive in to the financial details of this audit, I am so pleased to report that after nearly 30 years of work, Columbia Land Trust is healthier than ever - way healthier. We have grown our dedicated stewardship funds to slightly more than \$15 million, sufficient to provide the basic level of stewardship for all of the lands that we have conserved to date. We are part-way through a four-year campaign where we aim to raise \$100 million for conservation - and we are already halfway to that goal! The number of unrestricted annual fund supporters continues to grow, and to increase their overall giving. The number of members of our Heritage Circle - those who have mentioned us in their estate plans - continues to grow. We have a more diversified funding base, which includes revenue from sustainable management of our land, including forestry.

Of course, not all of this is abundantly clear when you look at our audited financial statements. So if you have any questions, please give me a call. Let's talk about it.

But my greatest sense of optimism for Columbia Land Trust's future is not because we have achieved a financial number. My optimism reflects very human elements that simply don't show up in a financial statement, at least not yet. My optimism is rooted in the people of this place, and Columbia Land Trust's sincere efforts to better understand the diversity of people of this place and how they are connected or disconnected to land and water.

Our vision for our shared future is that the Pacific Northwest is a vast fabric of vital and productive lands and waters that are conserved, connected, and cared for, ensuring a thriving diversity of life. Natural areas and our lives intertwine, and people know, love, and respect the beauty and importance of nature. Human communities, including neighborhoods, businesses, farms, ranches, and working forests, complement the natural world, which provides all people well-being and an unrivaled quality of life.

This vision calls for a shared thriving: a thriving nature that provides all people with well-being. The simple fact of the matter is that we have a long way to go to achieve this vision.

We have committed to this path and we have begun our voyage. Land has been the source of great inequity across our region. If we are ever going to achieve our vision, we must understand these inequities. We must ensure that land and water indeed does cause a mutual thriving. We have years of experience listening to people, and a willingness to change what we do based on what we hear. Now more than ever, each of us must bring a willingness to view the world through other people's lenses.

Nothing in this financial report shows the powerful shifts that will come as we continue to show up in different communities, to listen, and to consider how to adjust our strategies. But this approach is at the very heart of my sense of greater health at Columbia Land Trust. Invest in us and you are investing in a mutual thriving.

Thank you for your support, and for your part in this work!

Glenn Lamb | Executive Director

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Columbia Land Trust

### **Report on Financial Statements**

We have audited the accompanying financial statements of Columbia Land Trust (the Trust) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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, 2018, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the Columbia Land Trust's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
May 23, 2019

COLUMBIA LAND TRUST  
STATEMENT OF FINANCIAL POSITION  
December 31, 2018  
(With comparative totals for 2017)

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,807,523	\$ 676,743
Grants and contributions receivable	3,090,281	4,108,320
Contracts receivable	283,770	1,434,457
Cash held for property conservation	-	540,071
Prepaid expenses	37,207	44,494
Investments	13,135,199	13,499,777
Property and equipment, net	110,682	132,315
Conservation property	69,583,516	63,205,212
 TOTAL ASSETS	 \$ 88,048,178	 \$ 83,641,389
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 726,469	\$ 455,695
Deferred revenue	12,839	-
Notes payable	1,120,000	20,000
Conservation property held on behalf of local governments	6,108,594	6,108,594
Total liabilities	7,967,902	6,584,289
Net assets:		
Without donor restrictions:		
Undesignated	149,444	549,294
Board designated	3,385,193	4,057,614
Net investment in conservation property and other capital assets	63,090,974	57,228,933
Total without donor restrictions	66,625,611	61,835,841
With expiring donor restrictions	9,140,791	11,061,426
With perpetual donor restrictions	4,313,874	4,159,833
Total net assets	80,080,276	77,057,100
 TOTAL LIABILITIES AND NET ASSETS	 \$ 88,048,178	 \$ 83,641,389

See notes to financial statements.

