Financial Statements and
Independent Auditor's Report of

CENTER FOR NATURAL LANDS MANAGEMENT

September 30, 2015 and 2014

CENTER FOR NATURAL LANDS MANAGEMENT

CONTENTS

CTC CAMPBELL TAYLOR & COMPANY ♦ An Accountancy Corporation
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Natural Lands Management
Temecula, California

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Natural Lands Management (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Natural Lands Management as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of Center for Natural Lands Management'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 Center for Natural Lands Management's internal control over financial reporting and compliance.

Campbell Taylor & Company
An Accountancy Corporation

March 14, 2016
Roseville, California

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

ASSETS

	2015	2014
Assets:		
Cash and cash equivalents	$ 773,720	$ 619,058
Money market funds	1,416,612	1,396,020
Accounts receivable, net of $645 and $36,099 allowance for doubtful accounts in 2015 and 2014, respectively	1,267,891	870,397
Accrued revenue	54,258	76,366
Prepaid expenses	25,253	32,254
Total current assets	3,537,734	2,994,095
Investments	68,844,881	69,929,743
Funds held for others	43,172,064	41,645,874
Land and conservation easements	52,150,741	51,150,741
Fixed assets and computer software, net	103,266	99,083
Other assets	2,711	2,864
Total assets	$ 167,811,397	$ 165,822,400

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities:		
Accounts payable	$ 642,888	$ 608,498
Accrued expenses	356,447	329,806
Total current liabilities	999,335	938,304
Funds held for others liability	43,172,064	41,645,874
Other long-term liabilities	1,225,722	1,228,982
Deferred income	22,705	98,646
Total liabilities	45,419,826	43,911,806
Commitments		
Net Assets:		
Unrestricted	550,259	57,083
Temporarily restricted	22,057,548	24,057,927
Permanently restricted	99,783,764	97,795,584
Total net assets	122,391,571	121,910,594
Total liabilities and net assets	$ 167,811,397	$ 165,822,400

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and income:				
Public support:				
Grants and donations	$ 4,730,637	$ 350,338	$ -	$ 5,080,975
Real property	-	-	1,000,000	1,000,000
Endowment and related support	-	321,203	988,180	1,309,383
Program services:				
Preserve management	586,096	29,900	-	615,996
Property analysis	726,427	-	-	726,427
Account management	244,484	-	-	244,484
Dividend and interest income	2	584,544	-	584,546
Realized and unrealized loss on investments	-	(737,443)	-	(737,443)
Other income	622	-	-	622
Net assets released from restriction	2,756,642	(2,756,642)	-	-
Total support and income	9,044,910	(2,208,100)	1,988,180	8,824,990
Expenses:				
Preserve management	6,242,410	-	-	6,242,410
Management and administration	1,087,307	-	-	1,087,307
Sub awards of federal grants	472,761	-	-	472,761
Property analysis	360,660	-	-	360,660
Occupancy	69,434	-	-	69,434
Depreciation and amortization	41,275	-	-	41,275
Total expenses	8,273,847	-	-	8,273,847
Change in net assets	771,063	(2,208,100)	1,988,180	551,143
Net Asset Transfers:				
Assets transferred to temporarily restricted	(277,887)	277,887	-	-
Temporarily restricted funds transferred out	-	(70,166)	-	(70,166)
Total net asset transfers	(277,887)	207,721	-	(70,166)
Net assets, beginning of year	57,083	24,057,927	97,795,584	121,910,594
Net assets, end of year	$ 550,259	$ 22,057,548	$ 99,783,764	$ 122,391,571

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and income:				
Public support:				
Grants and donations	$ 4,357,062	$ 94,687	$ -	$ 4,451,749
Real property	-	-	973,586	973,586
Endowment and related support	-	242,362	1,265,543	1,507,905
Program services:				
Preserve management	596,560	49,808	-	646,368
Property analysis	347,212	-	-	347,212
Account management	233,623	-	-	233,623
Dividend and interest income	7	972,253	-	972,260
Realized and unrealized gain on investments	423	8,600,967	-	8,601,390
Net assets released from restriction	2,938,286	(2,938,286)	-	-
Total support and income	8,473,173	7,021,791	2,239,129	17,734,093
Expenses:				
Preserve management	5,879,276	-	-	5,879,276
Management and administration	1,059,082	-	-	1,059,082
Subawards of federal grants	665,122	-	-	665,122
Property analysis	262,889	-	-	262,889
Occupancy	63,769	-	-	63,769
Interest	691	-	-	691
Depreciation and amortization	37,589	-	-	37,589
Total expenses	7,968,418	-	-	7,968,418
Change in net assets	504,755	7,021,791	2,239,129	9,765,675
Net Asset Transfers:				
Permanently restricted land purchased	(101,414)	-	101,414	-
Change of permanently restricted fund purpose	-	45,292	(45,292)	-
Net assets, beginning of year	(346,258)	16,990,844	95,500,333	112,144,919
Net assets, end of year	$ 57,083	$ 24,057,927	$ 97,795,584	$ 121,910,594

