NISQUALLY LAND TRUST AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended
December 31, 2022 and 2021

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Aiken & Sanders, Inc PS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

To the Board of Directors
Nisqually Land Trust & Subsidiary
Lacey, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nisqually Land Trust and Subsidiary (collectively, the Trust, a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 11-13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 September 22, 2023, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

Aiken & Sanders, Inc., PS

Aiken & Sanders

Certified Public Accountants
& Consultants

September 22, 2023

Montesano, WA

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Financial Position
As of December 31, 2022 and December 31, 2021

Assets

	2022	2021
Current Assets:		
Cash and cash equivalents	$ 2,018,699	$ 1,463,330
Accounts receivable	4,258	-
Grants receivable	162,883	128,406
Prepaid expenses	8,725	5,225
Current portion note receivable	86,452	91,071
Total Current Assets	2,281,017	1,688,032
Property & Equipment:		
Land	44,739,074	41,225,288
Equipment	60,403	60,403
Less: Accumulated depreciation	(50,938)	(44,217)
Property & Equipment, net	44,748,539	41,241,474
Other Assets:		
Organization costs	2,340	3,510
Note receivable-net of current portion	-	-
Investments	1,888,205	1,614,154
Total Other Assets	1,890,545	1,617,664
Total Assets	$ 48,920,101	$ 44,547,170

Nisqually Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Financial Position
As of December 31, 2022 and December 31, 2021

Liabilities & Net Assets

	2022	2021
Current Liabilities:		
Accounts payable	$ 29,213	$ 70,208
Payroll taxes and benefits payable	70,055	40,402
Security deposit payable	-	1,250
Current portion long term debt	794,558	39,686
Total Current Liabilities	893,826	151,546
Long Term Liabilities:		
Note payable	794,558	39,686
Less: current portion long term debt	(794,558)	(39,686)
Total Long Term Liabilities	-	-
Total Liabilities	893,826	151,546
Net Assets:		
Without donor restrictions		
Undesignated	2,381,631	2,277,622
Board designated	3,153,807	3,153,807
	5,535,438	5,431,429
With donor restrictions	42,490,837	38,964,195
Total Net Assets	48,026,275	44,395,624
Total Liabilities & Net Assets	$ 48,920,101	$ 44,547,170

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Support and Revenues:			
Grants	$ 2,550,863	$ 2,268,608	$ 4,819,471
Contributions	363,815	1,163,107	1,526,922
Fee for service	54,780	-	54,780
Fundraising	241,304	-	241,304
Less: costs of direct benefits to donors	(31,978)	-	(31,978)
Interest & dividends	37,774	-	37,774
Inkind donations	260,000	135,000	395,000
Timber revenue	66,663	-	66,663
Miscellaneous revenue	184,604	253	184,857
Net assets released from restriction	40,326	(40,326)	-
Total Support and Revenue	3,768,151	3,526,642	7,294,793
Expenses:			
Program services	2,977,607	-	2,977,607
Management and general	376,663	-	376,663
Fundraising	73,946	-	73,946
Total Expenses	3,428,216	-	3,428,216
Other Revenue & Expenses:			
Investment gain (loss)	(235,926)	-	(235,926)
Total other revenue & expense	(235,926)	-	(235,926)
Change in Net Assets	104,009	3,526,642	3,630,651
Net Assets, Beginning of Year	5,431,429	38,964,195	44,395,624
Net Assets, End of Year	$ 5,535,438	$ 42,490,837	$ 48,026,275

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support and Revenues:			
Grants	$ 378,519	$ 4,416,502	$ 4,795,021
Contributions	131,468	60,000	191,468
Fee for service	119,229	-	119,229
Fundraising	143,567	-	143,567
Less: costs of direct benefits to donors	(2,917)	-	(2,917)
Interest & dividends	50,282	-	50,282
Inkind donations	-	80,000	80,000
Timber revenue	58,789	-	58,789
Miscellaneous revenue	6,487	-	6,487
Net assets released from restriction	61,760	(61,760)	-
Total Support and Revenue	947,184	4,494,742	5,441,926
Expenses:			
Program services	748,570	-	748,570
Management and general	254,884	-	254,884
Fundraising	41,084	-	41,084
Total Expenses	1,044,538	-	1,044,538
Other Revenue & Expenses:			
Investment gain (loss)	145,773	-	145,773
Total other revenue & expense	145,773	-	145,773
Change in Net Assets	48,419	4,494,742	4,543,161
Net Assets, Beginning of Year	5,383,010	34,469,453	39,852,463
Net Assets, End of Year	$ 5,431,429	$ 38,964,195	$ 44,395,624

