CENTER FOR NATURAL LANDS MANAGEMENT

FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 and 2022

AND REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED SEPTEMBER 30, 2023

CENTER FOR NATURAL LANDS MANAGEMENT

Contents

SEPTEMBER 30, 2023 AND 2022

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Center for Natural Lands Management (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Center for Natural Lands Management as of September 30, 2023 and 2022, 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.

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 Center for Natural Lands Management and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended September 30, 2023, the Organization adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibility 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 Center for Natural Lands Management's ability to continue as a going concern within 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Center for Natural Lands Management'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 Center for Natural Lands Management'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.

Supplementary Information

Our audit was 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 Title 2 U.S. *Code of Federal Regulations 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 27, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Center for Natural Lands Management's 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.

Abbott, Stringham & Lynch

March 27, 2024

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF FINANCIAL POSITION

Assets

	September 30, 2023	September 30, 2022
Current assets:		
Cash and cash equivalents	$ 1,973,005	$ 3,637,079
Money market funds	2,516,104	2,220,227
Accounts receivable, net	559,829	383,693
Unbilled contract costs	-	76,752
Prepaid expenses	130,547	47,124
Funds held for others	28,020,447	18,885,147
Total current assets	33,199,932	25,250,022
Investments	160,940,977	142,530,378
Land and conservation easements	95,011,055	95,011,055
Property and equipment, net	299,070	262,567
Operating lease right-of-use asset	29,428	-
	$289,480,462	$ 263,054,022

Liabilities and Net Assets

	September 30, 2023	September 30, 2022
Current liabilities:		
Accounts payable	$ 207,037	$ 321,364
Funds held for others	28,020,447	18,885,147
Accrued expenses	538,456	418,695
Operating lease liability	29,428	-
Retirement benefit payable, current portion	94,708	99,695
Total current liabilities	28,890,076	19,724,901
Retirement benefit payable, non-current	1,202,714	1,204,017
Total liabilities	30,092,790	20,928,918
Net assets:		
Without donor restrictions	11,085,331	8,510,238
With donor restrictions	248,302,341	233,614,866
Total net assets	259,387,672	242,125,104
	$289,480,462	$ 263,054,022

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF ACTIVITIES

	Year Ended September 30, 2023			Year Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and income:						
Support:						
Grants and donations	$ 540,205	$ 127,546	$ 667,751	$ 1,173,409	$ 43,396	$ 1,216,805
Endowment and related support	-	194,066	194,066	-	-	-
Total support	540,205	321,612	861,817	1,173,409	43,396	1,216,805
Program services revenue:						
Preserve management	1,179,029	34,811	1,213,840	1,129,981	28,951	1,158,932
Property analysis	1,539,786	-	1,539,786	1,041,718	-	1,041,718
Account management	463,878	-	463,878	473,935	-	473,935
Seed production	230,378	-	230,378	109,887	-	109,887
Total program services revenue	3,413,071	34,811	3,447,882	2,755,521	28,951	2,784,472
Net investment income (loss)	1,438,314	19,694,231	21,132,545	(1,388,891)	(18,176,466)	(19,565,357)
Other income	10,350	-	10,350	-	-	-
Net assets released from restrictions	5,363,179	(5,363,179)	-	5,301,256	(5,301,256)	-
Total support, revenue and income	10,765,119	14,687,475	25,452,594	7,841,295	(23,405,375)	(15,564,080)
Expenses:						
Program services:						
Preserve related	4,801,305	-	4,801,305	5,046,180	-	5,046,180
Grant related	521,439	-	521,439	972,792	-	972,792
Acquisitions and other services	1,194,453	-	1,194,453	810,366	-	810,366
Total program services	6,517,197	-	6,517,197	6,829,338	-	6,829,338
Management and general	1,612,727	-	1,612,727	1,587,291	-	1,587,291
Fundraising	60,102	-	60,102	60,128	-	60,128
Total expenses	8,190,026	-	8,190,026	8,476,757	-	8,476,757
Change in net assets	2,575,093	14,687,475	17,262,568	(635,462)	(23,405,375)	(24,040,837)
Net assets, beginning of year	8,510,238	233,614,866	242,125,104	9,145,700	257,020,241	266,165,941
Net assets, end of year	$ 11,085,331	$248,302,341	$259,387,672	$ 8,510,238	$233,614,866	$242,125,104