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash Flows provided by Operating Activities:		
Unrestricted cash received from donors, grants and support	$ 5,836,939	$ 5,551,863
Restricted cash received from donors, grants and support	701,441	386,857
Cash received from restricted funds	2,756,642	2,938,286
Cash paid to grantees, suppliers and employees	(8,167,647)	(7,802,100)
Dividends and interest received	584,546	972,260
Interest income/(expense)	-	(691)
Cash provided by operating activities	1,711,921	2,046,475
Cash Flows used for Investing Activities:		
Net purchase of property and equipment	(45,458)	(32,315)
Purchase of land	(1,000,000)	(1,075,000)
Net (purchase) proceeds from money market funds	(20,592)	308,350
Net sales (purchase) of investments	(2,409,223)	(3,537,314)
Cash used for investing activities	(3,475,273)	(4,336,279)
Cash Flows provided by Financing Activities:		
Cash received for endowments	988,180	1,265,543
Temporarily restricted funds transferred out	(70,166)	-
Proceeds restricted for land purchases	1,000,000	973,586
Cash provided by financing activities	1,918,014	2,239,129
Net increase (decrease) in cash and cash equivalents	154,662	(50,675)
Cash and cash equivalents, beginning of year	619,058	669,733
Cash and cash equivalents, end of year	$ 773,720	$ 619,058

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended September 30, 2015 and 2014

	2015	2014
Reconciliation of Change in Net Assets to Cash Provided by Operating Activities		
Change in net assets (before net asset transfers)	$ 551,143	$ 9,765,675
Adjustments to reconcile:		
Depreciation and amortization	41,275	37,589
Restricted for land purchases	(1,000,000)	(973,586)
Restricted cash for endowments	(988,180)	(1,265,543)
Post retirement benefit obligation	(3,260)	(978)
Cash received from restricted funds	2,756,642	2,938,286
Realized and unrealized loss (gain) on investments	737,443	(8,601,390)
(Increase) decrease in assets:		
Accounts receivable	(397,494)	(90,477)
Accrued revenue	22,108	9,237
Prepaid expenses	7,001	(11,648)
Other assets	153	707
Increase (decrease) in liabilities:		
Accounts payable	34,390	83,545
Accrued expenses	26,641	56,412
Deferred income	(75,941)	98,646
Cash provided by operating activities	$ 1,711,921	$ 2,046,475

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

NOTE 1: ORGANIZATION, OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

Center for Natural Lands Management (the "Organization") is a not-for-profit organization incorporated in 1990 in the State of California. The Organization provides land conservation and management services for environmentally sensitive land areas primarily in the Pacific Coast region of the United States.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and Generally Accepted Accounting Principles of the United States (U.S. GAAP).

Financial Statement Presentation

The Organization reports information regarding its financial position according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. Accordingly, all financial transactions have been recorded and reported in the following net asset classifications:

Unrestricted Net Assets

Unrestricted net assets represent resources over which the Organization has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Earnings from endowment funds are used to maintain land. Revenues are released from restrictions and transferred to unrestricted net assets when land maintenance and monitoring costs are incurred.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources whose use by the Organization is limited by grant/donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Temporarily restricted net assets consist of funds used to maintain properties.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowment funds, land grants and land easements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant cash risk.

Money Market Funds

Money market funds include funds designated and limited to the care and management of specific properties.

Investments

The Organization has adopted an investment policy in which to guide the management of the Organization's portfolio of invested funds. The objective of the investment fund is to earn an annual rate of return, net of investment and management expenses, equal to or greater than five percent (5%) over the annual rate of inflation, without assuming too great a risk. The investment strategy is to invest in a sufficient number of different types of financial instruments and money managers to provide significant diversification of the investment fund and to reduce the overall risk and improve performance over time.