The accompanying notes are an integral part of these financial statements

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program	Management and General	Fund-Raising	Total 2022
Salaries	$ 125,255	$ 262,040	$ 43,622	$ 430,917
Employee benefits	6,334	13,250	2,206	21,790
Payroll taxes	12,631	26,424	4,399	43,454
Office expense	10,023	15,744	14,157	39,924
Insurance	10,788	7,856	1,308	19,952
Volunteer expense	245	-	-	245
Property taxes	39,257	-	-	39,257
Professional services	487,450	21,751	1,286	510,487
Depreciation and amortization	7,676	214	-	7,890
Land stewardship & acquisition	10,718	-	-	10,718
Easement acquisition expense	2,240,000	-	-	2,240,000
Training & conferences	980	3,347	1,543	5,870
Travel	13,234	1,778	357	15,369
Taxes & fees-other	4,845	6,572	82	11,499
Event, facility, food expense	3,607	3,801	4,078	11,486
Interest expense	-	112	-	112
Occupancy	4,564	13,774	908	19,246
Total Expenses	$ 2,977,607	$ 376,663	$ 73,946	$ 3,428,216

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

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program	Management and General	Fund-Raising	Total 2021
Salaries	$ 155,574	$ 173,428	$ 25,147	$ 354,149
Employee benefits	10,398	11,591	1,681	23,670
Payroll taxes	15,709	19,355	1,989	37,053
Office expense	6,953	7,011	9,136	23,100
Insurance	15,185	3,723	-	18,908
Volunteer expense	226	-	-	226
Property taxes	30,329	-	-	30,329
Professional services	439,299	22,063	137	461,499
Depreciation and amortization	8,185	214	-	8,399
Land stewardship & acquisition	52,840	-	-	52,840
Training & conferences	1,198	521	30	1,749
Travel	7,543	250	-	7,793
Taxes & fees-other	2,036	1,939	-	3,975
Event, facility, food expense	1,289	85	2,964	4,338
Interest expense	-	20	-	20
Occupancy	1,806	14,684	-	16,490
Total Expenses	$ 748,570	$ 254,884	$ 41,084	$ 1,044,538

Nisqually Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Cash Flows
For the Years Ended December 31, 2022 and December 31, 2021

	2022	2021
Cash flows from operating activities:		
Cash received from grantors, donors and customers	$ 6,855,262	$ 5,857,680
Cash paid to suppliers and employees	(3,208,284)	(963,877)
Cash received from interest and dividends	37,774	50,282
Cash paid for interest	(112)	(20)
Net cash provided (used) by operating activities	3,684,640	4,944,065
Cash flows from investing activities:		
Cash paid for investments	(1,586,216)	(84,132)
Cash received from investments	1,076,240	80,205
Cash received from note	4,619	5,562
Cash paid for equipment	-	-
Cash paid for land	(3,378,786)	(4,416,502)
Net cash provided (used) by investing activities	(3,884,143)	(4,414,867)
Cash flows from financing activities:		
Cash paid on notes	(473,406)	(342,650)
Cash received from notes	1,228,278	39,686
Net cash provided (used) by financing activities	754,872	(302,964)
Net increase (decrease) in cash & cash equivalents	555,369	226,234
Cash & cash equivalents at beginning of year	1,463,330	1,237,096
Cash & cash equivalents at end of year	$ 2,018,699	$ 1,463,330

Nisqually Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidated Statement of Cash Flows
For the Years Ended December 31, 2022 and December 31, 2021

