
NISQUALLY LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Year Ended
December 31, 2009

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

July 15, 2010

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

We have audited the accompanying statement of financial position of the Nisqually Land Trust (The Trust) as of December 31, 2009; the related statement of activities and changes in net assets; the statement of cash flows; 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.

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, 2009, and the changes in its net assets and its cash flows for the year 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 July 15, 2010, 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
A Washington Not For Profit Organization

Statement of Financial Position

December 31, 2009	2009
Assets	
Current Assets:	
Cash	\$ 516,343
Prepaid Expense	1,581
Accounts Receivable	535
Grants Receivable	<u>246,402</u>
Total Current Assets	<u>764,861</u>
Property & Equipment:	
Equipment	17,328
Land	13,837,457
Accumulated Depreciation	<u>(13,820)</u>
Total Property & Equipment	<u>13,840,965</u>
Other Assets:	
Investments	<u>113,787</u>
Total Other Assets	<u>113,787</u>
Total Assets	<u>\$ 14,719,613</u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	\$ 3,537
Payroll Taxes & Benefits Payable	<u>4,639</u>
Total Current Liabilities	<u>8,176</u>
Long Term Liabilities:	
EMT Loan Payable	<u>170,000</u>
Total Long Term Liabilities	<u>170,000</u>
Total Liabilities	<u>178,176</u>
Net Assets:	
Unrestricted	288,189
Board Designated Unrestricted Net Assets	<u>2,485,350</u>
	2,773,539
Temporarily Restricted	208,184
Permanently Restricted	<u>11,559,714</u>
Total Net Assets	<u>14,541,437</u>
Total Liabilities and Net Assets	<u>\$ 14,719,613</u>

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2009	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants	\$ 413,987	\$ -	\$ 3,419,867	\$ 3,833,854
Contributions	285,034	2,000	-	287,034
Fee For Service	39,977	-	-	39,977
Fundraising	53,692	-	-	53,692
Less Costs of Direct Benefits to Donors	(11,836)	-	-	(11,836)
Interest & Dividend Income	10,379	-	-	10,379
Inkind Donations	261,453	-	-	261,453
Miscellaneous Income	1,083	-	-	1,083
Released from Restrictions	350,510	(350,510)	-	-
Total Support and Revenue	1,404,279	(348,510)	3,419,867	4,475,636
Expenses:				
Program Services	372,676	-	-	372,676
Management and General	88,937	-	-	88,937
Fundraising	19,707	-	-	19,707
Total Expenses	481,320	-	-	481,320
Other Revenue & Expenses:				
Investment Income (Loss)	(395)	-	-	(395)
Total Other Revenue & Expenses	(395)	-	-	(395)
Increase (Decrease) in Net Assets	922,564	(348,510)	3,419,867	3,993,921
Net Assets, Beginning of Year	1,850,975	556,694	8,139,847	10,547,516
Net Assets, End of Year	\$ 2,773,539	\$ 208,184	\$ 11,559,714	\$ 14,541,437

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

Nisqually Land Trust
A Washington Not For Profit Organization

Statement of Cash Flows

Year Ended December 31, 2009	2009
Cash Flows from Operating Activities:	
Increase (Decrease) in Net Assets	\$ 3,993,921
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:	
Depreciation	1,434
Capitalized Inkind Donations	(255,200)
(Increase) Decrease in Prepaid Expense	(1,581)
(Increase) Decrease in Accounts Receivable	(535)
(Increase) Decrease in Grants Receivable	(246,402)
(Increase) Decrease in Investments	(506)
Increase (Decrease) in Accounts Payable	2,599
Increase (Decrease) in Payroll Taxes & Benefits	2,426
Net Cash Provided (Used) by Operating Activities	<u>3,496,156</u>
Cash Flows from Investing Activities:	
Certificate Purchase	(100,000)
Equipment Purchase	(1,084)
Cash Paid for Land Purchases	<u>(3,721,547)</u>
Net Cash Provided (Used) by Investing Activities	<u>(3,822,631)</u>
Cash Flows from Financing Activities:	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(326,475)
Cash at Beginning of Year	<u>842,818</u>
Cash at End of Year	<u>\$ 516,343</u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest	<u>\$ 1,260</u>

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

Nisqually Land Trust
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Statement of Functional Expenses

	Year Ended December 31, 2009			2009
	Program Services	Management & General	Fundraising	Total
Salaries & Wages	\$ 134,939	\$ 39,431	\$ 11,811	\$ 186,181
Employee Benefits	3,653	1,068	320	5,041
Payroll Taxes	14,321	4,185	1,254	19,760
Rent Expense	7,713	9,884	-	17,597
Telephone	80	2,050	-	2,130
Insurance	300	7,139	-	7,439
Supplies	4,689	6,436	1,504	12,629
Printing & Postage	4,339	900	2,743	7,982
Property Taxes	17,547	-	-	17,547
Dues	-	2,362	-	2,362
Professional Services	40,409	17,444	21	57,874
Depreciation	-	1,434	-	1,434
Land Stewardship & Acquisition	105,615	-	-	105,615
Inkind Expense	6,253	-	-	6,253
Training & Conferences	3,437	2,446	-	5,883
Travel	7,494	490	638	8,622
Interest	136	1,124	-	1,260
Repair & Maintenance	11,437	256	-	11,693
Other Tax	1,736	126	240	2,102
Miscellaneous	336	404	1,176	1,916
Overhead Allocation	8,242	(8,242)	-	-
Total	\$ 372,676	\$ 88,937	\$ 19,707	\$ 481,320

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

Nisqually Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2009

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 support, revenues, expenses 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, 2009

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, 2009, the permanently restricted net assets balance was \$11,559,714.

