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**NISQUALLY LAND TRUST**  
A Washington Not For Profit Organization

**Financial Statements**

For the Years Ended  
December 31, 2011 and 2010

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nisqually Land Trust  
Lacey, WA 98516

We have audited the accompanying statement of financial position of the Nisqually Land Trust (The Trust) as of December 31, 2011 and 2010; the related statement of activities and changes in net assets; the statement of cash flows; and the statement of functional expenses, for the years then ended. These financial statements are the responsibility of The Trust's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2012, on our consideration of The Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Aiken & Sanders*

Aberdeen, WA  
June 15, 2012

**Nisqually Land Trust**  
A Washington Not For Profit Organization

**Statement of Financial Position**

<b>December 31,</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 722,476	\$ 611,402
Prepaid Expense	540	713
Accounts Receivable	24,431	180
Grants Receivable	511,223	180,301
	<u>1,258,670</u>	<u>792,596</u>
<b>Property &amp; Equipment:</b>		
Equipment	47,481	33,963
Land	17,660,984	15,268,413
Accumulated Depreciation	(21,946)	(16,158)
	<u>17,686,519</u>	<u>15,286,218</u>
<b>Other Assets:</b>		
Investments	34,322	32,427
Note Receivable	240,000	240,000
	<u>274,322</u>	<u>272,427</u>
<b>Total Assets</b>	<b><u>\$ 19,219,511</u></b>	<b><u>\$ 16,351,241</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 9,204	\$ 17,430
Payroll Taxes & Benefits Payable	7,313	6,224
Security Deposit Payable	400	-
	<u>16,917</u>	<u>23,654</u>
<b>Long Term Liabilities:</b>		
EMT Loan Payable	259,431	429,431
	<u>259,431</u>	<u>429,431</u>
<b>Total Liabilities</b>	<b><u>276,348</u></b>	<b><u>453,085</u></b>
<b>Net Assets:</b>		
Unrestricted	929,614	620,746
Board Designated Unrestricted Net Assets	2,628,135	2,626,350
	<u>3,557,749</u>	<u>3,247,096</u>
Temporarily Restricted	524,538	56,837
Permanently Restricted	14,860,876	12,594,223
	<u>18,943,163</u>	<u>15,898,156</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 19,219,511</u></b>	<b><u>\$ 16,351,241</u></b>

*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**

<b>Year Ended December 31, 2011</b>				<b>2011</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>				
Grants	\$ 591,452	\$ -	\$ 1,821,203	\$ 2,412,655
Contributions	293,355	489,550	445,450	1,228,355
Fee For Service	37,729	-	-	37,729
Fundraising	51,465	-	-	51,465
Less Costs of Direct Benefits to Donors	(14,056)	-	-	(14,056)
Interest & Dividend Income	20,668	-	-	20,668
Inkind Donations	4,275	-	-	4,275
Miscellaneous Income	225	-	-	225
Rental Income	10,683	-	-	10,683
Released from Restrictions	21,849	(21,849)	-	-
<b>Total Support and Revenue</b>	<b>1,017,645</b>	<b>467,701</b>	<b>2,266,653</b>	<b>3,751,999</b>
<b>Expenses:</b>				
Program Services	538,138	-	-	538,138
Management and General	136,057	-	-	136,057
Fundraising	30,671	-	-	30,671
<b>Total Expenses</b>	<b>704,866</b>	<b>-</b>	<b>-</b>	<b>704,866</b>
<b>Other Revenue &amp; Expenses:</b>				
Investment Income (Loss)	(2,126)	-	-	(2,126)
<b>Total Other Revenue &amp; Expenses</b>	<b>(2,126)</b>	<b>-</b>	<b>-</b>	<b>(2,126)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>310,653</b>	<b>467,701</b>	<b>2,266,653</b>	<b>3,045,007</b>
Net Assets, Beginning of Year	3,247,096	56,837	12,594,223	15,898,156
<b>Net Assets, End of Year</b>	<b>\$ 3,557,749</b>	<b>\$ 524,538</b>	<b>\$ 14,860,876</b>	<b>\$ 18,943,163</b>

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

**Nisqually Land Trust**  
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**Statement of Activities and Changes in Net Assets**