	2022	2021
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	$ 3,630,651	$ 4,543,161
Adjustments:		
Depreciation and amortization	7,890	8,399
(Gain) Loss on sale of property	-	-
Donated land	(135,000)	(80,000)
Investment (gain) loss	235,926	(145,773)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,258)	107,382
(Increase) decrease in grants receivable	(34,477)	435,387
(Increase) decrease in prepaid expense	(3,500)	134
Increase (decrease) in accounts payable	(40,995)	62,348
Increase (decrease) in payroll taxes & benefits	29,653	12,677
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in security deposit payable	(1,250)	350
Net cash provided (used) by operating activities	$ 3,684,640	$ 4,944,065

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidating Statement of Financial Position
As of December 31, 2022

Assets	Nisqually Land Trust	Nisqually Community Forest	Eliminations	Consolidated 2022
Current Assets:				
Cash and cash equivalents	$ 1,876,725	$ 141,974	$ -	$ 2,018,699
Accounts receivable	4,258	-	-	4,258
Grants receivable	162,883	-	-	162,883
Prepaid expenses	8,725	-	-	8,725
Current portion note receivable	86,452	-	-	86,452
Total Current Assets	2,139,043	141,974	-	2,281,017
Property & Equipment:				
Land	31,741,622	12,997,452	-	44,739,074
Equipment	60,403	-	-	60,403
Less: Accumulated depreciation	(50,938)	-	-	(50,938)
Property & Equipment, net	31,751,087	12,997,452	-	44,748,539
Other Assets:				
Organization costs, net of amortization	-	2,340	-	2,340
Note receivable-net of current portion	-	-	-	-
Investments	14,746,933	144,574	(13,003,302)	1,888,205
Total Other Assets	14,746,933	146,914	(13,003,302)	1,890,545
Total Assets	$ 48,637,063	$ 13,286,340	$ (13,003,302)	$ 48,920,101

Liabilities & Net Assets

	Nisqually Land Trust	Nisqually Community Forest	Eliminations	Consolidated 2022
Current Liabilities:				
Accounts payable	$ 29,213	$ -	$ -	$ 29,213
Payroll taxes and benefits payable	70,055	-	-	70,055
Security deposit payable	-	-	-	-
Current portion long term debt	794,558	-	-	794,558
Total Current Liabilities	893,826	-	-	893,826
Long Term Liabilities:				
Note payable	794,558	-	-	794,558
Less: current portion long term debt	(794,558)	-	-	(794,558)
Total Long Term Liabilities	-	-	-	-
Total Liabilities	893,826	-	-	893,826
Net Assets:				
Without donor restrictions				
Undesignated	2,098,593	13,286,340	(13,003,302)	2,381,631
Board designated	3,153,807	-	-	3,153,807
	5,252,400	13,286,340	(13,003,302)	5,535,438
With donor restrictions	42,490,837	-	-	42,490,837
Total Net Assets	47,743,237	13,286,340	(13,003,302)	48,026,275
Total Liabilities & Net Assets	$ 48,637,063	$ 13,286,340	$ (13,003,302)	$ 48,920,101

Nisqually Land Trust and Subsidiary
A Washington Not For Profit Organization

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Nisqually Land Trust	Nisqually Community Forest	Eliminations	Consolidated 2022
Support and Revenues:				
Grants	$ 4,819,471	$ -	$ -	$ 4,819,471
Contributions	1,481,896	45,026	-	1,526,922
Fee for service	54,780	-	-	54,780
Fundraising	241,304	-	-	241,304
Less: costs of direct benefits to donors	(31,978)	-	-	(31,978)
Interest & dividends	29,289	8,485	-	37,774
Inkind donations	395,000	-	-	395,000
Timber revenue	-	66,663	-	66,663
Miscellaneous revenue	184,857	-	-	184,857
Total Support and Revenue	7,174,619	120,174	-	7,294,793
Expenses:				
Program services	2,913,156	64,451	-	2,977,607
Management and general	376,663	-	-	376,663
Fundraising	73,946	-	-	73,946
Total Expenses	3,363,765	64,451	-	3,428,216
Other Revenue & Expenses:				
Investment gain (loss)	(229,139)	(6,787)	-	(235,926)
Total other revenue & expense	(229,139)	(6,787)	-	(235,926)
Change in Net Assets	3,581,715	48,936	-	3,630,651
Assets Transfers	-	-	-	-
Net Assets, Beginning of Year	44,161,522	13,237,404	(13,003,302)	44,395,624
Net Assets, End of Year	$ 47,743,237	$ 13,286,340	$(13,003,302)	$ 48,026,275