Investments are stated at estimated fair market value. Investments that do not have readily available fair market values as of September 30th are valued as of the latest date available. Due to timing of investment value availability some level 3 investments are valued at dates other than the Organization's fiscal year end. This has been described in Note 2. Realized and unrealized gains and losses are recorded in the period in which they occur and are reported as investment income or losses. Investments are established for permanent endowment funds and are held in accounts at Common Fund for Non Profit Organizations (Common Fund). Investments include debt and equity securities.

Accounts Receivable and Accrued Revenue

Accounts receivable represent service revenue receivables and expenditures for which reimbursement has been requested but not yet received. Grant and donation revenue is recognized when services are performed and related reimbursable expenses are incurred, in accordance with the terms of applicable grant awards. Accrued revenue represents service revenues that have been performed, but are not yet billed.

In-Kind Donations

The Organization recognizes revenue for certain donated goods and services at the fair market value of those goods and services.

Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has received a favorable determination letter from the Internal Revenue Service. They are, however subject to income taxes from activities unrelated to their tax-exempt purposes.

Accounting principles generally accepted in the United States of America require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Organization management has determined that as of September 30, 2015 there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing authorities; however there are currently no audits for any tax periods in progress. Organization's management believes they are no longer subject to income tax examination for years prior to 2010.

Allocation of Investment Income

Earnings on endowment funds are available for use in managing and maintaining conservation lands. Investment earnings and losses are recorded as temporarily restricted net assets. A portion of earnings are transferred monthly to unrestricted revenues to provide income to the Organization. In accordance with Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the State of California, when investment losses are incurred, donor-restricted endowment funds are reduced to the extent that all past appreciation has been recognized, any remaining loss is then allocated to unrestricted net assets. The Organization recognized a gain of $423 in unrestricted net assets as losses on donor-restricted endowment funds were recovered as of September 30, 2014. There are no remaining unrecognized losses as of September 30, 2014.

NOTE 1: **ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fixed Assets and Computer Software

Fixed assets are stated at cost, if purchased or at fair market value at the date of the gift, if donated. Fixed assets are depreciated using the straight-line method over estimated useful lives of three to five years. Fixed assets purchased with grant funds are not capitalized when the grantor retains rights to the property. The Organization capitalizes equipment with a cost of $5,000 or greater.

Computer software development costs are capitalized for software that is expected to be sold or licensed to others. Costs include outside consulting costs, programming costs, and direct internal costs incurred to develop the software. Computer software costs are amortized using the straight-line method over the estimated useful life of the product, beginning when the product becomes available for sale.

Land

The Organization acquires environmentally protected land or conservation land easements through grants or by purchase with donated funds. Land grants are stated at estimated value. Purchased land is stated at cost. The properties are permanently restricted for environmental purposes and cannot be used for commercial purposes. Endowment funds are established to provide for the care and management of the properties. The land and endowment funds are included in permanently restricted net assets.

The Organization receives contributions that require the establishment of endowment funds. These funds are invested in order to provide investment income for expenditures related to maintaining and managing environmentally protected lands.

Deferred Income

Deferred income represents grant funds that have been received in advance of services being performed.

Estimates and Assumptions

The preparation of the financial statements in connection with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are the depreciable lives of assets, fair value of level 3 investments, allocation of investment income to endowments, and the allowance for doubtful accounts. Actual results could differ from those estimates.

NOTE 2: **INVESTMENTS**

Investments are held in Common Fund. Investments at September 30, 2015 and 2014, unless otherwise indicated, consisted of the following at fair market value:

	2015		2014	
Common Fund:	Shares	Amount	Shares	Amount
Institutional Global Multi-Asset Fund	3,344,489	$ 34,653,992	-	$ -
Institutional Multi-Strategy Equity Fund	2,231,501	30,307,233	4,744,045	67,223,598
Institutional Multi-Strategy Bond Fund	348,711	3,714,439	709,015	7,698,154
State Street U.S. Gov't Money Market	1,068,219	1,068,219	34,537	34,537
Private equity funds (market value as of September 30)		6,324,440		3,810,390
Private equity funds (market value as of June 30)		1,217,517		-
Less mitigation funds held for others		(8,440,959)		(8,836,936)
		$ 68,844,881		$ 69,929,743