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

	Program Services					
	Preserve Related	Grant Related	Acquisitions and Other Services	Management and General	Fundraising	Total
Personnel expenses:						
Wages	$ 1,571,850	$ 204,952	$ 602,328	$ 1,111,528	$ 42,187	$ 3,532,845
Benefits	269,750	35,172	103,367	179,288	7,240	594,817
Payroll taxes	130,937	17,073	50,175	86,059	3,514	287,758
Total personnel expenses	1,972,537	257,197	755,870	1,376,875	52,941	4,415,420
Management fees	1,292,443	-	-	-	-	1,292,443
Contracted services	610,778	184,945	236,343	19,049	-	1,051,115
Supplies and equipment	263,978	28,909	129,462	25,563	-	447,912
Occupancy	70,719	10,007	42,724	85,489	1,898	210,837
Taxes on investment income	89,423	-	-	-	-	89,423
Insurance	96,678	6,471	984	26,788	-	130,921
Vehicles	111,341	-	-	-	-	111,341
Depreciation	101,958	-	3,643	3,359	-	108,960
Professional services	65,906	15,200	-	9,256	-	90,362
Travel	37,684	9,672	3,862	15,040	-	66,258
Dues, fees, licenses	31,363	-	12,481	3,870	2,171	49,885
Software/cloud computing	13,861	1,807	5,311	24,480	720	46,179
Property and B&O taxes	22,891	5,544	1,757	885	-	31,077
Sponsored conferences and meetings	11,411	-	-	13,866	-	25,277
Office expenses	8,334	686	2,016	6,743	141	17,920
Other	-	-	-	1,464	2,231	3,695
Subawards	-	1,001	-	-	-	1,001
	$ 4,801,305	$ 521,439	$ 1,194,453	$ 1,612,727	$ 60,102	$ 8,190,026

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022

	Program Services					
	Preserve Related	Grant Related	Acquisitions and Other Services	Management and General	Fundraising	Total
Personnel expenses:						
Wages	$ 1,439,621	$ 291,733	$ 424,699	$ 1,070,492	$ 42,989	$ 3,269,534
Benefits	231,125	46,837	68,184	164,237	6,902	517,285
Payroll taxes	118,943	24,103	35,089	81,966	3,552	263,653
Total personnel expenses	1,789,689	362,673	527,972	1,316,695	53,443	4,050,472
Contracted services	975,847	267,112	162,815	57,873	-	1,463,647
Management fees	1,316,081	-	-	-	-	1,316,081
Supplies and equipment	276,898	67,578	73,601	21,329	-	439,406
Subawards	-	206,941	-	-	-	206,941
Taxes on investment income	201,157	-	-	5,095	-	206,252
Occupancy	62,924	20,598	23,572	78,748	1,879	187,721
Insurance	89,702	4,855	503	30,166	-	125,226
Vehicles	108,028	-	-	-	-	108,028
Depreciation	97,247	-	3,643	-	-	100,890
Travel	32,512	18,044	1,179	7,930	-	59,665
Professional services	25,650	14,725	-	14,410	-	54,785
Dues, fees and licenses	28,397	110	12,146	2,707	1,997	45,357
Software/cloud computing	10,408	2,109	3,070	22,013	659	38,259
Sponsored conferences and meetings	23,092	-	-	7,519	-	30,611
Office expenses	8,548	1,029	1,497	6,426	152	17,652
Other	-	-	-	15,065	1,998	17,063
Property and B&O taxes	-	7,018	368	1,315	-	8,701
	$ 5,046,180	$ 972,792	$ 810,366	$ 1,587,291	$ 60,128	$ 8,476,757