Nisqually Land Trust and Subsidiary

A Washington Not For Profit Organization

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2022

	Nisqually Land Trust Program Expense	Nisqually Community Forest Program Expense	Management and General	Fund-Raising	Eliminations	Consolidated 2022
Salaries	$ 125,255	$ -	$ 262,040	$ 43,622	$ -	$ 430,917
Employee benefits	6,334	-	13,250	2,206	-	21,790
Payroll taxes	12,631	-	26,424	4,399	-	43,454
Office expense	9,900	123	15,744	14,157	-	39,924
Insurance	3,755	7,033	7,856	1,308	-	19,952
Volunteer expense	245	-	-	-	-	245
Property taxes	35,649	3,608	-	-	-	39,257
Professional services	436,305	51,145	21,751	1,286	-	510,487
Depreciation and amortization	6,506	1,170	214	-	-	7,890
Land stewardship & acquisition	10,718	-	-	-	-	10,718
Easement acquisition expense	2,240,000	-	-	-	-	2,240,000
Training & conferences	980	-	3,347	1,543	-	5,870
Travel	13,234	-	1,778	357	-	15,369
Taxes & fees-other	4,193	652	6,572	82	-	11,499
Event, facility, food expense	3,607	-	3,801	4,078	-	11,486
Interest expense	-	-	112	-	-	112
Occupancy	3,844	720	13,774	908	-	19,246
Total Expenses	$ 2,913,156	$ 64,451	$ 376,663	$ 73,946	$ -	$ 3,428,216

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.

On July 24, 2014, the Nisqually Community Forest (NCF) was formed for the purpose of supporting The Trust. The primary purpose of NCF is to hold and manage lands in support of The Trust's mission. NCF has been determined to be exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is classified as a Type 1 supporting organization.

Principles of Consolidation--
These financial statements consolidate the statements of Nisqually Land Trust and Nisqually Community Forest (collectively, "NLT"). Inter-organization balances and transactions have been eliminated in consolidation.

Basis of accounting--
The consolidated financial statements of NLT have been prepared 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.

Financial Statement Presentation--
NLT follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, NLT is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by NLT is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of NLT.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of land are reported as donor restricted if NLT intends to protect the land in perpetuity. Gifts of land, which the donor stipulates may be sold, are reported as without donor restriction.

Functional Allocation of Expenses--
NLT records its expenses by function. Program expenses represent expenses incurred to fulfill NLT's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

Concentrations--
NLT 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, NLT could experience a significant loss of support.

Cash and Cash Equivalents--
For purposes of the Statement of Cash Flows, NLT considers cash, checking, and money market accounts to be cash and cash equivalents.

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

Land, buildings and equipment--
Land, buildings and equipment are recorded at cost. Property and equipment donated to NLT are capitalized at their estimated fair market value. It is NLT'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.

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.

B. SUBSEQUENT EVENTS:

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required NLT to make adjustments to operating practice and delivery of services. NLT has continued its work. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

No events have occurred through September 22, 2023, 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, 2022.

C. RECOGNITION OF CONTRIBUTION REVENUE:

Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

D. ECONOMIC DEPENDENCY:

For 2022 and 2021, 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, Thurston County, Natural Resources Conservation Service, The Nisqually Indian Tribe, Washington State Department of Ecology, and the State of Washington Recreation and Conservation Office.

E. LEASES:

During 2010, NLT entered into a memo of understanding with the United States Fish and Wildlife Service (USFWS). USFWS agreed to provide office space to NLT free of charge at the Nisqually Wildlife Refuge. NLT is responsible for utilities and janitorial services. The office lease expense for the years ended December 31, 2022 and 2021 was $0 and $0, respectively.