NOTE 2: **INVESTMENTS (continued)**

Investment income is presented net of Common Fund investment fees of $156,317 and $119,077 for the years ended September 30, 2015 and 2014, investment income consisted of the following:

	2015	2014
Institutional Multi-Strategy Equity Fund appreciation	$ 491,373	$ 8,080,108
Institutional Multi-Strategy Bond Fund appreciation (depreciation)	(29,220)	138,457
Private equity fund appreciation	397,122	382,825
Institutional Global Multi-Asset Fund (depreciation)	(1,596,718)	-
Interest, dividends and other	584,546	972,260
	$ (152,897)	$ 9,573,650

The Organization has committed to fund an additional $14 million for capital calls in private equity funds.

NOTE 3: **FIXED ASSETS AND COMPUTER SOFTWARE**

Fixed assets and computer software consists of the following at September 30, 2015 and 2014:

	2015	2014
Vehicles and equipment	$ 463,742	$ 418,284
Computer software	357,068	357,068
	820,810	775,352
Less accumulated depreciation and amortization	717,544	676,269
Total	$ 103,266	$ 99,083

Depreciation and amortization expense was $41,275 and $37,589 for the fiscal years ended September 30, 2015 and 2014, respectively.

NOTE 4: **TEMPORARILY RESTRICTED FUND TRANSFER**

As of September 30, 2015, the Organization transferred $70,166 of temporarily restricted funds including all related obligations, to other Organizations.

NOTE 5: **LEASE COMMITMENTS**

The Organization leases its office facility, a copier, and a 2 acre parcel of land under non-cancelable operating leases. The copier lease is set to expire in fiscal year 2020. The office facility lease is set to expire in fiscal year 2017. The office facility lease includes options to extend leases for an additional 2 years at market rates. The 4 year land lease will expire in fiscal year 2019.

NOTE 5: **LEASE COMMITMENTS (continued)**

Minimum annual rental commitments under non-cancelable leases are as follows at September 30, 2015:

For the year ending September 30,	Minimum lease Commitments
2016	$ 25,229
2017	11,492
2018	4,457
2019	4,437
2020	369
	$ 45,984

Rent expense under leases for the fiscal years ended September 30, 2015 and 2014, was $57,508 and $56,115, respectively.

NOTE 6: **LINE OF CREDIT**

The Organization has a revolving $250,000 line of credit and a $50,000 overdraft protection line with a bank which expire June 28, 2016. Borrowings on the revolving line of credit are unsecured and bear interest at Prime + 2% (5.25% at September 30, 2015). Borrowings on the overdraft line of credit are unsecured and bear interest at Prime + 8% (11.25% at September 30, 2015). The Organization had no borrowings on outstanding balances under these agreements at September 30, 2015 and 2014, respectively.

NOTE 7: **FUNDS HELD FOR OTHERS**

The Organization holds cash and investments in separate accounts which are to be maintained for purchase and management of additional conservation lands. The Organization has a fiduciary responsibility to the organizations to which the funds belong. Funds consist of the following:

	2015	2014
Cash and cash equivalents	$ 3,318,619	$ 3,286,293
Marketable securities	31,412,486	29,522,645
Investments	8,440,959	8,836,936
Total	$ 43,172,064	$ 41,645,874

NOTE 8: **OTHER LONG-TERM LIABILITIES**

In December 2007 the Board of Directors approved a post-employment retirement benefit arrangement for the Executive Director. The arrangement provides for a monthly retirement payment plus a contribution toward health insurance. The Executive Director retired in December 2008. The estimated present value of these benefits at September 30, 2015 and 2014 is $1,307,484 and $1,308,363, respectively. This obligation is classified as follows: $81,762 and $79,381 as a current liability in accrued expenses and $1,225,722 and $1,228,982 as a long-term liability as of September 30, 2015 and 2014, respectively.

NOTE 9: **NET ASSETS**

Net assets include permanently restricted and temporarily restricted net assets. Permanently restricted net assets consist of amounts initially established as endowments, land, or easements. Earnings on endowment funds are temporarily restricted for use in maintaining land preserves.