<b>Year Ended December 31, 2010</b>				<b>2010</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>				
Grants	\$ 382,156	\$ -	\$ 1,837,004	\$ 2,219,160
Contributions	149,096	-	-	149,096
Fee For Service	82,641	-	-	82,641
Fundraising	51,416	-	-	51,416
Less Costs of Direct Benefits to Donors	(11,748)	-	-	(11,748)
Interest & Dividend Income	15,244	-	-	15,244
Inkind Donations	18,947	-	247,050	265,997
Miscellaneous Income	1,349	-	-	1,349
Released from Restrictions	1,200,892	(151,347)	(1,049,545)	-
<b>Total Support and Revenue</b>	<b>1,889,993</b>	<b>(151,347)</b>	<b>1,034,509</b>	<b>2,773,155</b>
<b>Expenses:</b>				
Program Services	484,747	-	-	484,747
Management and General	134,133	-	-	134,133
Fundraising	32,675	-	-	32,675
<b>Total Expenses</b>	<b>651,556</b>	<b>-</b>	<b>-</b>	<b>651,556</b>
<b>Other Revenue &amp; Expenses:</b>				
Sale of Assets	98,038	-	-	98,038
Property Transfer (Note S)	(862,865)	-	-	(862,865)
Investment Income (Loss)	(53)	-	-	(53)
<b>Total Other Revenue &amp; Expenses</b>	<b>(764,880)</b>	<b>-</b>	<b>-</b>	<b>(764,880)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>473,557</b>	<b>(151,347)</b>	<b>1,034,509</b>	<b>1,356,719</b>
Net Assets, Beginning of Year	2,773,539	208,184	11,559,714	14,541,437
<b>Net Assets, End of Year</b>	<b>\$ 3,247,096</b>	<b>\$ 56,837</b>	<b>\$ 12,594,223</b>	<b>\$ 15,898,156</b>

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**Nisqually Land Trust**  
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**Statement of Cash Flows**

<b>Year Ended December 31,</b>	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 3,045,007	\$ 1,356,719
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	5,788	2,338
Gain on Sale of Assets	-	(98,038)
Transfer of Property	-	862,865
Capitalized Inkind Donations	-	(249,419)
(Increase) Decrease in Prepaid Expense	173	868
(Increase) Decrease in Accounts Receivable	(24,251)	355
(Increase) Decrease in Grants Receivable	(330,922)	66,101
(Increase) Decrease in Investments	1,695	1,636
Increase (Decrease) in Accounts Payable	(8,226)	13,893
Increase (Decrease) in Payroll Taxes & Benefits	1,089	1,585
Increase (Decrease) in Payroll Taxes & Benefits	400	-
	<u>2,690,753</u>	<u>1,958,903</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,690,753</b>	<b>1,958,903</b>
<b>Cash Flows from Investing Activities:</b>		
Investments Purchase	(3,590)	(21,276)
Certificate Proceeds	-	101,000
Proceeds from House Sale	-	42,166
Equipment Purchase	(13,518)	(16,635)
Cash Paid for Land Purchases	(2,392,571)	(2,228,530)
	<u>(2,409,679)</u>	<u>(2,123,275)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(2,409,679)</b>	<b>(2,123,275)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments of Long Term Debt	(170,000)	-
Loan Proceeds	-	259,431
	<u>(170,000)</u>	<u>259,431</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(170,000)</b>	<b>259,431</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>111,074</b>	<b>95,059</b>
Cash at Beginning of Year	611,402	516,343
<b>Cash at End of Year</b>	<b>\$ 722,476</b>	<b>\$ 611,402</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid During the Year for Interest	<u>\$ 37</u>	<u>\$ 155</u>

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**Statement of Functional Expenses**

**Year Ended December 31, 2011**

**2011**

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries & Wages	\$ 176,647	\$ 77,520	\$ 19,215	\$ 273,382
Employee Benefits	11,769	5,165	1,280	18,214
Payroll Taxes	17,254	7,571	1,877	26,702
Rent Expense	98	1,319	-	1,417
Telephone	1,014	5,118	-	6,132
Insurance	663	8,754	-	9,417
Supplies	2,438	6,623	2,897	11,958
Printing & Postage	5,771	1,296	4,574	11,641
Property Taxes	11,001	-	-	11,001
Dues	50	2,265	-	2,315
Professional Services	227,771	14,378	-	242,149
Depreciation	713	5,075	-	5,788
Land Stewardship & Acquisition	63,274	-	-	63,274
Inkind Expense	4,050	225	-	4,275
Training & Conferences	829	675	-	1,504
Travel	5,768	1,791	708	8,267
Interest	-	37	-	37
Other Tax	722	825	120	1,667
Miscellaneous	238	-	-	238
Advertising	5,488	-	-	5,488
Overhead Allocation	2,580	(2,580)	-	-
<b>Total</b>	<b>\$ 538,138</b>	<b>\$ 136,057</b>	<b>\$ 30,671</b>	<b>\$ 704,866</b>