**COLUMBIA LAND TRUST**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2018  
(With comparative totals for 2017)

	2018			Total	2017 Total
	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions		
<b>Support and revenue:</b>					
Contributions	\$ 1,321,199	\$ 2,052,508	\$ 54,408	\$ 3,428,115	\$ 2,245,355
Bequests		-	-	-	-
Private and government grants	965,609	1,511,101	-	2,476,710	3,080,717
Donated materials and services	51,029	-	-	51,029	88,975
Special events, net of direct expenses of \$92,606 in 2018 and \$115,856 in 2017	282,532	-	-	282,532	231,657
Gain on sale of conservation property	93,505	-	-	93,505	-
Investment income (loss), net of fees	(304,970)	(695,963)	-	(1,000,933)	1,515,322
Other income	327,266	-	-	327,266	225,834
Net assets released from restrictions:					
Satisfaction of purpose restrictions	4,788,281	(4,788,281)	-	-	-
<b>Total support and revenue</b>	<u>7,524,451</u>	<u>(1,920,635)</u>	<u>54,408</u>	<u>5,658,224</u>	<u>7,387,860</u>
<b>Expenses:</b>					
Program services:					
Land conservation	1,061,329	-	-	1,061,329	1,316,560
Public outreach	551,692	-	-	551,692	471,011
Land stewardship	2,337,889	-	-	2,337,889	3,202,056
<b>Total program services</b>	<u>3,950,910</u>	<u>-</u>	<u>-</u>	<u>3,950,910</u>	<u>4,989,627</u>
Management and general	685,112	-	-	685,112	627,523
Fundraising	702,320	-	-	702,320	706,851
<b>Total expenses</b>	<u>5,338,342</u>	<u>-</u>	<u>-</u>	<u>5,338,342</u>	<u>6,324,001</u>
 Change in net assets before non-operating activities	 2,186,109	 (1,920,635)	 54,408	 319,882	 1,063,859
<b>Non-operating activities:</b>					
Grants received for acquisition of conservation property	-	2,603,661	-	2,603,661	1,503,085
Donated land	-	-	-	-	190,976
Contribution of beneficial interest in perpetual trust	-	-	99,633	99,633	-
Net assets released from restrictions upon the acquisition of conservation property	2,603,661	(2,603,661)	-	-	-
<b>Change in net assets</b>	<u>4,789,770</u>	<u>(1,920,635)</u>	<u>154,041</u>	<u>3,023,176</u>	<u>2,757,920</u>
<b>Net assets:</b>					
Beginning of year	<u>61,835,841</u>	<u>11,061,426</u>	<u>4,159,833</u>	<u>77,057,100</u>	<u>74,299,180</u>
End of year	<u>\$ 66,625,611</u>	<u>\$ 9,140,791</u>	<u>\$ 4,313,874</u>	<u>\$ 80,080,276</u>	<u>\$ 77,057,100</u>

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2018  
(With comparative totals for 2017)

	2018										2017 Total
	Program Services					Supporting Services					
	Land Conservation	Public Outreach	Land Stewardship	Total Programs	Management and General	Indirect Costs	Fund- raising	Total Supporting	Total		
Salaries and related costs	\$ 530,631	\$ 220,062	\$ 702,397	\$ 1,453,090	\$ 401,431	\$ -	\$ 468,942	\$ 870,373	\$ 2,323,463	\$ 2,323,463	\$ 2,379,097
Professional services	344,293	230,077	99,026	673,396	111,530	60,119	131,052	302,701	976,097	976,097	582,609
Property acquisition costs	50,296	-	-	50,296	-	-	-	-	50,296	50,296	55,941
Property maintenance	-	-	1,100,616	1,100,616	-	-	-	-	1,100,616	1,100,616	1,767,219
Occupancy	-	-	43,651	43,651	-	179,984	-	179,984	223,635	223,635	218,909
Postage and shipping	81	2,959	115	3,155	10	4,145	2,391	6,546	9,701	9,701	49,885
Printing and publications	704	26,264	441	27,409	3,186	14,149	5,048	22,383	49,792	49,792	45,196
License and fees	8,226	1,290	110,903	120,419	46,040	21,175	1,335	68,550	188,969	188,969	187,992
Supplies	1,740	16,589	90,747	109,076	478	5,706	3,426	9,610	118,686	118,686	304,874
Equipment and repair	2,768	3,652	34,425	40,845	-	57,926	20,646	78,572	119,417	119,417	94,061
Meetings and training	3,751	2,851	1,946	8,548	4,500	2,169	1,357	8,026	16,574	16,574	19,560
Travel	15,482	5,418	23,042	43,942	8,473	69	1,493	10,035	53,977	53,977	48,904
Telephone	330	960	1,300	2,590	-	17,343	-	17,343	19,933	19,933	20,451
Insurance	-	-	797	797	-	39,764	-	39,764	40,561	40,561	39,134
Interest expense	10,854	-	-	10,854	-	9,250	-	9,250	20,104	20,104	-
Conservation easement	-	-	-	-	-	-	-	-	-	-	535,045
Other	3,326	3,626	6,336	13,288	38,313	2,396	65,130	105,839	119,127	119,127	90,980
Total expenses before allocation of indirect costs and expenses included with revenue	972,482	513,748	2,215,742	3,701,972	613,961	414,195	700,820	1,728,976	5,430,948	5,430,948	6,439,857
Allocation of indirect costs	88,847	37,944	122,147	248,938	71,151	(414,195)	94,106	(248,938)	-	-	-
Less event expenses included with revenue	-	-	-	-	-	-	(92,606)	(92,606)	(92,606)	(92,606)	(115,856)
Total expenses	\$ 1,061,329	\$ 551,692	\$ 2,337,889	\$ 3,950,910	\$ 685,112	\$ -	\$ 702,320	\$ 1,387,432	\$ 5,338,342	\$ 5,338,342	\$ 6,324,001