Funds received for maintenance costs associated with land preserves are also temporarily restricted. Restricted net assets consisted of the following at September 30, 2015 and 2014:

	2015	2014
Permanently Restricted		
Endowments	$ 47,633,023	$ 46,644,844
Land and Easements	52,150,741	51,150,740
	$ 99,783,764	$ 97,795,584

	2015	2014
Temporarily Restricted		
Earnings on endowments	$ 19,722,478	$ 22,111,008
Land maintenance funds	1,614,520	1,632,454
Reinvestment funds	394,685	-
Grant funds	325,865	314,465
	$ 22,057,548	$ 24,057,927

Changes in endowment fund balances consist of the following at September 30, 2015 and 2014:

2015	Temporarily Restricted	Permanently Restricted
Beginning balance	$ 22,111,008	$ 46,644,844
Dividend and interest income	584,544	-
Realized and unrealized loss on investments	(737,443)	-
Endowment and related support	-	988,179
Endowment funds released from restriction	(2,235,631)	-
Total	$ 19,722,478	$ 47,633,023

2014	Unrestricted	Temporarily Restricted	Permanently Restricted
Beginning balance	$ (423)	$ 14,447,539	$ 45,379,301
Dividend and interest income	-	972,253	-
Realized and unrealized gain on investments	423	8,600,967	-
Endowment and related support	-	-	1,265,543
Endowment funds released from restriction	-	(1,909,751)	-
Total	$ -	$ 22,111,008	$ 46,644,844

In 2014 the Organization used $101,414 in unrestricted net assets to purchase land that will be held in perpetuity. Also in 2014 the Organization identified $45,292 in permanently restricted net assets that were to be classified as temporarily restricted net assets, the net assets were transferred accordingly. In 2015, the Organization reviewed the policy for preserve reinvestments and determined these assets should be classified as temporarily restricted, as such, a transfer was made during the year to move $277,887 from unrestricted net assets to temporarily restricted net assets to classify all reinvestments as temporarily restricted.

NOTE 10: **401(k) SALARY DEFERRAL PLAN**

The Organization has a 401(k) Salary Deferral Plan and employees may elect to make salary deferred contributions to the Plan. The Organization makes a matching contribution up to 3% of salary. The Organization made matching contributions of $63,384 and $59,451 in 2015 and 2014, respectively.

NOTE 11: **RELATED PARTY TRANSACTIONS**

In 2014, the Organization had professional web-site services paid for and donated by board members and members of the Organization's upper management. These services donated by related parties amounted to $7,600 in 2014.

The Organization used the consulting services of one of its board members to provide project management for acquisition of conservation property in San Diego and Los Angeles Counties. The Organization paid this board member $4,075 for consulting services during 2014. No services from related parties were received during 2015.

NOTE 12: **RISKS AND UNCERTAINTIES**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statement of nets assets available for benefits.

NOTE 13: **FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board established a hierarchy that prioritizes the inputs for valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted market prices in active markets for identical assets and have the highest priority; Level 2 include quoted market prices for identical or similar assets and liabilities in active or inactive markets or inputs other than quoted market prices that are observable or corroborated by observable market data for the asset or liability; and Level 3 inputs have the lowest priority and are unobservable and significant to the fair value measurement. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The asset 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 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 as of September 30, 2015 and 2014.

Level 1 Fair Value Measurements: Money market funds have quoted market prices in active markets to preserve their value at $1 per share.

Level 2 Fair Value Measurements: The fair value of the Institutional Global Multi-Asset Fund, Institutional Multi-Strategy Equity Fund, Institutional Multi-Strategy Bond Fund and the State Street US Government Money Market Fund is based on quoted net asset values of the shares held by the funds at year end. These are generally open-end funds that offer subscription and redemption options to investors. Redemption provisions vary by fund but are typically either monthly or quarterly.

NOTE 13: **FAIR VALUE MEASUREMENTS (Continued)**

Level 3 Fair Value Measurements: The private equity funds held by the Organization are invested primarily in other limited partnerships formed for the purpose of making international, domestic and real asset private equity investments. These underlying investments in other limited partnerships have unobservable pricing inputs. Due to timing of investment value availability some level 3 investments are valued at dates other than the Organization's fiscal year end.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2015 and 2014, including $8,440,959 and $8,836,936 of funds held for others, respectively:

2015	Level 1	Level 2	Level 3
Money Market Funds	$ 1,416,612	$ -	$ -
Institutional Global Multi-Asset Fund	-	34,653,992	-
Institutional Multi-Strategy Bond Fund	-	30,307,233	-
Institutional Multi-Strategy Equity Fund	-	3,714,439	-
State Street US Government Money Market	-	1,068,219	-
Private equity funds	-	-	7,541,957
	$ 1,416,612	$ 69,743,883	$ 7,541,957