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**Statement of Functional Expenses**

<b>Year Ended December 31, 2010</b>	<b>2010</b>			
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries & Wages	\$ 127,228	\$ 65,828	\$ 19,573	\$ 212,629
Employee Benefits	8,773	4,539	1,350	14,662
Payroll Taxes	13,413	6,940	2,064	22,417
Rent Expense	1,995	8,556	-	10,551
Telephone	747	3,704	-	4,451
Insurance	957	6,839	-	7,796
Supplies	4,618	7,607	2,963	15,188
Printing & Postage	7,654	1,698	3,235	12,587
Property Taxes	31,751	-	-	31,751
Dues	75	2,780	250	3,105
Professional Services	140,556	12,644	1,000	154,200
Depreciation	-	2,338	-	2,338
Land Stewardship & Acquisition	119,700	-	-	119,700
Inkind Expense	16,250	-	328	16,578
Training & Conferences	999	1,941	-	2,940
Travel	6,756	2,386	503	9,645
Interest	137	18	-	155
Repair & Maintenance	1,583	418	-	2,001
Other Tax	421	70	-	491
Miscellaneous	209	1,752	1,410	3,371
Accreditation	-	5,000	-	5,000
Overhead Allocation	925	(925)	-	-
<b>Total</b>	<b>\$ 484,747</b>	<b>\$ 134,133</b>	<b>\$ 32,675</b>	<b>\$ 651,556</b>

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

**Nisqually Land Trust**  
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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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.

**Nisqually Land Trust**  
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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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, 2011 and 2010, the permanently restricted net assets balance was \$14,860,876 and \$12,594,223, respectively.

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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**D. ECONOMIC DEPENDENCY:**

For 2011 and 2010, 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, 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, 2011 and 2010 was \$524,538 and \$56,837, respectively, and is comprised of the unspent balance of donor contributions that are restricted for use in stewardship and property acquisition.

**F. LEASES:**

The Trust conducted its operations from leased facilities in 2010. 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 Trust made its final lease payment for an office located in Yelm, Washington, in October of 2010. The office lease expense for the years ended December 31, 2011 and 2010 was \$0 and \$8,237, 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, 2011 and 2010, respectively, the investments had a cost basis of \$32,938 and \$32,364 and a fair value of \$34,322 and \$32,427. Investment income on the statement of activities and changes in net assets is the following:

Reallized Gains (Losses)	\$ (3,150)	\$ -
Unrealized Gain (Losses)	<u>1,024</u>	<u>(53)</u>
Total	<u>\$ (2,126)</u>	<u>\$ (53)</u>

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

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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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, 2011.

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.

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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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, 2011:

Assets at Fair Value as of December 31, 2011				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ -	\$ 19,322	\$ -	\$ 19,322
US Savings Bonds	-	15,000	-	15,000
	-	34,322	-	34,322
Total Assets at Fair Value	\$ -	\$ 34,322	\$ -	\$ 34,322

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2010:

Assets at Fair Value as of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ -	\$ 18,004	\$ -	\$ 18,004
US Savings Bonds	-	14,423	-	14,423
	-	32,427	-	32,427
Total Assets at Fair Value	\$ -	\$ 32,427	\$ -	\$ 32,427

**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.

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**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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 2011 and 2010, there were bad debts of \$0 and \$0, respectively. As of December 31, 2011, 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 donation of four parcels of land in Thurston County during 2010. The property was valued \$247,050 and the Trust paid \$8,158 to acquire the property. The balance of \$238,892 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 2011 and 2010.

**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 2008. 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, 2011, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

**Nisqually Land Trust**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**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 require 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 Trust paid the charitable trust \$37 and \$155 in interest during 2011 and 2010, respectively.

During 2011 and 2010, The Trust performed stewardship services for the charitable trust and received \$15,529 and \$37,679 for those services. The Trust also received \$14,588 and \$13,833 in trustee fees during 2011 and 2010, respectively. The charitable trust owed The Trust \$23,108 at December 31, 2011. No amounts were due from or payable to the charitable trust at December 31, 2010.

**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, 2011 and 2010, respectively, board designated assets totaled \$2,628,135 and \$2,626,350.

**N. MANAGEMENT & GENERAL EXPENSES:**

Management and general expenses were \$136,057 and \$134,133 in 2011 and 2010, respectively. During 2011, The Trust disbursed \$2,392,571 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 \$3,097,437. Management and general expenses are approximately 4% of this total for 2011. During 2010, The Trust disbursed \$2,214,053 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 \$2,865,609. Management and general expenses are approximately 5% of this total for 2010.