F. NET ASSETS COMPOSITION:

		2022		2021
Without Donor Restrictions:				
Board designated funds	$	3,153,807	$	3,153,807
Undesignated		2,381,631		2,277,622
Total Without Donor Restrictions:	$	5,535,438	$	5,431,429
With Donor Restrictions:				
Donor purpose restricted funds	$	386,376	$	373,520
Conserved land		42,104,461		38,590,675
Total With Donor Restrictions:	$	42,490,837	$	38,964,195
Total Net Assets:	$	**48,026,275**	$	**44,395,624**

NLT 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, 2022 and 2021, respectively, board designated assets totaled $3,153,807 and $3,153,807, respectively.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

NLT investments in common stock, bonds, mutual funds, United States savings bonds, and investments with local community foundations are accounted for at fair value. As of December 31, 2022 and 2021, respectively, the investments had a cost basis of $1,605,274 and $1,095,298 and a fair value of $1,888,205 and $1,614,154. Investment income on the statement of activities and changes in net assets is the following:

		2022		2021
Realized Gains (Losses)	$	61,174	$	598
Fees		(5,393)		(10,426)
Unrealized Gains (Losses)		(291,707)		155,601
Total	$	(235,926)	$	145,773

NLT follows United States generally accepted accounting principles which requires establishing 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 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 NLT 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, 2022.

Common Stock: Quoted prices on public exchanges.

Bonds: Quoted prices on public exchanges.

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

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

Community Foundation Investments: Valued at Trust share of Foundation investments as reported by the custodian.

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 NLT 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, NLT's assets at fair value as of December 31, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Bonds	$ 189,474	$ -	$ -	$ 189,474
Mutual Funds	-	1,649,478	-	1,649,478
Community Foundations	-	26,858	-	26,858
US Savings Bonds	-	22,395	-	22,395
Total Assets at Fair Value:	$ 189,474	$ 1,698,731	$ -	$ 1,888,205

The following table sets forth by level, within the fair value hierarchy, NLT's assets at fair value as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Common Stock	$ 4,267	$ -	$ -	$ 4,267
Bonds	108,537	-	-	108,537
Mutual Funds	-	1,447,279	-	1,447,279
Community Foundations	-	31,847	-	31,847
US Savings Bonds	-	22,224	-	22,224
Total Assets at Fair Value:	$ 112,804	$ 1,501,350	$ -	$ 1,614,154

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 NLT 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 AND ACCOUNTS RECEIVABLE:

Grants and accounts receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end. Grants and accounts receivable totaled $167,141 and $128,406 at December 31, 2022 and 2021, respectively.

Amounts that have been received but not earned are included in deferred revenue. Deferred revenue was $0 and $0 at December 31, 2022 and 2021, respectively.

Historically, bad debts have been immaterial. NLT uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2022 and 2021, there were bad debts of $0 and $0, respectively.

As of December 31, 2022, management estimated that all grants and accounts receivable were collectible. NLT considers accounts due over 90 days as past due. No interest is charged on past due receivables.

J. INKIND REVENUE:

NLT received donations of land during 2022 and 2021 valued at $135,000 and $80,000, respectively. The donations are recorded as inkind donations on the statement of activity and land on the statement of financial position. NLT also receives, at times, various inkind donations of easements values, material and services for use in activities. These donated amounts are reflected as inkind revenue and expense in the financial statements.

K. INCOME TAX & UNCERTAIN TAX POSITIONS :

NLT 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.

NLT files income tax returns in the U.S. federal jurisdiction. NLT is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS) or any other state or federal taxing authority.

NLT follows generally accepted accounting principles in determining and reporting any uncertain tax positions. As of December 31, 2022, 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:

NLT 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 2022 and 2021, NLT performed stewardship services for the charitable trust and is compensated for acting as trustee. NLT received $173,524 and $161,706 for those services and costs advanced. The charitable trust owed NLT $0 and $0, respectively, at December 31, 2022 and 2021.

NLT, during 2022 and 2021, received various amounts payable to the charitable trust. These amounts totaled $0 and $39,686 at December 31, 2022 and 2021, respectively.

NLT, during 2022, received three loans that totaled $728,278 from the charitable trust to assist in the acquisition of several parcels of property. NLT owed a net amount of $344,558 to the charitable trust at December 31, 2022.