2014	Level 1	Level 2	Level 3
Money Market Funds	$ 1,396,020	$ -	$ -
Institutional Multi-Strategy Equity Fund	-	67,223,598	-
Institutional Multi-Strategy Bond Fund	-	7,698,154	-
State Street US Government Money Market	-	34,537	-
Private equity funds	-	-	3,810,390
	$ 1,396,020	$ 74,956,289	$ 3,810,390

The following table discloses the summary of changes in fair value of assets valued using Level 3 inputs:

Private Equity Funds	2015	2014
Beginning balance	$ 3,810,390	$ 2,128,828
Contribution	2,943,689	1,250,555
Unrealized appreciation	787,878	431,007
Total	$ 7,541,957	$ 3,810,390

NOTE 14: **SUBSEQUENT EVENTS**

Subsequent to year end the Organization transferred $30,822,612 of Funds Held for Others, including all related obligations, to another conservation organization. The financial statements presented here include $30,974,801, the balance of this fund, as of September 30, 2015 which is shown as both an asset and a corresponding liability.

Management evaluated subsequent events through March 14, 2016, the date these financial statements were available to be issued. Management has determined there were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

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
Center for Natural Lands Management
Temecula, California

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 Center for Natural Lands Management (a nonprofit Association), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Natural Lands Management'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 Center for Natural Lands Management's internal control. Accordingly, we do not express an opinion on the effectiveness of Center for Natural Lands Management's internal control.

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

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

Compliance and Other Matters

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

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

Campbell Taylor & Company
An Accountancy Corporation

Roseville, California
March 14, 2016

CTC CAMPBELL TAYLOR & COMPANY ♦ An Accountancy Corporation
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Directors
Center for Natural Lands Management
Temecula, California

Report on Compliance for Each Major Federal Program
We have audited Center for Natural Lands Management's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Center for Natural Lands Management's major federal programs for the year ended September 30, 2015. Center for Natural Lands Management's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Center for Natural Lands Management's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Center for Natural Lands Management's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Center for Natural Lands Management's compliance.

Opinion on Each Major Federal Program
In our opinion, Center for Natural Lands Management 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 September 30, 2015.

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Report on Internal Control Over Compliance
Management of Center for Natural Lands Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Center for Natural Lands Management's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center for Natural Lands Management's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Campbell Taylor & Company
An Accountancy Corporation

