
NISQUALLY LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended
December 31, 2012 and 2011

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

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, 2012 and 2011, 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 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 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, 2012 and 2011, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2013 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



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

Aberdeen, WA

May 28, 2013

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,	2012	2011
Assets		
Current Assets:		
Cash	\$ 1,156,512	\$ 722,476
Prepaid Expense	4,576	540
Accounts Receivable	15,474	24,431
Grants Receivable	58,753	511,223
Total Current Assets	1,235,315	1,258,670
Property & Equipment:		
Equipment	47,481	47,481
Land	21,883,582	17,660,984
Accumulated Depreciation	(27,105)	(21,946)
Total Property & Equipment	21,903,958	17,686,519
Other Assets:		
Investments	41,097	34,322
Note Receivable	240,000	240,000
Total Other Assets	281,097	274,322
Total Assets	\$ 23,420,370	\$ 19,219,511
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 34,199	\$ 9,204
Payroll Taxes & Benefits Payable	22,121	7,313
Security Deposit Payable	400	400
Total Current Liabilities	56,720	16,917
Long Term Liabilities:		
EMT Loan Payable	-	259,431
Total Long Term Liabilities	-	259,431
Total Liabilities	56,720	276,348
Net Assets:		
Unrestricted	782,287	929,614
Board Designated Unrestricted Net Assets	3,174,917	2,628,135
	3,957,204	3,557,749
Temporarily Restricted	218,351	524,538
Permanently Restricted	19,188,095	14,860,876
Total Net Assets	23,363,650	18,943,163
Total Liabilities and Net Assets	\$ 23,420,370	\$ 19,219,511

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

Year Ended December 31, 2012				2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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 Activities and Changes in Net Assets

Year Ended December 31, 2011				2011
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
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)	-	-
Total Support and Revenue	1,017,645	467,701	2,266,653	3,751,999
Expenses:				
Program Services	538,138	-	-	538,138
Management and General	136,057	-	-	136,057
Fundraising	30,671	-	-	30,671
Total Expenses	704,866	-	-	704,866
Other Revenue & Expenses:				
Investment Income (Loss)	(2,126)	-	-	(2,126)
Total Other Revenue & Expenses	(2,126)	-	-	(2,126)
Increase (Decrease) in Net Assets	310,653	467,701	2,266,653	3,045,007
Net Assets, Beginning of Year	3,247,096	56,837	12,594,223	15,898,156
Net Assets, End of Year	\$ 3,557,749	\$ 524,538	\$ 14,860,876	\$ 18,943,163

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

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Statement of Cash Flows

Year Ended December 31,	2012	2011
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 4,420,487	\$ 3,045,007
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	5,159	5,788
Capitalized Inkind Donations	(243,500)	-
(Increase) Decrease in Prepaid Expense	(4,036)	173
(Increase) Decrease in Accounts Receivable	8,957	(24,251)
(Increase) Decrease in Grants Receivable	452,470	(330,922)
(Increase) Decrease in Investments	(556)	1,695
Increase (Decrease) in Accounts Payable	24,995	(8,226)
Increase (Decrease) in Payroll Taxes & Benefits	14,808	1,089
Increase (Decrease) in Security Deposit Payable	-	400
Net Cash Provided (Used) by Operating Activities	<u>4,678,784</u>	<u>2,690,753</u>
Cash Flows from Investing Activities:		
Investments Purchase	(6,219)	(3,590)
Equipment Purchase	-	(13,518)
Cash Paid for Land Purchases	(3,979,098)	(2,392,571)
Net Cash Provided (Used) by Investing Activities	<u>(3,985,317)</u>	<u>(2,409,679)</u>
Cash Flows from Financing Activities:		
Payments of Long Term Debt	(259,431)	(170,000)
Loan Proceeds	-	-
Net Cash Provided (Used) by Financing Activities	<u>(259,431)</u>	<u>(170,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	434,036	111,074
Cash at Beginning of Year	<u>722,476</u>	<u>611,402</u>
Cash at End of Year	<u><u>\$ 1,156,512</u></u>	<u><u>\$ 722,476</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	<u><u>\$ 13</u></u>	<u><u>\$ 37</u></u>

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

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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

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

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Statement of Functional Expenses

Year Ended December 31, 2011

2011

	Program Services	Management & General	Fundraising	Total
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)	-	-
Total	\$ 538,138	\$ 136,057	\$ 30,671	\$ 704,866

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

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Notes to Financial Statements

December 31, 2012 and 2011

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.

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Notes to Financial Statements

December 31, 2012 and 2011

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, 2012 and 2011, the permanently restricted net assets balance was \$19,188,095 and \$14,860,876, respectively.

