NISQUALLY LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended
December 31, 2013 and 2012

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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Aiken & Sanders, Inc PS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nisqually Land Trust
Lacey, WA

Report on the Financial Statements

We have audited the accompanying financial statements of the Nisqually Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 the Trust as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

Aberdeen, WA

April 18, 2014

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,		2013		2012
Assets				
Current Assets:				
Cash	$	590,187	$	1,156,512
Prepaid Expense		5,338		4,576
Accounts Receivable		2,820		15,474
Grants Receivable		81,115		58,753
Total Current Assets		**679,460**		**1,235,315**
Property & Equipment:				
Equipment		47,481		47,481
Land		22,317,882		21,883,582
Accumulated Depreciation		(32,016)		(27,105)
Total Property & Equipment		**22,333,347**		**21,903,958**
Other Assets:				
Investments		731,664		41,097
Note Receivable		-		240,000
Total Other Assets		**731,664**		**281,097**
Total Assets	**$**	**23,744,471**	**$**	**23,420,370**
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	$	26,478	$	34,199
Payroll Taxes & Benefits Payable		22,151		22,121
Security Deposit Payable		400		400
Total Current Liabilities		**49,029**		**56,720**
Total Liabilities		**49,029**		**56,720**
Net Assets:				
Unrestricted		626,594		782,287
Board Designated Unrestricted Net Assets		3,183,417		3,174,917
		3,810,011		3,957,204
Temporarily Restricted		263,036		218,351
Permanently Restricted		19,622,395		19,188,095
Total Net Assets		**23,695,442**		**23,363,650**
Total Liabilities and Net Assets	**$**	**23,744,471**	**$**	**23,420,370**

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2013				**2013**
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and Revenue:				
Grants	$ 500,469	$ -	$ 282,500	$ 782,969
Contributions	175,423	78,071	-	253,494
Fee For Service	605	-	-	605
Fundraising	73,886	-	-	73,886
Less Costs of Direct Benefits to Donors	(15,811)	-	-	(15,811)
Interest & Dividend Income	33,822	-	-	33,822
Inkind Donations	280	-	290,000	290,280
Miscellaneous Income	1,326	-	-	1,326
Rental Income	16,634	-	-	16,634
Released from Restrictions	171,586	(33,386)	(138,200)	-
Total Support and Revenue	**958,220**	**44,685**	**434,300**	**1,437,205**
Expenses:				
Program Services	876,070	-	-	876,070
Management and General	104,128	-	-	104,128
Fundraising	114,101	-	-	114,101
Total Expenses	**1,094,299**	**-**	**-**	**1,094,299**
Other Revenue & Expenses:				
Investment Income (Loss)	(11,114)	-	-	(11,114)
Total Other Revenue & Expenses	**(11,114)**	**-**	**-**	**(11,114)**
Increase (Decrease) in Net Assets	**(147,193)**	**44,685**	**434,300**	**331,792**
Net Assets, Beginning of Year	3,957,204	218,351	19,188,095	23,363,650
Net Assets, End of Year	**$ 3,810,011**	**$ 263,036**	**$ 19,622,395**	**$ 23,695,442**

The accompanying notes are an integral part of these financial statements.

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2012				**2012**
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and Revenue:				
Grants	$ 439,603	$ -	$ 4,083,719	$ 4,523,322
Contributions	418,427	13,475	-	431,902
Fee For Service	40,571	-	-	40,571
Fundraising	73,477	-	-	73,477
Less Costs of Direct Benefits to Donors	(18,406)	-	-	(18,406)
Interest & Dividend Income	19,728	-	-	19,728
Inkind Donations	800	-	243,500	244,300
Miscellaneous Income	273	-	-	273
Rental Income	10,683	-	-	10,683
Released from Restrictions	319,662	(319,662)	-	-
Total Support and Revenue	**1,304,818**	**(306,187)**	**4,327,219**	**5,325,850**
Expenses:				
Program Services	676,757	-	-	676,757
Management and General	160,656	-	-	160,656
Fundraising	68,514	-	-	68,514
Total Expenses	**905,927**	**-**	**-**	**905,927**
Other Revenue & Expenses:				
Gain (Loss) on Sale of Assets	8	-	-	8
Investment Income (Loss)	556	-	-	556
Total Other Revenue & Expenses	**564**	**-**	**-**	**564**
Increase (Decrease) in Net Assets	**399,455**	**(306,187)**	**4,327,219**	**4,420,487**
Net Assets, Beginning of Year	3,557,749	524,538	14,860,876	18,943,163
Net Assets, End of Year	**$ 3,957,204**	**$ 218,351**	**$ 19,188,095**	**$ 23,363,650**

The accompanying notes are an integral part of these financial statements.