See notes to financial statements.

COLUMBIA LAND TRUST  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2018  
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,023,176	\$ 2,757,920
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	46,493	28,258
Realized and unrealized (gains) losses on investments	1,385,986	(1,221,707)
Donations of conservation properties	-	(190,976)
Proceeds restricted to the acquisition of conservation property	(2,603,661)	(1,503,085)
Proceeds from contributions restricted to endowment	(54,408)	(36,619)
Beneficial interest in perpetual trust	(99,633)	
Gain from sale of property	(93,505)	-
(Increase) decrease in:		
Grants, contributions and contracts receivable	2,168,726	481,758
Other current assets	7,287	(12,692)
Increase (decrease) in:		
Accounts payable, accrued expenses and other	283,613	(12,700)
Net cash flows from operating activities	<u>4,064,074</u>	<u>290,157</u>
<b>Cash flows from investing activities:</b>		
Purchase of conservation land	(6,574,799)	(1,431,195)
Proceeds from the sale of property	301,000	-
Purchase of property and equipment	(35,860)	(91,242)
Proceeds from sale of investments	10,090,780	5,584,071
Purchase of investments	<u>(11,012,555)</u>	<u>(6,969,960)</u>
Net cash flows from investing activities	<u>(7,231,434)</u>	<u>(2,908,326)</u>
<b>Cash flows from financing activities:</b>		
Proceeds restricted to the acquisition of conservation property	2,603,661	1,503,085
Proceeds from contributions restricted to endowment	54,408	36,619
Payments on notes payable	(250,000)	-
Proceeds from notes payable	<u>1,350,000</u>	<u>-</u>
Net cash flows from financing activities	<u>3,758,069</u>	<u>1,539,704</u>
Net change in cash and cash equivalents	590,709	(1,078,465)
Cash and cash equivalents - beginning of year	<u>1,216,814</u>	<u>2,295,279</u>
Cash and cash equivalents - end of year	<u>\$ 1,807,523</u>	<u>\$ 1,216,814</u>
Cash and cash equivalents	\$ 1,807,523	\$ 676,743
Cash held for property conservation	<u>-</u>	<u>540,071</u>
	<u>\$ 1,807,523</u>	<u>\$ 1,216,814</u>

See notes to financial statements.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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 44,137 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, 2018

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction until appropriated for expenditure.

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 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 9 regarding conservation easements.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

Columbia Land Trust is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. Based on certain tax law changes, the Trust may be subject to unrelated business income tax. Any provision for income taxes associated with these changes is estimated to be immaterial. The Trust has no other no other activities subject to unrelated business income tax. The Trust 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.

Revenue Recognition

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

Donor restricted funds are released as support without donor restrictions 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 contributions without donor restrictions 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. In 2018, the Trust received approximately \$12,200 of in-kind legal services related to land conservation and stewardship. 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.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services, Continued

During the years ended December 31, 2018 and 2017, the Trust received the following in-kind contributions:

	2018	2017
Pro-bono legal and consulting service	\$ 17,206	\$ 35,830
Special event goods and services	18,393	41,046
Other	15,430	12,099
Donated materials and services	51,029	88,975
Bargain sale on land and donated property	-	190,976
Total in-kind contributions	<u>\$ 51,029</u>	<u>\$ 279,951</u>