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Notes to Financial Statements

December 31, 2012 and 2011

D. ECONOMIC DEPENDENCY:

For 2012 and 2011, 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, 2012 and 2011 were \$218,351 and \$524,538, 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, 2012 and 2011 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, 2012 and 2011, respectively, the investments had a cost basis of \$39,157 and \$32,938 and a fair value of \$41,097 and \$34,322. Investment income on the statement of activities and changes in net assets is the following:

Realized Gains (Losses)	\$ -	\$ (3,150)
Unrealized Gain (Losses)	<u>556</u>	<u>1,024</u>
Total	<u><u>\$ 556</u></u>	<u><u>\$ (2,126)</u></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, 2012 and 2011

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, 2012.

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, 2012 and 2011

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, 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
	-	41,097	-	41,097
Total Assets at Fair Value	\$ -	\$ 41,097	\$ -	\$ 41,097

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

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, 2012 and 2011

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 2012 and 2011, there were bad debts of \$0 and \$0, respectively. As of December 31, 2012, 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 part of the value of an acquired property in 2012. The property was valued \$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 2012 and 2011.

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 2009. 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, 2012, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

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Notes to Financial Statements

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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 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 and \$37 in interest during 2012 and 2011, respectively.

During 2012 and 2011, The Trust performed stewardship services for the charitable trust and received \$52,529 and \$15,529 for those services and costs advanced. The Trust also received \$19,052 and \$14,588 in trustee fees during 2012 and 2011, respectively. The charitable trust owed The Trust \$14,774 and \$23,108, respectively, at December 31, 2012 and 2011.

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, 2012 and 2011, respectively, board designated assets totaled \$3,174,917 and \$2,628,135.

N. MANAGEMENT & GENERAL EXPENSES:

Management and general expenses were \$160,656 and \$136,057 in 2012 and 2011, respectively. 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. 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 functional expenses totals \$3,097,437. Management and general expenses are approximately 4% of this total for 2011.

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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 \$94,603 and \$57,899 at December 31, 2012 and 2011, 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 May 28, 2013, 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, 2012.

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 originally due on April 12, 2013 which was later extended to July 12, 2013. The note is secured by the residence.

Nisqually Land Trust

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Commerce			
Passed Through Recreation and Conservation Office:			
Salmon Restoration	11.438	09-1726R	\$ 19,909
Salmon Restoration	11.438	10-1867A	9,858
Salmon Restoration	11.438	11-1538C	247,416
Total Department of Commerce			277,183
Department of the Interior			
Passed Through US Fish and Wildlife Service:			
Nisqually Aquatic Reserve Protection Initiative Cooperative Agreement	15.630	F12AP00941	232
	15.630	F10AC00044	4,438
			4,670
Partners of Fish & Wildlife	15.631	13410-A-J005	6,129
Partners of Fish & Wildlife	15.631	13410-B-J019	26,179
			32,308
Passed Through WA Department of Natural Resources:			
Cooperative Endangered Species Conservation Fund	15.615	CA 13-130	3,346,580
Passed Through National Fish & Wildlife Foundation			
Nisqually Riparian Restoration	15.608	2010-0060-061	8,799
Total Department of Interior			3,392,357
Department of Agriculture			
Passed Through Natural Resources Conservation Service:			
Wetlands Reserve Program	10.072	66-0546-10-03	32,845
Wetlands Reserve Program	10.072	66-0546-08-N4H	10,500
			43,345
Environmental Quality Incentives Program	10.912	740546111DE	1,647
Environmental Quality Incentives Program	10.912	740546100F1	9,951
			11,598
Wildlife Habitat Incentive Program	10.914	720546090SG	22,073
Total Department of Agriculture			77,016
Environmental Protection Agency			
Passed Through Nisqually River Foundation:			
Puget Sound Watershed Protection and Restoration	66.123	N/A	8,064
Targeted Watershed Initiative Grant	66.439	WS-96065401-0	28,226
Total Environmental Protection Agency			36,290
Department of Transportation			
Passed Through Washington DOT:			
Highway Planning and Construction	20.205	SB-WA11(014)	1,928
Total Department of Transportation			1,928
Total Expenditures of Federal Awards			\$ 3,784,774

NISQUALLY LAND TRUST

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2012

No matters were reportable.

**INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the 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, the financial statements of Nisqually Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

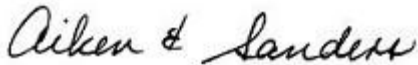
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

May 28, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Nisqually Land Trust
Lacey, WA

Report on Compliance for Each Major Federal Program

We have audited 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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Trust's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Trust's compliance.

Opinion on Each Major Federal Program

In our opinion, the Trust complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of the Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

May 28, 2013

Nisqually Land Trust

Schedule of Findings and Questioned Costs

Year Ended December 31, 2012

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:

15.615 Cooperative Endangered Species Conservation Fund

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.