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 17,262,568	$(24,040,837)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	108,960	100,890
Non-cash operating lease expense	30,000	-
Contributions restricted for preserve management and endowments	(194,066)	-
Realized and unrealized (gain) loss on investments	(22,335,222)	18,009,188
Changes in operating assets and liabilities:		
Accounts receivable, net	(176,136)	(1,509)
Unbilled contract costs	76,752	171,797
Prepaid expenses	(83,423)	1,109
Accounts payable	(114,327)	70,335
Operating lease liability	(30,000)	-
Accrued expenses	119,761	57,740
Retirement benefit payable	(6,290)	(169)
Net cash used in operating activities	(5,341,423)	(5,631,456)
Cash flows from investing activities:		
Purchase of property and equipment	(145,463)	(51,402)
Proceeds from sale of money market funds	4,323,362	9,817,943
Purchase of money market funds	(4,619,239)	(7,408,433)
Proceeds from sale of investments	212,244,997	4,437,824
Purchase of investments	(208,320,374)	(1,063,705)
Net cash provided by investing activities	3,483,283	5,732,227
Cash flows from financing activities:		
Contributions restricted for preserve management and endowments	194,066	-
Net cash provided by financing activities	194,066	-
Net change in cash and cash equivalents	(1,664,074)	100,771
Cash and cash equivalents, beginning of year	3,637,079	3,536,308
Cash and cash equivalents, end of year	$ 1,973,005	$ 3,637,079
Supplemental disclosure of cash flows information:		
Cash paid for taxes on investment income	$ 171,751	$ 206,252

Note 1 - Nature of operations

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.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

> *Without donor restrictions* - these net assets represent resources over which the Organization has discretionary control and that are not restricted by donor-imposed stipulations.
>
> *With donor restrictions* - these net assets represent resources whose use by the Organization is limited by grant/donor-imposed stipulations that are restricted for a specific purpose or restricted for perpetuity. When a donor restriction expires, that is, when a stipulated purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities. Earnings from endowment funds are restricted to maintain the lands and are released from restrictions and transferred to net assets without donor restriction when land maintenance and monitoring costs are incurred.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates used in preparing these financial statements include the allowance for doubtful accounts, the fair value of investments, the value of donated professional services and property, including conservation easements, the depreciable lives of assets, seed inventory values, lease terms and risk-free rate, valuation of retirement benefit payable, revenue recognition, functional expense allocations, and allocation of investment income to endowments. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of balances on hand and on deposit in banks and other financial institutions, and short-term investments. The Organization considers all highly liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents.

Note 2 - Summary of significant accounting policies (continued)

Money market funds

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restriction unless their use has been restricted by donors. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses. 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 as well as private equity funds at net asset value (NAV). See Note 5 for discussion of fair value measurements.

Accounts receivable

Accounts receivable represent service revenue receivables and expenditures for which reimbursement has been requested but not yet received. Accounts receivable are written off against the allowance after all means of collections have been exhausted and the potential recovery is considered remote. The Organization has a consistent collection record and, based on the quality of the customer accounts and past history, management has evaluated accounts receivable and is not aware of any issues that would impact the collectability of existing accounts receivable. Management believes that an adequate allowance for doubtful accounts receivable has been provided. At September 30, 2023 and 2022, the allowance for doubtful accounts was $3,248.

Revenue recognition - contributions

Contributions

Revenue and support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is fulfilled by actions of the Organization in the reporting period in which the revenue and support is recognized. All other donor-restricted revenue and support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires or is fulfilled by actions of the Organization, net assets with donor restrictions are released to net assets without donor restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the potential donor, and are recognized as assets and revenue when the conditions are substantially met and the contributions become unconditional. As of September 30, 2023 and 2022, there were no conditional contributions.

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition - contributions (continued)

Contributed goods and services

The Organization records various types of in-kind support including professional services, donated goods, and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses, or in the case of long-term benefits, over the period benefited.

Volunteers contribute valuable amounts of time to the Organization's program services, however, the financial statements do not reflect the value of these contributed services as they do not meet recognition criteria prescribed by GAAP. Contributed services received from volunteers, but not recognized, totaled approximately $19,000 and $15,000 at September 30, 2023, and 2022, respectively.