Nisqually Land Trust
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Statement of Cash Flows

Year Ended December 31,	**2013**	**2012**
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	$ 331,792	$ 4,420,487
Adjustments to Reconcile Increase in Net		
Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	4,911	5,159
Bad Debts	8,349	-
Property Transfers	368,200	-
Capitalized Inkind Donations	(290,000)	(243,500)
(Increase) Decrease in Prepaid Expense	(762)	(4,036)
(Increase) Decrease in Accounts Receivable	12,654	8,957
(Increase) Decrease in Grants Receivable	(22,362)	452,470
(Increase) Decrease in Investments	(556)	(556)
Increase (Decrease) in Accounts Payable	(7,721)	24,995
Increase (Decrease) in Payroll Taxes & Benefits	30	14,808
Increase (Decrease) in Security Deposit Payable	-	-
Net Cash Provided (Used) by Operating Activities	**404,535**	**4,678,784**
Cash Flows from Investing Activities:		
Investments Purchase	(698,360)	(6,219)
Note Receivable Proceeds	240,000	-
Cash Paid for Land Purchases	(512,500)	(3,979,098)
Net Cash Provided (Used) by Investing Activities	**(970,860)**	**(3,985,317)**
Cash Flows from Financing Activities:		
Payments of Long Term Debt	-	(259,431)
Net Cash Provided (Used) by Financing Activities	**-**	**(259,431)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(566,325)**	**434,036**
Cash at Beginning of Year	1,156,512	722,476
Cash at End of Year	**$ 590,187**	**$ 1,156,512**
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	**$ 6**	**$ 13**

The accompanying notes are an integral part of these financial statements.

Nisqually Land Trust
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Statement of Functional Expenses

Year Ended December 31, 2013 **2013**

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	$ 214,173	$ 40,126	$ 76,970	$ 331,269
Employee Benefits	18,506	4,022	6,592	29,120
Payroll Taxes	20,176	3,764	7,251	31,191
Rent Expense	26	2,284	-	2,310
Telephone	3,659	685	1,315	5,659
Insurance	251	8,115	251	8,617
Information Technology	1,148	698	395	2,241
Printing & Postage	1,009	1,168	14,341	16,518
Property Taxes	19,096	-	-	19,096
Dues	363	3,102	600	4,065
Professional Services	165,120	19,286	-	184,406
Depreciation	3,081	1,830	-	4,911
Land Stewardship & Acquisition	33,437	-	-	33,437
Inkind Expense	-	30	250	280
Training & Conferences	-	1,140	295	1,435
Travel	13,174	1,161	1,507	15,842
Office Supplies	1,277	6,027	1,023	8,327
Interest	6	-	-	6
Other Taxes & Fees	7,525	630	2,794	10,949
Miscellaneous	5,347	1,661	218	7,226
Advertising	496	50	299	845
Bad Debts	-	8,349	-	8,349
Property Transfer	368,200	-	-	368,200
Total	**$ 876,070**	**$ 104,128**	**$ 114,101**	**$ 1,094,299**

The accompanying notes are an integral part of these financial statements.

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Functional Expenses

Year Ended December 31, 2012 **2012**

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	$ 194,473	$ 93,623	$ 47,096	$ 335,192
Employee Benefits	11,791	5,676	2,855	20,322
Payroll Taxes	17,660	8,502	4,277	30,439
Office Expenses	7,537	19,759	13,345	40,641
Insurance	600	7,670	-	8,270
Information Technology	1,736	845	-	2,581
Property Taxes	48,780	40	-	48,820
Professional Services	188,871	14,594	513	203,978
Depreciation	3,081	2,078	-	5,159
Land Stewardship & Acquisition	71,542	-	-	71,542
Inkind Expense	550	250	-	800
Training & Conferences	1,100	-	-	1,100
Travel	10,367	353	428	11,148
Interest	13	-	-	13
Taxes & Fees-Other	726	5,655	-	6,381
Miscellaneous	1	1,611	-	1,612
Advertising	235	-	-	235
Property Transfer	117,694	-	-	117,694
Total	**$ 676,757**	**$ 160,656**	**$ 68,514**	**$ 905,927**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal program--
The Nisqually Land Trust (The Trust) is a not for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. The Trust was organized to provide for the conservation, preservation, and enhancement of property located in the Nisqually River and Delta area of Washington State.