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

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 revenue without donor restrictions. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as revenue with donor restrictions. The restrictions are considered to be released from restriction 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. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and related costs, professional services, postage and shipping, printing and publications, license and fees, supplies, equipment and repair, and other operating costs, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

The Trust has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Update modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The accounting principle has been applied retrospectively to all periods presented.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Summarized Financial Information for 2017

The financial information as of December 31, 2017 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 23, 2019, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Trust considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Trust consist of the following at December 31, 2018:

	Total Financial Assets	Board Designated	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 1,807,523	\$ (129,717)	\$ 1,399,028	\$ -	\$ 538,212
Accounts receivable	45,302	-	-	-	45,302
Contributions receivable	3,090,281	-	2,917,555	-	172,726
Contracts receivables	238,468	-	-	-	238,468
Investments	<u>13,135,199</u>	<u>3,514,910</u>	<u>4,824,208</u>	<u>4,313,874</u>	<u>482,207</u>
Total financial assets	<u>\$ 18,316,773</u>	<u>\$ 3,385,193</u>	<u>\$ 9,140,791</u>	<u>\$ 4,313,874</u>	1,476,915
Approved distribution from endowment					<u>408,589</u>
Total available for general expenditure					<u>\$ 1,885,504</u>

The Trust's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. While the corpus of the donor-restricted endowments is not available for general use, the income from donor-restricted endowments is restricted until appropriated by the Board for general expenditure and subject to the annual spending rate of 5%. The Board-designated endowment of \$3.5 million is also subject to the annual spending rate of 5% as described in Note 21. The Trust does not intend to use funds from the board-designated endowment (other than amounts appropriated for general expenditure as a part of the annual budget approval and appropriation by the Trust's Board), these amounts could be made available, if necessary, with a vote of the Board.

The Trust has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 10 for information about the Trust's line of credit. As a part of the Trust's liquidity management plan, it may invest cash in excess of its operating reserve requirements in short-term investments or investment accounts to maximize earnings.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are summarized as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Expected to be collected in:		
Less than one year	\$ 1,998,096	\$ 1,827,765
One to five years	<u>1,092,185</u>	<u>2,280,555</u>
Total grants and contributions receivable	<u>\$ 3,090,281</u>	<u>\$ 4,108,320</u>

Management estimates that any uncollectible accounts will be insignificant.

Approximately 88% of grants and contributions receivable at December 31, 2018 are due from two donors (84% due from one donor in 2017). Additionally, substantially all of the balances are receivable from individuals or entities located within Oregon and Washington.

5. CONTRACTS RECEIVABLE

Contracts receivable are unsecured and are summarized as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Salmon Recovery Funding Board (passed through State of Washington)	\$ 44,532	\$ 507,558
Bonneville Power Administration	63,827	117,259
State of Washington Wildlife Recreation program	18,780	58,708
Yakama Nation	-	568,842
Others	<u>156,631</u>	<u>182,090</u>
Total contracts receivable	<u>\$ 283,770</u>	<u>\$ 1,434,457</u>

Amounts included in contracts receivable that are over 90 days past due totaled approximately \$50,000 and \$110,000 at December 31, 2018 and 2017, respectively.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

6. INVESTMENTS

Investments at December 31, 2018 and 2017 are carried at fair value and consist of the following:

	2018	2017
Cash equivalents	\$ 513,689	\$ 1,753,256
Mutual funds:		
Fixed income	1,938,636	2,444,765
Equity securities	10,583,241	9,301,756
Beneficial interest in perpetual trust	99,633	-
Total investments	\$ 13,135,199	\$ 13,499,777
Endowment (Note 21)	\$ 11,905,642	\$ 11,693,274
With expiring donor restrictions	747,350	1,478,069
Without donor restrictions	482,207	328,434
Net investment income	\$ 13,135,199	\$ 13,499,777

Investments totaling \$355,370 are held as collateral on a loan. See Note 11.