Land and conservation easements

The Organization acquires environmentally protected land or conservation land easements through grants or by purchase with donated funds. Land grants are stated at estimated fair value. Purchased land is stated at cost. The properties are permanently restricted for environmental purposes and cannot be used for commercial purposes.

The Organization receives contributions that require the establishment of endowment funds to provide for the care and management of the properties. These funds are invested in order to provide investment income for expenditures related to maintaining and managing environmentally protected lands. The land and endowment funds are included in net assets with donor restriction.

Easements acquired by the Organization are conservation easements and contain numerous restrictions over the use and development of land managed by the Organization. Easements acquired by either donation, contribution or purchase are capitalized at the appraised value. The Organization monitors activities on the land and enforces easement restrictions.

Revenue recognition - contracts with customers

The Organization's program services revenue is derived primarily from providing habitat management, property analysis, and preserves endowment management services, under time and material contracts. The Organization recognizes these contract revenues over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Habitat management contracts are accounted for separately as a single unit of account (a single performance obligation). These contracts are for habitats and properties along the West Coast of the United States.

The Organization also generates revenue from the sale of seed inventory to customers in the Pacific Northwest region of the United States. Revenue from the sale of seed inventory is recognized at a point in time at the time of delivery. The opening balance as of September 30, 2021 of accounts receivable and unbilled contract costs was $382,184 and $248,549, respectively.

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition - contracts with customers (continued)

Substantially all of these arrangements are short-term in nature and do not have any significant financing components as payment is received at or shortly after the request for payment is issued. In addition, contracts do not contain variable considerations.

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 net assets with donor restriction. A portion of earnings are transferred monthly from with donor restriction to without donor restriction to cover expense associate with management of properties.

Property, equipment and depreciation

Property and equipment are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Property and equipment are depreciated using the straight-line method over estimated useful lives, or in the case of capitalized lease assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Property and equipment purchased with grant funds are expensed when purchased as the government agency retains legal title to the asset during the term of the contract or grant. The Organization capitalizes equipment with a cost of $5,000 or greater. Repairs and maintenance costs are expensed in the year incurred.

The estimated useful lives of the related assets are as follows:

Equipment	3-10 years
Vehicles	5 years

Tax-exempt status

The Organization is considered to be a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from state tax under State of California Revenue and Taxation Code Section 23701(d). Only unrelated business income is subject to federal and state income tax. Some of the Organization’s investment income is earned through private equity funds. A portion of the income passed through to the Organization from these funds is considered unrelated business income and is subject to tax. See Note 13.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

Note 2 - Summary of significant accounting policies (continued)

Tax-exempt status (continued)

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for year ended September 30, 2020 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended September 30, 2019 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed. The Organization's Exempt Organization Business Income Tax Returns (Form 990-T and Form 109) are subject to examination for the year ended September 30, 2019 and after.

Allocation of functional expenses

The costs of providing the various program and management and general services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and management and administrative services benefited. Costs identified with a specific program are charged as direct costs to the applicable program. Indirect costs have been allocated among the programs or services benefited based on personnel time.

Leases - recently adopted accounting guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance, Accounting Standards Codification (ASC) Topic 842, *Leases,* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after, October 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for the Organization's existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital lease or operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on October 1, 2022, a lease liability of $57,643, which represents the present value of the remaining operating lease payments of $60,000, discounted using the risk-free rate of 4.22%, and right-of-use asset of $57,643. The effect of adopting the new standard did not require any adjustment to retained earnings as of October 1, 2022.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use asset and operating lease liabilities on the statements of financial position. Right-of-use asset represents the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

Note 2 - Summary of significant accounting policies (continued)

Leases - recently adopted accounting guidance (continued)

Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, management uses the risk-free interest rate based on the information available at the commencement date in determining the present value of the lease payments. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonable certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

New accounting pronouncements - not yet adopted

In 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activity will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year beginning October 1, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

Subsequent events

The Organization has evaluated subsequent events through March 27, 2024, which is the date these financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditure within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