The Trust receives a substantial amount of its annual support in the form of government grants. In the event one or more of the government programs from which the grants are received were to end or experience significant budget cuts, The Trust could experience a significant loss of support.

Basis of accounting--
The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset

Grant funds are accounted for as unrestricted, temporarily restricted or permanently restricted as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is The Trust’s policy to record the grant funds as unrestricted on the statement of activities and changes in net assets.

Land, buildings and equipment--
Land, buildings and equipment are recorded at cost. Property and equipment donated to The Trust are capitalized at their estimated fair market value. It is The Trust’s policy to expense the acquisition cost of equipment in the year of purchase for items with a unit cost of less than $1,000. Depreciation is provided using the straight-line method. A five-year life is used for both purchased and donated equipment. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in income.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Estimates--
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising--
The Trust's policy is to expense advertising costs as they are incurred.

B. RECOGNITION OF CONTRIBUTION REVENUE:

The Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor 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 are reported in the statement of activities as net assets released from restrictions.

The Trust reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets having explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets to be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, The Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on a contribution are met in the same year that the contribution is received, it is The Trust's policy to record the contribution as unrestricted on the statement of activities and changes in net assets.

C. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets include land that was purchased with grant contracts and donor contributions that permanently restrict the land use. As of December 31, 2013 and 2012, the permanently restricted net assets balance was $19,622,395 and $19,188,095, respectively.

D. ECONOMIC DEPENDENCY:

For 2013 and 2012, funding used to acquire land was primarily provided by the State of Washington Department of Natural Resources (Using US Department of Interior Funding), Pierce County Conservation Futures Program, Natural Resources Conservation Service, The Nisqually Indian Tribe, and the State of Washington Recreation and Conservation Office.

E. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2013 and 2012 were $263,036 and $218,351, respectively, and are comprised of the unspent balance of donor contributions that are restricted for use in stewardship and property acquisition.

F. LEASES:

During 2010, The Trust entered into a memo of understanding with the United States Fish and Wildlife Service (USFWS). USFWS agreed to provide office space to The Trust free of charge at the Nisqually Wildlife Refuge. The Trust is responsible for utilities and janitorial services. The office lease expense for the years ended December 31, 2013 and 2012 was $0 and $0, respectively.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

Trust investments in mutual funds and United States savings bonds are accounted for at fair value. As of December 31, 2013 and 2012, respectively, the investments had a cost basis of $721,112 and $39,157 and a fair value of $731,664 and $41,097. Investment income on the statement of activities and changes in net assets is the following:

Realized Gains (Losses)	$ 2,850	$ -
Fees	(5,352)	-
Unrealized Gain (Losses)	(8,612)	556
Total	$ (11,114)	$ 556

The Trust adopted Financial Accounting Standards ASC 820 as of January 1, 2009. ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

Measurements). The three levels of the fair value hierarchy under FASB ASC are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Trust has the ability to access.

Level 2: Inputs to valuation methodology include:
Quoted prices for similar assets or liabilities in active markets.
Quoted prices for identical or similar assets or liabilities in inactive markets.
Inputs other than quoted prices that are observable for the asset or liability.
Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

United States Savings Bonds: The investments are reported at original cost plus accrued interest.

Mutual Funds: Valued at net asset value of fund holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2013:

Assets at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ -	$ 715,476	$ -	$ 715,476
US Savings Bonds	-	16,188	-	16,188
Total Assets at Fair Value:	$ -	$ 731,664	$ -	$ 731,664

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2012:

Assets at Fair Value as of December 31, 2012

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ -	$ 25,535	$ -	$ 25,535
US Savings Bonds	-	15,562	-	15,562
Total Assets at Fair Value:	$ -	$ 41,097	$ -	$ 41,097

H. CONTINGENCIES:

Amounts received or receivable from federal and state government 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 material amounts received or receivable will be required to be returned in the future.