M. MANAGEMENT & GENERAL EXPENSES:

Management and general expenses were $376,663 and $254,884 in 2022 and 2021, respectively. During 2022, NLT disbursed $3,378,786 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 $6,807,002. Management and general expenses are approximately 6% of this total for 2022. During 2021, NLT disbursed $4,416,502 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 $5,461,040. Management and general expenses are approximately 5% of this total for 2021.

N. EXCESS DEPOSITS:

NLT, at times, maintains cash balances in financial institutions in excess of the FDIC insurance level of $250,000. NLT had cash balances in excess of FDIC coverage of $775,745 and $585,492 at December 31, 2022 and 2021, respectively. Additionally, investments are insured by the SIPC for a maximum of $500,000 in coverage per institution, with a limit of $250,000 for cash balances. NLT had balances in excess of SPIC coverage of $1,688,820 and $1,310,083 as of December 31, 2022 and 2021, respectively. Management does not believe NLT is subject to substantial risk of loss related to these balances.

O. NOTE RECEIVABLE:

NLT, in cooperation with the charitable trust, provided a loan on December 30, 2016 to the owners of land that NLT was acquiring. The loan was necessary to complete the transaction and to provide mortgage refinancing to the sellers of the land. The loan was for a total of $235,000, $120,000 of which was provided by NLT and $115,000 which was provided by the charitable trust. The loan bears interest at 5% per annum and requires monthly payments of $1,858.37. The remaining balance of the loan was due on December 30, 2022. The loan is secured by a personal residence. Future maturities of the loan, due to NLT, are as follows:

Year Ended December 31:

2023	$	86,452
Total	$	86,452

NISQUALLY LAND TRUST AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor's Number	Expenditures: Pass-Through Awards	Expenditures: Direct Awards	Expenditures: Total Federal Expenditures	Expenditures: Amounts Paid To Sub-Recipients
United States Department of Agriculture						
Natural Resources Conservation Service:						
Environmental Quality Incentives Program	10.912	EQIP 2014 740546171A4	$ 1,013	$ -	$ 1,013	$ -
		EQIP 2018 7405461914R	20,500	-	20,500	-
			21,513	-	21,513	-
Total United States Department of Agriculture			21,513	-	21,513	-
United States Department of the Interior						
Passed Through Washington Department of Ecology:						
Coastal Wetland Planning, Protection, and Restoration	15.614	SEANCWCP-2019NiLaTr-00022	955,702	-	955,702	-
		DOESEANCWCP-2019-NiLaTr-00023	910,155	-	910,155	-
			1,865,857	-	1,865,857	-
Passed Through United States Fish & Wildlife Service:						
Coastal Program	15.630	F19AC00362	13,143	-	13,143	-
Total United States Department of the Interior			1,879,000	-	1,879,000	-
United States Department of Commerce						
Passed Through Washington State Recreation and Conservation Office:						
Pacific Coast Salmon Recovery Fund	11.438	17-1086	77,596	-	77,596	-
		21-1029	3,519	-	3,519	-
		20-1029	121,058	-	121,058	-
			202,173	-	202,173	-
Total United States Department of Commerce			202,173	-	202,173	-
Total Expenditures of Federal Awards			$ 2,102,686	$ -	$ 2,102,686	$ -

Note 1 – Purpose of Schedule

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to Nisqually Land Trust and Subsidiary's (the Trust's) financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Trust, it does not present the financial position, changes in financial position, or the revenues and expenditures of the Trust.

Note 2 – Reporting Entity

The reporting entity is described in Note A to the Trust's financial statements. The Schedule includes all federal programs administered by the Trust for the year ended December 31, 2022.

Note 3 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Trust's financial statements. The Trust uses the accrual basis of accounting for financial reporting purposes.

Note 4 – De-Minimis Cost Rate

The Trust did use the 10% de-minimis cost rate.

Note 5 – Basis of Presentation

The information in the Schedule is presented in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance).

Aiken & Sanders, Inc PS
CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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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 and Subsidiary
Lacy, 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 and Subsidiary (the Trust), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 22, 2023.

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 identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003.