	September 30, 2023	September 30, 2022
Financial assets:		
Cash and cash equivalents	$ 1,973,005	$ 3,637,079
Money market funds	2,516,104	2,220,227
Investments	160,940,977	142,530,378
Accounts receivable, net	559,829	383,693
Unbilled contract costs	-	76,752
Total financial assets	165,989,915	148,848,129
Less:		
Restricted by donors for a specific purpose or for perpetuity	(153,291,286)	(138,603,811)
Operating liabilities	(869,629)	(839,754)
	(154,160,915)	(139,443,565)
Total financial assets available within one year	11,829,000	9,404,564
Liquidity resources:		
Amounts available for preserve management	5,363,053	5,176,790
Amounts unavailable to management without Board approval (Note 12)	(1,834,688)	(1,297,670)
Total financial assets and liquidity resources available to management for general expenditures within one year	$ 15,357,365	$ 13,283,684

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization also maintains a line of credit to meet short-term needs (Note 8).

Note 4 - Investments

Investments consisted of the following at fair market value:

	September 30, 2023	September 30, 2022
Certificate of deposits	$ 749,060	$ -
U.S. Treasury Securities	751,015	-
Common Fund:		
Fidelity 500 Index Fund	63,607,035	-
State Street Global Equity Fund	27,173,447	24,436,470
Common Fund Credit Series	12,894,041	-
Common Fund High Quality Bond Fund	10,978,897	-
Common Fund REIT Portfolio, LLC	6,441,530	-
City National Rochdale Government Money Market	4,665,451	-
Cash	1,410,553	-
Fidelity International Treasury Bond Index Fund	1,352,416	-
Citi National Bank DDA	138,000	-
State Street S&P 500 Index Fund	-	69,669,583
Institutional Multi-Strategy Bond Fund	-	20,298,475
State Street U.S. Government Money Market	-	947,421
Private equity funds	54,697,682	41,994,971
Total investments	184,859,127	157,346,920
Less funds held for others (Note 10)	(23,918,150)	(14,816,542)
	$ 160,940,977	$ 142,530,378

Net investment income is presented net of investment fees of $48,413 and $79,727, respectively.

The Organization has committed to fund an additional $34 million for capital calls in private equity funds, if necessary. The Organization contributed approximately $14 million and $7.9 million for capital calls during the years ended September 30, 2023 and 2022, respectively.

Note 5 - Fair value measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Note 5 - Fair value measurements (continued)

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Money market funds have quoted market prices in active markets to preserve their value at $1 per share. Certificates of deposits and U.S. Treasury Securities are traded in active markets.

Level 2 - Includes other observable inputs, not included in Level 1, that are directly or indirectly observable in the marketplace. The fair value of the Fidelity 500 Index Fund, State Street Global Equity Fund, Common Fund Credit Series Fund, Common Fund High Quality Bond Fund, Common Fund REIT Portfolio, LLC Fund, City National Rochdale Government Money Market Fund, Fidelity International Treasury Bond Index Fund, Citi National Bank DDA Fund, Institutional Multi-Strategy Bond Fund, State Street U.S. Government Money Market Fund, and State Street S&P 500 Index Fund are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and on model-based valuation techniques, for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 - Unobservable inputs which are supported by little or no market activity.

Financial instruments included in the Organization’s statement of financial position are: cash and cash equivalents; money market funds; investments; donations, grants, and program fees receivable; other assets; and liabilities. The carrying amount of these instruments approximates their fair values.

No assets were classified as Levels 3 for the years ended September 30, 2023 or 2022. There have been no changes in the methodologies used at September 30, 2023.

The Organization uses the practical expedient to determine the fair value for some of its investments, which permits the use of Net Asset Value (NAV) without adjustment under certain circumstances. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below allow reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Private equity funds held by the Organization represent the ownership interest in the NAV of the respective partnership formed for the purpose of making international, domestic and real asset private equity investments. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. On the basis of its analysis of the nature, characteristics, and risk of the investments, the Organization has determined that presenting the private equity funds as a single class is appropriate.