I. GRANTS RECEIVABLE:

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. The Trust uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2013 and 2012, there were bad debts of $8,349 and $0, respectively. As of December 31, 2013, management estimated that all grants receivable were collectible. The Trust considers accounts due over 90 days as past due. No interest is charged on past due receivables.

J. INKIND REVENUE:

The Trust received a property donation in 2013 valued at $290,000. The donation is recorded as inkind revenue and as a capital asset. The Trust received a donation of part of the value of an acquired property in 2012. The 2012 property was valued at $795,000 and the Trust paid $551,500 to acquire the property. The balance of $243,500 is recorded as inkind revenue and was added to The Trust's basis in the land. The Trust also received several smaller inkind donations during 2013 and 2012.

K. INCOME TAX & UNCERTAIN TAX POSITIONS :

The Trust is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The Trust files income tax returns in the U.S. federal jurisdiction. The Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Trust adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes on January 1, 2009. As of December 31, 2013, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

L. RELATED PARTY TRANSACTIONS & LONG TERM DEBT:

The Trust is a trustee of a nonexempt charitable trust. The purpose of the charitable trust is to purchase property in the Nisqually Delta area of Washington State for preservation and stewardship.

During 2004, the charitable trust made a loan of $370,000 to The Trust to finance the acquisition of property. The terms of the loan required monthly interest payments at current money market rates. During 2006, The Trust repaid $200,000 of the loan. During 2010, the charitable trust made an additional loan of $259,431 to the Trust at the same terms. During 2011, The Trust repaid $170,000. The balance, $259,431, was repaid during 2012. The Trust paid the charitable trust $13 in interest during 2012.

During 2013 and 2012, The Trust performed stewardship services for the charitable trust and received $11,267 and $52,529 for those services and costs advanced. The Trust also received $8,086 and $19,052 in trustee fees during 2013 and 2012, respectively. The charitable trust owed The Trust $0 and $14,774, respectively, at December 31, 2013 and 2012.

M. BOARD DESIGNATED NET ASSETS:

The Trust has purchased property located in the Nisqually River and Delta area of Washington State with unrestricted monies. The Board of Directors has designated the property for conservation, preservation, and enhancement. The Board has also designated certain funds to be used for specific purposes. As of December 31, 2013 and 2012, respectively, board designated assets totaled $3,183,417 and $3,174,917.

N. MANAGEMENT & GENERAL EXPENSES:

Management and general expenses were $104,128 and $160,656 in 2013 and 2012, respectively. During 2013, The Trust disbursed $282,500 for property which has been capitalized on the statement of financial position. The capitalized expenditures plus total expenses on the statement of functional expenses totals $1,376,799. Management and general expenses are approximately 8% of this total for 2013. During 2012, The Trust disbursed $3,979,098 for property which has been capitalized on the statement of financial position. The capitalized expenditures plus total expenses on the statement of function expenses totals $4,885,025. Management and general expenses are approximately 3% of this total for 2012.

O. EXCESS DEPOSITS:

The Trust, at times, maintains cash balances in financial institutions in excess of the FDIC insurance level of $250,000. The Trust had cash balances in excess of FDIC coverage of $59,068 and $94,603 at December 31, 2013 and 2012, respectively. Additionally, investments are insured by the SIPC for a maximum of $500,000 in coverage per institution, with a limit of $250,000 for cash balances. The Trust had balances in excess of SPIC coverage of $215,476 as of December 31, 2013. Management does not believe The Trust is subject to substantial risk of loss related to these balances.

P. SUBSEQUENT EVENTS:

No events have occurred through April 18, 2014, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2013.

Q. NOTE RECEIVABLE:

The Trust sold a house during 2010 for $290,000. The Trust received a $50,000 down payment and entered into a note arrangement with the buyer for the remaining $240,000. The note was interest only at 6% per year with the principal balance originally due on April 12, 2013 which was later extended to July 12, 2013. The note was secured by the residence and was paid in full during 2013.