Beneficial Interest in Perpetual Trust

During 2018, the Trust received a beneficial interest in assets held by a perpetual trust. The Trust and reports an asset equal to its percentage interest in the trust. The asset recorded is determined by multiplying the total fair value of the Trust's assets by its percentage share. Any change to the value is recorded and reflected as a revaluation gain or loss in the statement of activities. The beneficial interest in the perpetual trust is classified as a net asset with perpetual donor restrictions.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Leasehold improvements	\$ 22,219	\$ 22,219
Computer hardware and software	68,236	68,236
Office equipment and furniture	11,150	11,150
Stewardship equipment	240,809	217,111
Total property and equipment	342,414	318,716
Less accumulated depreciation	231,732	186,401
Net property and equipment	\$ 110,682	\$ 132,315

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

8. CONSERVATION PROPERTY

Conservation property consists of the following at December 31, 2018 and 2017:

	2018	2017
Fee simple land and property	\$ 63,429,622	\$ 57,050,502
Land held on behalf of local governments	6,108,594	6,108,594
Access easements	18,300	18,300
Fee simple land in progress	27,000	27,816
Total conservation property	\$ 69,583,516	\$ 63,205,212

*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.

9. CONSERVATION EASEMENTS

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At December 31, 2018 and 2017, the Trust held 52 conservation easements on 5,487 acres of land.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

10. LINE OF CREDIT

The Trust has a \$500,000 unsecured revolving line of credit with Columbia State Bank, expiring July 2019. Advances on the credit line are payable on demand and carry an interest rate of 6.5% at December 31, 2018 (prime plus 1% with a minimum rate of 4.75%). There were no advances on the line of credit at December 31, 2018 and 2017.

11. NOTE PAYABLE

Notes payable consist of the following at December 31, 2018 and 2017:

	2018	2017
Unsecured note payable to an individual, with no interest and principal due at maturity in December 2020.	\$ 20,000	\$ 20,000
Note payable to Craft3, with interest due quarterly at 2% and principal due upon maturity in July 2020. The note is secured by real property and an investment account.	850,000	-
Unsecured note payable to an individual, with no interest and principal due at maturity in June 2020, with the option to extend for one year.	50,000	-
Unsecured note payable to an individual, with no interest and principal due at maturity in June 2020, with the option to extend for one year.	200,000	-
Total notes payable	\$ 1,120,000	\$ 20,000

Current maturities of notes payable are as follows:

For the years ending December 31, 2019	\$ 135,000
2020	985,000
	\$ 1,120,000

Interest estimated at fair value on the three interest-free notes payable for the years ended December 31, 2018 and 2017 totals \$9,250 and \$1,200, respectively, and has been recognized in the accompanying financial statements as an in-kind contribution.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

12. 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.

13. LEASE COMMITMENTS

The Trust's main office in Vancouver is leased under an operating lease expiring January 2023. Monthly rent is currently \$10,905 subject to annual increases. The Trust also leases an office in Portland under an operating lease, which expires September 2020, with current monthly rent of \$2,251 subject to annual increases. The Trust receives one month with no rent annually. Both of these leases are expensed over the life of the lease on a straight-line basis with deferred rent totaling \$29,027 at December 31, 2018, recorded as a liability (\$28,831 at December 31, 2017).

Warehouse, equipment and other offices and storage are leased under operating leases with total monthly rent of approximately \$2,600 expiring at various dates through November 2019.

Rent expense for the above leases totaled approximately \$190,000 and \$195,200 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease commitments under operating leases are as follows:

For the years ending December 31, 2019	\$ 162,100
2020	156,800
2021	138,700
2022	141,400
2023	<u>11,800</u>
	<u>\$ 610,800</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, 2018, 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, 2018

14. 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.

15. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved as follows at December 31, 2018 and 2017:

	2018	2017
Stewardship endowment (Note 21)	\$ 3,514,910	\$ 3,831,961
Operating reserve	84,300	84,300
Other	141,353	141,353
Loan collateralized by board investments	(355,370)	-
Total board designated net assets	\$ 3,385,193	\$ 4,057,614

16. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Land acquisition and related costs	\$ 503,633	\$ 1,107,464
Stewardship funds	3,582,070	5,784,159
Earnings on endowment (Note 21)	4,076,858	3,701,480
Other restrictions	127,830	140,123
Future periods	850,400	328,200
Total net assets with expiring donor restrictions	\$ 9,140,791	\$ 11,061,426

Included in net assets with expiring donor restrictions for stewardship funds 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, 2017, there was approximately \$540,100, included in net assets with donor restrictions related to this purpose. These funds were released from restriction in 2018.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

16. NET ASSETS WITH DONOR RESTRICTIONS, Continued

Net assets with perpetual donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Endowment (Note 21)	\$ 4,214,241	\$ 4,159,833
Beneficial interest in perpetual trust	99,633	-
Total net assets with perpetual donor restrictions	\$ 4,313,874	\$ 4,159,833

The principal portion of the endowment is restricted in perpetuity and income on the principal is restricted to the Trust's stewardship (see Note 21, Endowment).

