
NISQUALLY LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Year Ended
December 31, 2007

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

July 25, 2008

To the Board of Directors
Nisqually Land Trust
PO Box 1148
Yelm, WA 98597

We have audited the accompanying statement of assets, liabilities, and net assets of the Nisqually Land Trust (The Trust) as of December 31, 2007; the related statement of support, revenue, expenses, and changes in net assets; and the statement of functional expenses, for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

As described in note 1, The Trust prepares its financial statements on the basis of cash receipts and disbursements except that the statement include a provision for capitalization of property and equipment purchases and recording of depreciation on capitalized assets and recording of loans.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Trust as of December 31, 2007, and its support, revenue, expenses and changes in net assets for the year then ended, on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2008 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Trust taken as a whole. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

NISQUALLY LAND TRUST

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS

December 31, 2007	2007
ASSETS	
Current Assets	
Cash	\$ 299,904
Total Current Assets	299,904
Property & Equipment	
Furniture & Equipment, net	2,926
Land	8,484,431
Total Property & Equipment	8,487,357
Other Assets	
Investments	12,746
Total Other Assets	12,746
Total Assets	\$ 8,800,007
LIABILITIES AND NET ASSETS	
Current Liabilities	
Collected Payroll Taxes	\$ 1,512
Loan-Short Term	125,000
Total Current Liabilities	126,512
Long-Term Liabilities	
Debt	170,000
Total Long-Term Liabilities	170,000
Total Liabilities	296,512
Net Assets	
Unrestricted Net Assets	(40,630)
Board Designated Unrestricted Net Assets	1,677,875
	1,637,245
Temporarily Restricted Net Assets	59,694
Permanently Restricted Net Assets	6,806,556
Total Net Assets	8,503,495
Total Liabilities and Net Assets	\$ 8,800,007

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

NISQUALLY LAND TRUST

STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS

Year Ended December 31, 2007		2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support & Revenue				
Grant Revenue	\$ 34,288	\$ -	\$ 686,280	\$ 720,568
Fee For Service	24,194	-	-	24,194
Easement Sale	148,249	-	-	148,249
Contributions	577,730	-	-	577,730
Fundraising	60,135	-	-	60,135
Less Costs of Direct Benefits to Donors	(10,568)	-	-	(10,568)
Inkind Revenue	4,155	-	-	4,155
Property Income	11,225	-	-	11,225
Miscellaneous Income	575	-	-	575
Interest & Investment Income	10,630	-	-	10,630
Satisfaction of Program Restrictions	295	(295)	-	-
Total Support & Revenue	860,908	(295)	686,280	1,546,893
Expenses				
Program Services	172,650	-	-	172,650
Management & General	78,944	-	-	78,944
Fundraising	35,370	-	-	35,370
Total Expenses	286,964	-	-	286,964
Other Revenue & Expenses				
Investment Income	476	-	-	476
Total Other Revenue & Expenses	476	-	-	476
INCREASE IN NET ASSETS	574,420	(295)	686,280	1,260,405
NET ASSETS, BEGINNING OF YEAR	1,062,825	59,989	6,120,276	7,243,090
NET ASSETS, END OF YEAR	\$ 1,637,245	\$ 59,694	\$ 6,806,556	\$ 8,503,495

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

NISQUALLY LAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS

Year Ended December 31, 2007		2007		
	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 53,023	\$ 38,865	\$ 23,443	\$ 115,331
Payroll Taxes	5,062	3,711	2,239	11,012
Telephone	-	1,927	-	1,927
Postage	896	718	277	1,891
Printing	4,452	-	3,253	7,705
Supplies	342	3,860	852	5,054
Travel	2,610	1,378	1,158	5,146
Insurance	609	2,537	-	3,146
Miscellaneous	1,495	649	418	2,562
Interest Expense	8,149	-	-	8,149
Property Stewardship, Tax & Fees	74,500	-	-	74,500
Rent & Utilities Expense	485	8,363	-	8,848
Training & Conferences	245	6,270	17	6,532
Depreciation Expense	-	3,551	-	3,551
Professional Services	16,199	4,705	3,206	24,110
Bank Fees	428	1,138	81	1,647
Dues & Subscriptions	-	1,272	426	1,698
Inkind Expense	4,155	-	-	4,155
Total Expenses	\$ 172,650	\$ 78,944	\$ 35,370	\$ 286,964

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

NISQUALLY LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Nisqually Land Trust (The Trust) is a non-profit organization exempt from federal income tax 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.

Financial Statements

The Trust's policy is to prepare its financial statements on the cash basis of accounting that includes the capitalization of property and equipment purchases and recording of depreciation on capitalized assets. Under this other comprehensive basis of accounting, revenue is recognized when collected rather than when earned, and expenditures are recognized when paid rather than 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. Membership dues are recognized as income when received. These statements do not purport to show the financial position and results of operations in accordance with generally accepted accounting principles.

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 support, revenues, expenses and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with this other comprehensive basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets, which must 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 restricted contribution expire within one year from the date of contribution, it is The Trust's policy to record the contribution as unrestricted.

NISQUALLY LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Property, Equipment and Depreciation

Purchased equipment is recorded at cost, equipment received by donation is capitalized at its fair market value on the date received. The Trust's policy is to expense the acquisition cost of equipment in the year it is purchased if its cost is less than \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. 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.