Roseville, California
March 14, 2016

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	2015 Disbursements/ Expenditures
U.S. Department of Defense (DOD):			
Regional Conservation Effort Program			
Joint Base Lewis McChord (JBLM)			
DOD JBLM Seqalitchew Nur Dev	12.UNKNOWN	W911S8-14-2-0016	$ 150,003
DOD JBLM SHL 14-26	12.UNKNOWN	W911S8-14-2-0026	148,577
DOD JBLM Prescribed Burn 14-11	12.UNKNOWN	W911S8-14-2-0011	145,960
DOD JBLM Weir Prairie Nox Wds	12.UNKNOWN	W911S8-14-2-0018	142,030
DOD JBLM Violet Prairie Nur Maint	12.UNKNOWN	W911S8-14-2-0020	141,747
DOD JBLM Oak understory Training	12.UNKNOWN	W911S8-14-2-0021	141,388
DOD JBLM Signs Gopher	12.UNKNOWN	W911S8-14-2-0013	138,458
DOD JBLM Land Use Protection Signs	12.UNKNOWN	W911S8-14-2-0012	138,023
DOD JBLM Butterfly 14-03	12.UNKNOWN	W911S8-14-2-0003	132,613
DOD JBLM Resource Mgmt Monitoring	12.UNKNOWN	W911S8-14-2-0015	131,450
DOD JBLM Butterfly 14-07	12.UNKNOWN	W911S8-14-2-0007	127,903
DOD JBLM Violet Prairie Sd Nur	12.UNKNOWN	W911S8-14-2-0019	125,342
DOD JBLM Oak understory Johnson	12.UNKNOWN	W911S8-14-2-0023	118,939
DOD JBLM Lark Airfiled Mitigation	12.UNKNOWN	W911S8-14-2-0017	90,210
DOD JBLM Gopher 14-04	12.UNKNOWN	W911S8-14-2-0004	84,080
DOD JBLM Eco Response Monitoring	12.UNKNOWN	W911S8-14-2-0022	82,288
DOD JBLM Salmon 14-02	12.UNKNOWN	W911S8-14-2-0002	68,902
DOD JBLM Lark & Seed 15-01	12.UNKNOWN	W911S8-15-2-0001	64,703
DOD JBLM Lark 14-01	12.UNKNOWN	W911S8-14-2-0001	46,521
DOD JBLM Prairies Res Nursery	12.UNKNOWN	W911S8-14-2-0024	42,967
DOD JBLM Gopher 14-06	12.UNKNOWN	W911S8-14-2-0006	31,665
DOD JBLM Water Howelia 14-19	12.UNKNOWN	W911S8-14-2-0009	26,092
DOD JBLM Nisqually River Invasive	12.UNKNOWN	W911S8-14-2-0014	23,640
DOD JBLM Native seed mix	12.UNKNOWN	W911S8-14-2-0027	19,056
DOD JBLM Spotted Owl 14-05	12.UNKNOWN	W911S8-14-2-0005	14,500
DOD JBLM Prsb Fire 15-06	12.UNKNOWN	W911S8-15-2-0006	10,734
DOD JBLM Gopher 15-08	12.UNKNOWN	W911S8-15-2-0008	5,815
DOD JBLM Salmon 10	12.UNKNOWN	W911S8-15-2-0010	5,709
DOD JBLM Prairie HE	12.UNKNOWN	W911S8-15-2-0016	5,270
DOD JBLM AMSD 2015 15-05	12.UNKNOWN	W911S8-15-2-0005	3,828
DOD JBLM Oak Pine	12.UNKNOWN	W911S8-15-2-0013	3,361
DOD JBLM Invasive 15-11	12.UNKNOWN	W911S8-15-2-0011	2,893
DOD JBLM Butterfly 15-09	12.UNKNOWN	W911S8-15-2-0009	473
DOD JBLM Nur Seed	12.UNKNOWN	W911S8-15-2-0015	333
			2,415,473
Beal AFB			
ACE/Auxilio Beale AFB	12.UNKNOWN	W91238-14-C-0044	26,426
Army Corp of Engineers - Columbia River			
DOD-Army Corp Eng Portland	12.UNKNOWN	W9127N-15-P-0044	58,138
DOD ACE Columbia Larks	12.UNKNOWN	W9127N-14-P-0096	36,971
			95,109
Total Regional Conservation Effort Program			2,537,008

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number		2015 Disbursements/ Expenditures
U.S. Department of Defense (DOD) - Continued:				
Army Compatible Use Buffer Program - Joint Base Lewis McChord				
RDECOM ACUB (NOTE C)	12.UNKNOWN	W911SR-06-2-0006		1,431,570
Total Department of Defense			$	3,968,578
U.S. Department of Agriculture (DOA):				
Environmental Quality Incentives Program				
NRCS Cavness	10.912	7405461203M	$	8,173
NRCS Kelly Ridge	10.912	720546131X5		4,014
Total Environmental Quality Incentives Program				12,187
Wildlife Habitat Incentive Program				
NRCS WHIP WH 2014-18	10.914	720546131WU		2,342
NRCS WHIP Scatter Creek	10.914	720546131WV		1,861
Total Wildlife Habitat Incentive Program				4,203
Total Department of Agriculture			$	16,390
U.S. Department of Interior (DOI):				
Partners for Fish and Wildlife				
USFWS Glacial 2013-15	15.631	F13AC00210	$	34,433
USFWS Fisher-McKenzie	15.631	F12AC01273		16,866
USFWS Wolf Haven 2013-15	15.631	F13AC00209		14,463
USFWS Chehalis Knotweed	15.631	F13AC00324		13,774
USFWS Cavness 15-18	15.631	F15AC00454		10,937
USFWS Tenalquot 2012	15.631	F12AC00390		8,605
USFWS Cavness 2012-2013	15.631	F12AC00895		7,254
USFWS Scatter Creek 2013-17	15.631	F13AC00811		5,765
USFWS Mahan TC 2013-17	15.631	F13AC00383		4,364
USFWS Ambrosia	15.631	81430-7-J025		522
USFWS Glacial Heritage	15.631	13410BJ036		18
Total Partners for Fish and Wildlife				117,001
State Wildlife Grants				
Passed through Washington Department Fish and Wildlife:				
USFWS/WDFW SWG phase I (Note C)	15.634	F12AP01093		249,279
USFWS/WDFW SWG phase II (Note C)	15.634	F14AP00801		29,006
Total State Wildlife Grants				278,285