17. RETIREMENT PLAN

The Trust has 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, 2018 totaled approximately \$86,900 (\$91,100 in 2017).

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.

The Trust also has a board member in common with an accreditation organization.

At times, the Trust receives in-kind professional services from companies where board members are employees (Note 2). In 2018, the Trust received approximately \$12,200 of in-kind legal services related to land conservation and stewardship.

In 2018, the Trust paid approximately \$33,300 for services from a company where a board member is employed.

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

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 \$483,300 and \$951,300 at December 31, 2018 and 2017, 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 47% of total revenues coming from two agencies during 2018 (28% from one agency in 2017).

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, 2018

20. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at December 31, 2018 and 2017 are as follows:

	Fair Value	Level 1	Level 3
<u>December 31, 2018</u>			
Investments:			
Mutual funds:			
Fixed income - domestic	\$ 1,938,636	\$ 1,938,636	\$ -
Equity - domestic	8,859,484	8,859,484	-
Equity - international/global	1,723,757	1,723,757	-
Beneficial interest in perpetual trust	99,633	-	99,633
 <u>December 31, 2017</u>			
Investments:			
Mutual funds:			
Fixed income - domestic	2,036,008	2,036,008	-
Fixed income - global	408,757	408,757	-
Equity - domestic	7,702,664	7,702,664	-
Equity - international/global	1,599,092	1,599,092	-

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the beneficial interest in a perpetual trust is determined by multiplying the total fair value of the trust's assets by Columbia Land Trust's percentage share as stated in the trust document.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in perpetual trust:

	2018
Balance at beginning of year	\$ -
Contributions	99,633
Balance at end of year	\$ 99,633

Changes in value are reported as net assets with perpetual donor restrictions in the statements of activities.



COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

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 net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted 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 net assets with perpetual donor restrictions is classified as net assets with expiring donor restrictions 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, 2018**

**21. ENDOWMENT, Continued**

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 is as follows:

	Without donor restrictions	With expiring donor restrictions	With perpetual donor restrictions	Total
<u>December 31, 2018</u>				
Donor-restricted	\$ -	\$ 4,076,858	\$ 4,214,241	\$ 8,291,099
Board-designated	3,514,910	-	-	3,514,910
Included in investments	3,514,910	4,076,858	4,214,241	11,806,009
Beneficial interest in perpetual trust	-	-	99,633	99,633
Total endowments	<u>\$ 3,514,910</u>	<u>\$ 4,076,858</u>	<u>\$ 4,313,874</u>	<u>\$11,905,642</u>
<u>December 31, 2017</u>				
Donor-restricted	\$ -	\$ 3,701,480	\$ 4,159,833	\$ 7,861,313
Board-designated	3,831,961	-	-	3,831,961
Total endowments	<u>\$ 3,831,961</u>	<u>\$ 3,701,480</u>	<u>\$ 4,159,833</u>	<u>\$ 11,693,274</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

Endowment net assets -				
December 31, 2016	\$ 2,951,743	\$ 1,482,790	\$ 4,123,214	\$ 8,557,747
Contributions and bequests	813,603	1,794,344	36,619	2,644,566
Investment return, net	483,969	1,014,766	-	1,498,735
Appropriation of endowment assets for expenditure	<u>(417,354)</u>	<u>(590,420)</u>	<u>-</u>	<u>(1,007,774)</u>
Endowment net assets -				
December 31, 2017	3,831,961	3,701,480	4,159,833	11,693,274
Contributions and bequests	34,100	1,655,165	54,408	1,743,673
Investment return, net	(296,563)	(695,963)	-	(992,526)
Appropriation of endowment assets for expenditure	(54,588)	(583,824)	-	(638,412)
Contribution of perpetual trust	<u>-</u>	<u>-</u>	<u>99,633</u>	<u>99,633</u>
Endowment net assets -				
December 31, 2018	<u>\$ 3,514,910</u>	<u>\$ 4,076,858</u>	<u>\$ 4,313,874</u>	<u>\$11,905,642</u>

COLUMBIA LAND TRUST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2018

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 donor restricted and board-designated endowment funds. 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.