D. ECONOMIC DEPENDENCY:

For 2009, funding used to acquire land was primarily provided by the State of Washington Department of Natural Resources (Using US Department of Interior Funding), The Nisqually Indian Tribe, and the State of Washington Recreation and Conservation Office.

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Notes to Financial Statements

December 31, 2009

E. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2009 was \$208,184, and is comprised of the unspent balance of donor contributions that are restricted for use in stewardship.

F. LEASES:

The Trust conducts its operations from leased facilities. The office lease expense for the year ended December 31, 2009 was \$9,884. The lease is a month to month lease.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in certificates of deposit and United States savings bonds are accounted for at fair value. As of December 31, 2009, the investments had a cost basis of \$113,671 and a fair value of \$113,787. Investment income on the statement of activities and changes in net assets is the following:

Unrealized Gain (Losses)	\$ <u>(395)</u>
Total	\$ <u><u>(395)</u></u>

The Trust adopted Financial Accounting Standards Board Statement No. 157 as of January 1, 2009. FASB Statement No. 157, 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 Measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 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.

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Notes to Financial Statements

December 31, 2009

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

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, 2009.

Certificates of Deposit: Valued at original costs, plus accrued interest, adjusted for current market rates of interest as compared to stated interest rate on certificate.

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

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.

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2009:

Assets at Fair Value as of December 31, 2009				
	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ -	\$ 100,000	\$ -	\$ 100,000
US Savings Bonds	-	13,787	-	13,787
Total Assets at Fair Value:	\$ -	\$ 113,787	\$ -	\$ 113,787

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Notes to Financial Statements

December 31, 2009

H. CONTINGENCIES:

Amounts received or receivable from federal and state government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of The Trust if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

I. GRANTS RECEIVABLE:

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

Historically, bad debts have been immaterial. The Trust uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2009, there were bad debts of \$0. As of December 31, 2009, management estimated that all grants receivable were collectible.

J. INKIND REVENUE:

The Trust received a donation of a portion of property located in Pierce County, Washington, during 2009. The appraised value of the property was \$500,000 and The Trust paid \$260,000 to acquire the property. The \$240,000 donation is recorded as inkind revenue and was added to The Trust's basis in land. The Trust also received several smaller inkind donations during 2009.

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 2005. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

Nisqually Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2009

K. INCOME TAX & UNCERTAIN TAX POSITIONS (CONTINUED) :

The Trust adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FASB ASC 740-10), on January 1, 2009. As of December 31, 2009, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

L. RELATED PARTY TRANSACTIONS & LONG TERM DEBT:

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

During 2004, the charitable trust made a loan of \$370,000 to The Trust to finance the acquisition of property. The terms of the loan require monthly interest payments at current money market rates. During 2006, The Trust repaid \$200,000 of the loan. \$170,000 of the loan remains outstanding at December 31, 2009. The Trust paid the charitable trust \$1,260 in interest during 2009.

During 2009, The Trust performed stewardship services for the charitable trust and received \$20,724 for those services. The Trust also received \$12,676 in trustee fees during 2009. No amounts were due from or payable to the charitable trust at December 31, 2009.

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. As of December 31, 2009, the cost of designated properties totaled \$2,485,350.

N. MANAGEMENT & GENERAL EXPENSES:

Management and general expenses were \$88,937 in 2009. During 2009, The Trust disbursed \$3,721,547 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 \$4,202,867. Management and general expenses are approximately 3% of this total.

Nisqually Land Trust
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Notes to Financial Statements

December 31, 2009

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 \$59,507 at December 31, 2010. 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 July 15, 2010, 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, 2009.

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.

Nisqually Land Trust

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2009

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	08-2019A	\$ 275,710
Salmon Restoration	11.438	NA05NMF4381269	38,709
Salmon Restoration	11.438	05-1668A	268,728
			<u>583,147</u>
Department of the Interior			
Passed Through National Fish and Wildlife Foundation:			
Salmon Habitat Restoration & Enhancement	15.608	2004-0229-012	<u>7,749</u>
Passed Through WA Department of Natural Resources:			
Cooperative Endangered Species Conservation Fund	15.615	CA-09-111	2,211,250
Cooperative Endangered Species Conservation Fund	15.615	CA 09-299	370,976
Cooperative Endangered Species Conservation Fund	15.615	Phase II	51,183
Cooperative Endangered Species Conservation Fund	15.615	Phase III	9,619
			<u>2,643,028</u>
Passed Through WA Department of Fish & Wildlife:			
Restoration & Enhancement	15.633	06-1981	<u>8,200</u>
Passed Through U.S. Fish and Wildlife Service:			
Cooperative Agreement	15.630	13410-6-J007	601
Cooperative Agreement	15.630	13410-7-J034	24,121
			<u>24,722</u>
Cooperative Agreement	15.631		<u>7,598</u>
			<u>2,691,297</u>
Department of Agriculture			
Passed Through Natural Resources Conservation Service:			
Wetlands Restoration Agreement	10.072	66-0546-08-N4H	<u>23,377</u>
			<u>\$ 3,297,821</u>

NISQUALLY LAND TRUST

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2009

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 15, 2010

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, 2009, and have issued our report thereon dated July 15, 2010. 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 15, 2010

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, 2009. 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, 2009.

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, 2009

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
11.438	Salmon Restoration

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.