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number		2015 Disbursements/ Expenditures
U.S. Department of Interior (DOI) - Continued:				
Endangered Species Conservation Recovery Implementation Funds				
USFWS Nat Plants 2013-15 (Note C)	15.657	F13AC00255		42,786
USFWS Nat Plants 15-17	15.657	F15AC00636		15,884
USFWS Cooperative Recovery	15.657	F14AC00487		4,892
USFWS Lark Conservation Strategy	15.657	F14AC00838		3,638
USFWS Deschutes Prairie	15.657	F14AC00641		3,753
USFWS Prescribed Burn	15.657	F14AP00681		3,088
USFWS Nat Plants NPS	15.657	F15AC00639		1,656
USFWS Reg Native Plant 2012-14	15.657	13410BJ043		332
USFWS SHL Analyses	15.657	F15AV00554		237
				76,266
Passed through Pacific Rim Institute:				
USFWS/PRI CALE 2013-14 (Note C)	15.657	CALE-3-CNLM-1		36,226
Total Endangered Species Conservation Recovery Implementation Funds				112,492
Endangered Species - Candidate Conservation Action Funds				
USFWS Columbia Lark 2012	15.660	F12AC00834		7,706
Total Department of Interior			$	515,484
Total Federal Expenditures			$	4,500,451

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2015

NOTE A: **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Center for Natural Lands Management under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Center for Natural Lands Management, it is not intended to and does not present the financial position, changes in net assets or cash flows of Center for Natural Lands Management.

NOTE B: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C: **SUB RECIPIENTS**

Of the federal expenditures presented in the Schedule, Center for Natural Lands Management provided federal awards to sub recipients for the year ended September 30, 2015 as follows:

CFDA No.	Program Name/Identification	Sub Recipient	Amount Provided to Sub Recipients
12.UNKNOWN	RDECOM ACUB	University of Washington	$ 52,966
15.657	USFWS/PRI CALE 2013-14	University of Washington	2,700
15.657	USFWS Nat Plnts 2013-15	University of Washington	2,726
Total University of Washington			58,392
15.634	USFWS/WDFW SWG	Washington Dept. of Veteran Affairs	2,469
12.UNKNOWN	RDECOM ACUB	Washington Dept. of Veteran Affairs	22,746
Total WA Dept of Veteran Affairs			25,215
12.UNKNOWN	RDECOM ACUB	WA Dept of Fish and Wildlife	210,228
12.UNKNOWN	RDECOM ACUB	WA Dept of Natural Resources	45,360
15.634	USFWS/WDFW SWG	American Bird Conservancy	27,477
15.634	USFWS/WDFW SWG	Benton County	71,670
15.634	USFWS/WDFW SWG	Greenbelt Land Trust	12,384
15.634	USFWS/WDFW SWG	Institute for Applied Ecology	6,145
15.634	USFWS/WDFW SWG	Metro	14,761
15.634	USFWS/WDFW SWG	San Juan County Land Bank	1,129
Total passed through to subrecipients			$ 472,761

CENTER FOR NATURAL LANDS MANAGEMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2015

Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	*Unqualified*
Internal control over financial reporting:	
• Material weakness identified?	*NO*
• Significant deficiency identified that is not considered to be a material weakness?	*None reported*
Noncompliance material to financial statements noted?	*None noted*

Federal Awards	
Internal control over major program:	
• Material weakness identified?	*NO*
• Significant deficiency identified that is not considered to be a material weakness?	*NO*
Type of auditor's report issued on compliance for major program:	*Unqualified*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	*No*
Major Program: Army Compatible Use Buffer Program-RDECOM ACUB	*CFDA 12.UNKNOWN*
Dollar threshold used to distinguish between type A and type B programs:	*$300,000*
Auditee qualified as a low-risk auditee?	*YES*

Section II -Financial Statement Findings

None noted.

Section III -Findings and Questioned Costs

None noted.

Section IV -Status of Corrective Action on Prior Year Findings

None noted.