Advertising Costs

It is The Trust's policy to expense all advertising costs as incurred.

NOTE 2 – SUPPORT FROM GRANTS

The Trust receives a very substantial amount of its revenue in the form of grants and contributions. A significant reduction in the level of grants and contributions, if it were to occur, might have a significant effect on The Trust.

NOTE 3 - DONATED PROPERTY, EQUIPMENT, MATERIALS AND SERVICES

During 2007, The Trust received contributed services toward the purchase of property. The contributed services meet the requirements set out in SFAS 116 for recognition. The contributed services received during 2007 had an estimated fair market value of \$4,130, and were recorded as inkind revenue and expense on the statement of support, revenue, expenses and changes in net assets

Also during 2007, The Trust received donations of materials with an estimated fair market value of \$25. These materials were recorded as inkind revenue and expense on the statement of support, revenue, expenses and changes in net assets.

NOTE 4 – 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 money market rates. During 2006, The Trust paid \$200,000 on the principal of the loan. \$170,000 remains outstanding at December 31, 2007.

Also during 2007, the charitable trust made another loan of \$125,000 to The Trust to finance the acquisition of property. Interest on this loan was at money market rate. The Trust paid off this loan during 2008.

NISQUALLY LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include land that was purchased with grant funds and donor contributions that permanently restrict the land use. As of December 31, 2007, the balance of permanently restricted net assets is \$6,806,556.

NOTE 6 – ECONOMIC DEPENDENCY

The Trust receives a majority of the funds it uses to purchase property from the State of Washington Recreation and Conservation Office.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Life (Years)	As of 12/31/2007
Furniture & Equipment	2 to 5	\$ 16,442
Accumulated Depreciation		(13,516)
		<u>\$ 2,926</u>
Land		<u>\$ 8,484,431</u>

NOTE 8 - INVESTMENTS

The Trust maintains investments in savings bonds which are accounted for at fair value. As of December 31, 2007, the investments had a cost basis of \$12,746 and a fair value of \$12,746. Investment income on the statement of support, revenue, expenses and changes in net assets is as follows:

Interest Income	<u>\$ 476</u>
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NOTE 9 - LEASES

The Trust conducts its operations from leased facilities. The office lease for the year ended December 31, 2007, was \$7,884.

The Trust lease arrangement expired on March 31, 2007. Currently The Trust is operating under a month to month lease.

NISQUALLY LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

NOTE 10 – 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. As of December 31, 2007, the cost of designated properties totaled \$1,677,875.

NOTE 11 – MANAGEMENT & GENERAL EXPENSES

Management and general expenses were \$78,944 in 2007. During 2007, there was \$1,213,415 in disbursements capitalized as property purchases on the statement of assets, liabilities and net assets. The capitalized expenditures plus the year's total expenses of \$286,964 (on the statement of support, revenue, expenses and changes in net assets) totals \$1,500,379. Management and general expenses are 5.3% of this total.

NOTE 12 - 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 cash 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.

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

The Trust has received funds that are restricted for use in property stewardship. As of December 31, 2007, the unexpended portion of these funds was \$59,694.

NOTE 14 – EXCESS DEPOSITS

The Trust, at times, maintains cash balances in financial institutions in excess of the FDIC insurance level of \$100,000. At December 31, 2007, The Trust had cash balances in excess of FDIC coverage of \$61,757. Management does not believe The Trust is subject to substantial risk of loss related to these deposits.

NISQUALLY LAND TRUST

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

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	06-2278A	\$ 349,860
Salmon Restoration	11.438	02-1476A	200,000
Salmon Restoration	11.438	05-1526A	7,590
			<u>557,450</u>
Department of the Interior			
Passed Through National Fish and Wildlife Foundation:			
Salmon Habitat Restoration & Enhancement	15.608	2004-0229-013	10,031
Salmon Habitat Restoration & Enhancement	15.608	2004-0229-006	4,687
Passed Through U.S. Fish and Wildlife Service:			
Fish & Wildlife & Puget Sound Coastal Program	15.630	13410-6-J007	9,790
Passed Through Department of Natural Resources:			
Cooperative Endangered Species Conservation Fund	15.615	CA-317	5,482
Cooperative Endangered Species Conservation Fund	15.615	CA-07-06	12,597
			<u>42,587</u>
			\$ <u><u>600,037</u></u>

NISQUALLY LAND TRUST

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2007

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***

July 25, 2008

To the Board of Directors
Nisqually Land Trust
PO Box 1148
Yelm, WA 98597

We have audited the financial statements of the Nisqually Land Trust (The Trust) as of and for the year ended December 31, 2007, and have issued our report thereon dated July 25, 2008. 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 Trust's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 grants, 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 for the information of the Board of Directors, management, 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".

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

July 25, 2008

To the Board of Directors
Nisqually Land Trust
PO Box 1148
Yelm, WA 98597

Compliance

We have audited the compliance of the Nisqually Land Trust (The Trust) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. 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 on The Trust's compliance with those requirements.

In our opinion, The Trust complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December, 31, 2007.

Internal Control Over Compliance

The management of The Trust is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant

deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for the information of the Board of Directors, management, 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".

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

NISQUALLY LAND TRUST

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

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

Reportable conditions 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

Reportable conditions 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
11.438	Salmon Restoration

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

Auditee qualified as low-risk auditee: No

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.