**Nisqually Land Trust**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2011 and 2010**

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**O. EXCESS DEPOSITS:**

The Trust, at times, maintains cash balances in financial institutions in excess of FDIC insurance level of \$250,000. The Trust had cash balances in excess of FDIC coverage of \$57,899 and \$40,379 at December 31, 2011 and 2010 respectively. Management does not believe The Trust is subject to substantial risk of loss related to these deposits.

**P. SUBSEQUENT EVENTS:**

No events have occurred through June 15, 2012, 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, 2011.

**Q. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

**R. 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 is interest only at 6% per year with the principal balance due on April 12, 2013. The note is secured by the residence.

**S. PROPERTY TRANSFER:**

The Trust transferred property to the City of Eatonville (City) during 2010 to facilitate a City sponsored project in the Mashel River area of Pierce County, Washington. The transferred property was acquired by the Trust in years prior to 2010 and was carried in the accounts of The Trust at a cost of \$862,865. This transfer is presented as an other expense in the statement of activities and as a reduction in Land in the statement of financial position.

**Nisqually Land Trust**

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2011

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>Department of Commerce</b>			
Passed Through Recreation and Conservation Office:			
Salmon Restoration	11.438	08-2019A	\$ 207,847
Salmon Restoration	11.438	09-1726R	33,385
Salmon Restoration	11.438	10-1867A	146,971
Salmon Restoration	11.438	10-1868A	244,602
Salmon Restoration	11.438	10-1872A	41,220
Total Department of Commerce			<u>674,025</u>
<b>Department of the Interior</b>			
Passed Through US Fish and Wildlife Service:			
Cooperative Agreement	15.630	F10AC00044	<u>3,203</u>
Partners of Fish & Wildlife	15.631	13410-9-J009	26,392
Partners of Fish & Wildlife	15.631	13410-A-J005	5,190
Partners of Fish & Wildlife	15.631	13410-B-J019	<u>1,756</u>
			<u>33,338</u>
Passed Through WA Department of Natural Resources:			
Cooperative Endangered Species Conservation Fund	15.615	CA-10-273	<u>21,236</u>
Passed Through National Fish & Wildlife Foundation			
Nisqually Riparian Restoration	15.608	2010-0060-061	<u>2,900</u>
Total Department of Interior			<u>60,677</u>
<b>Department of Agriculture</b>			
Passed Through Natural Resources Conservation Service:			
Wetlands Reserve Program	10.072	66-0546-10-03	13,804
Wetlands Reserve Program	10.072	66-0546-08-N4H	<u>111,300</u>
			<u>125,104</u>
Environmental Quality Incentives Program	10.912	740546101A8	27,750
Environmental Quality Incentives Program	10.912	740546100F1	<u>7,650</u>
			<u>35,400</u>
Wildlife Habitat Incentive Program	10.914	720546090SG	<u>13,077</u>
Total Department of Agriculture			<u>173,581</u>
<b>Environmental Protection Agency</b>			
Passed Through Nisqually River Foundation:			
Targeted Watershed Initiative Grant	66.439	WS-96065401-0	<u>39,663</u>
Total Expenditures of Federal Awards			<u>\$ 947,946</u>

**NISQUALLY LAND TRUST**

**Summary Schedule of Prior Audit Findings**

Year Ended December 31, 2011

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No matters were reportable.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Nisqually Land Trust  
Lacey, WA 98516

We have audited the financial statements of the Nisqually Land Trust (The Trust) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Aiken & Sanders*

Aberdeen, WA  
June 15, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Nisqually Land Trust  
Lacey, WA 98516

**Compliance**

We have audited the Nisqually Land Trust's (The Trust) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Trust's major federal programs for the year ended December 31, 2011. The Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Trust's management. Our responsibility is to express an opinion on The Trust's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Trust's compliance with those requirements.

In our opinion, The Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Internal Control Over Compliance**

Management of The Trust is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Trust's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Trust's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aberdeen, WA  
June 15, 2012

**Nisqually Land Trust**

**Schedule of Findings and Questioned Costs**

Year Ended December 31, 2011

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**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

**Federal Awards**

**Internal control over major programs:**

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): No

**Identification of major programs:**

11.438	Salmon Restoration
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**Dollar threshold used to distinguish between Type A and Type B programs: \$300,000**

**Auditee qualified as low-risk auditee: Yes**

**Section II – Financial Statement Findings:**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs:**

No matters were reported.