The Trust's Response to Findings

The Trust's response to the findings identified in our audit is described in the accompanying management's response and corrective action plan. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aiken & Sanders

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

September 22, 2023

Aiken & Sanders, Inc PS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Nisqually Land Trust and Subsidiary
Lacey, WA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nisqually Land Trust and Subsidiary's (the Trust's) compliance with the types of compliance requirements described in the OMB 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, 2022. 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.

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, 2022.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Trust's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Trust's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

The Trust's response to the internal control over compliance finding identified in our audit is described in the accompanying management's response and corrective action plan. The Trust's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aiken & Sanders

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

September 22, 2023

NISQUALLY LAND TRUST AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results:

Financial Statements
Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: Yes

Significant Deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: Yes

Significant Deficiencies identified not considered to be material weaknesses: None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): Yes

Identification of major programs:

15.614	Coastal Wetland Planning, Protection, and Restoration

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee: No

Section II – Financial Statement Findings:

MATERIAL WEAKNESS

2022-001 GRANT ACCOUNTING

Criteria: Generally accepted accounting principles require recording revenue when earned and expenses when incurred. Corresponding receivables and payables, and deferred revenue when applicable, should be reflected in the financial records. Regular review and reconciliation of activities are necessary to ensure accurate and complete financial accounting and reporting.

Condition: The Trust performs activities and services under grant contracts with federal and state agencies that are reimbursement type arrangements. In addition, the Trust often has grant and other funds paid directly to title companies on the Trust's behalf, from grantors and contributors, when property and easement purchases are in process. As expenses for qualifying activities are incurred, contracts should be billed and revenue and receivable recorded. Any grant funds paid directly to escrow from grantors and contributors, along with assets and expenses on purchase transactions, should be recorded in the Trust accounting records when these purchases are completed. While conducting the audit, we determined that the Trust was not reviewing and reconciling grant arrangements on a regular basis and was not reviewing and reconciling all property and easement purchases and recording complete activity.

Effect: Lack of a regular review and reconciliation of grant arrangements and contracts resulted in material misstatements of grant revenue, grants and accounts receivable, land assets, liabilities, inkind donations, and easement acquisition expense.

In one instance, a property purchase for $1,900,000, for which the Trust received grants and contributions paid by grantors and contributors directly to a title company, was omitted from the accounting records, resulting in a understatement of land assets, grant revenue, and contributions.

In another instance, an easement purchase by the Trust, with a $2,240,000 purchase value, was classified as a land asset in error, as Trust accounting policy requires expensing easements in the year of acquisition. This transactions included an in-kind donation from the seller of the easement that was erroneously recorded as grant revenue.

The Trust also omitted grant revenue and receivables from the accounting records for amounts earned but not yet received at December 31, 2022, and recorded grant revenue for gamounts received in 2022 that were earned in 2021.

Cause: The Trust contracts with an outside company to provide general accounting services. Trust program management and staff are responsible for grant activities performance and billing, while the outside company is responsible for maintaining the accounting records, in coordination with management and staff. Lack of review and reconciliation of all grant and contracts, with participation of the accounting and program individuals, resulted in the omissions and errors noted above.

Recommendation: We recommend that the Trust implement a formal review and reconciliation process for all grants and contracts, including all land and easement purchases. This review should be completed on a monthly or quarterly basis, except for property and easement purchases which should be reviewed and reconciled when a purchase closes. Accounting and program personnel should participate in this review and reconciliation, and particular attention should be paid to type of activity being performed, source of all funds received, and proper classification and timing for each, including recording revenue and receivable in the period earned.

Section III – Federal Award Findings and Questioned Costs:

MATERIAL WEAKNESSES

2022-002 GRANT ACCOUNTING

AL Number and Title:	15.614 Coastal Wetland Planning, Protection, and Restoration
Federal Grantor Name:	United States Department of the Interior
Pass Through Entity:	Washington Department of Ecology

See finding 2022-001. The Trust did not perform regular review and reconciliation of property and easement purchases and other reimbursement contracts during the year. This resulted in material misstatement of revenue, receivables, and expenditures of federal awards in the financial records.

Questioned Costs for Finding 2022-002: No questioned costs were noted for this finding.

2022-003 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AL Number and Title:	15.614 Coastal Wetland Planning, Protection, and Restoration
Federal Grantor Name:	United States Department of the Interior
Pass Through Entity:	Washington Department of Ecology

Criteria: The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance), requires auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee’s financial statements.

Condition: The Trust did not prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA) for the year ending December 31, 2022.

Effect: An incomplete and inaccurate SEFA caused a delay in the conduct and completion of the annual audit and introduced the risk of the inclusion of incorrect programs for compliance testing and material errors in the year-end audit report.

Cause: As noted in finding 2022-001, lack of a regular review and reconciliation of grant arrangements and contracts resulted in material misstatements of grant revenue, grants and accounts receivable, and assets. These misstatements were then included in SEFA totals.

Recommendation: We recommend that the Trust provide specific training to accounting personnel in the preparation and reporting requirements for the SEFA. The Trust should also implement a process to identify all federal sources of funds, when awarded, and track, report, and include these awards in the year-end SEFA. As recommended in finding 2022-001, the Trust should implement regular reconciliation procedures for all grants and contracts.

Questioned Costs for Finding 2022-003: No questioned costs were noted for this finding.

Nisqually Land Trust
Founded in 1989, the Nisqually Land Trust protects and stewards lands to permanently benefit the water, fish, wildlife, and people of the Nisqually River Watershed.

September 22, 2023

To Whom It May Concern,

Below are the Nisqually Land Trust's formal responses to the findings identified in our 2022 audit performed by Aiken & Sanders, Inc, PS.

The Nisqually Land Trust agrees with the findings reported and will take corrective actions to rectify the findings. All of the below actions will be in place by October 20, 2023.

2022-001 GRANT ACCOUNTING

- The financial operating procedures will be revised to reflect an improved level of internal controls and procedures in the finance department, including the following:
  - Implementation of a monthly procedure for reconciling and reviewing all accounting functions and reporting.
  - Executive level leadership has been given access to review reports within the accounting software. Notes and reports from monthly review between the Finance and Operations Manager, bookkeeper, and program directors will be provided to the Executive Director for review monthly.
  - The Finance and Operations Manager position description will be updated to make clear that they have a responsibility to ensure all processes are being followed & to identify training gaps. Monthly self-monitoring is part of the Finance and Operations Manager duties to oversee or delegate as needed. The purpose of the self-monitoring is to spot check various aspects of accounting tasks to ensure processes are being followed and training is provided immediately.
- Reporting on grant activities will be updated and standardized for all programs and for the Nisqually Land Trust in its entirety. This will allow Nisqually Land Trust's finance processes to be more transparent to program directors and the Board.
- Training plans are being improved and implemented for all finance positions as well as identifying necessary training for program management.
  - A training plan for each finance position will be developed and initiated in the current year. It will be evaluated annually and updated to stay current with training needs.
  - The training plans and progress are monitored by the Finance and Operations Manager and the Executive Director.
  - Nisqually Land Trust will continue to prioritize budgeting for training of fiscal staff

2022-002 GRANT ACCOUNTING

- A monthly procedure for reconciling and reviewing all accounting functions with assigned deadlines will be implemented.
    - This will include reconciling and reviewing all acquisition transactions for the current period as well as the current fiscal period.
    - All recent and open transactions will be looked at individually as well as at the programs in total to ensure completeness of recording and correct classification.
- On-going training will be provided for all staff.
    - Feedback from the monthly procedure for reconciling and reviewing all accounting functions will be given monthly to the appropriate staff to ensure processes are being followed.

2022-003 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Nisqually Land Trust Leadership understands the function and necessity of preparing a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). By October 20, 2023, training specific to the preparation and reporting requirements will be added to the training plan for the following positions: Finance and Operations Manager and contract bookkeeper.

By October 20, 2023, a process will be developed and implemented for the Finance and Operations Manager in coordination with program leaders to identify information for all new grants, including the source of funding, and to review the information on existing grants when they come up for renewal. This report will be reviewed by the Executive Director quarterly to ensure the process is followed and for accountability.

See above for explanation of the monthly review and reconciliation process that will be implemented in Nisqually Land Trust's finance department.

Responsible Officials:

Jeanette Dorner, Executive Director

Jeff Barrett, Finance and Operations Manager

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