Note 5 - Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization’s assets at fair value at September 30, 2023 and 2022, including $23,918,150 and $14,816,542 of funds held for others, respectively:

	Assets at Fair Value as of September 30, 2023		
	Level 1	Level 2	Total
Money market funds	$ 2,516,104	$ -	$ 2,516,104
Investments:			
Fidelity 500 Index Fund	-	63,607,035	63,607,035
State Street Global Equity Fund	-	27,173,447	27,173,447
Common Fund Credit Series	-	12,894,041	12,894,041
Common Fund High Quality Bond Fund	-	10,978,897	10,978,897
Common Fund REIT Portfolio, LLC	-	6,441,530	6,441,530
City National Rochdale Government Money Market	-	4,665,451	4,665,451
Cash	1,410,553	-	1,410,553
Fidelity International Treasury Bond Index	-	1,352,416	1,352,416
Certificate of deposits	749,060	-	749,060
U.S. Treasury Securities	751,015	-	751,015
Citi National Bank DDA	-	138,000	138,000
Private equity funds measured at net asset value (NAV)	-	-	54,697,682
Total investments	2,910,628	127,250,817	184,859,127
	$ 5,426,732	$ 127,250,817	$ 187,375,231

Note 5 - Fair value measurements (continued)

	Assets at Fair Value as of September 30, 2022		
	Level 1	Level 2	Total
Money market funds	$ 2,220,227	$ -	$ 2,220,227
Investments:			
State Street S&P 500 Index Fund	-	69,669,583	69,669,583
State Street Global Equity Fund	-	24,436,470	24,436,470
Institutional Multi-Strategy Bond Fund	-	20,298,475	20,298,475
State Street U.S. Government Money Market	-	947,421	947,421
Private equity funds measured at net asset value (NAV)	-	-	41,994,971
Total investments	-	115,351,949	157,346,920
	$ 2,220,227	$ 115,351,949	$ 159,567,147

Investments valued using NAV as a practical expedient are as follows:

	Fair Value as of September 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	$ 54,697,682	$ 34,074,835	N/A	N/A

	Fair Value as of September 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	$ 41,994,971	$ 33,933,175	N/A	N/A

Note 6 - Property and equipment

Property and equipment consisted of the following:

	September 30,	
	2023	2022
Vehicles	$ 892,695	$ 811,067
Equipment	79,740	52,715
	972,435	863,782
Less accumulated depreciation	(673,365)	(601,215)
	$ 299,070	$ 262,567

Note 6 - Property and equipment (continued)

Depreciation expense amounted to $108,960 and $100,890 for the years ended September 30, 2023 and 2022, respectively.

Note 7 - Operating lease

The Organization leases its office facility under a non-cancelable operating lease which expires in September 2024. Lease expense for the years ended September 30, 2023 and 2022 was $30,000, and $27,146, respectively.

Other information related to the operating lease for the year for the year ended September 30, 2023 is as follows:

Operating cash flows from operating leases	$	30,000
ROU assets obtained in exchange for new operating lease liabilities	$	57,643
Weighted-average remaining lease term in years for operating leases		1
Weighted-average discount rate for operating leases		4.22%

Future minimum lease payments are as follows:

For the Years Ending September 30,	Amount
2024	$ 30,000
Total undiscounted cash flows	30,000
Less: present value discount	(572)
Total lease liability	$ 29,428

For the year ended September 30, 2022, the Organization accounted for leases under the accounting guidance of FASB ASC Topic 840, requiring the disclosures of the future minimum operating lease payments as follows:

For the Years Ending September 30,	Amount
2023	$ 32,000
2024	32,000
2025	2,000
	$ 66,000

Note 8 - Line of credit

The Organization has a revolving $250,000 line of credit and a $50,000 overdraft protection line of credit with a bank that both expire June 28, 2024. Borrowings on the revolving line of credit are unsecured and bear interest at the bank's Prime Rate plus 2% (10.50% at September 30, 2023). Borrowings on the overdraft line of credit are unsecured and bear interest at the bank's Prime Rate plus 8% (16.5% at September 30, 2023). The Organization had no borrowings or outstanding balances under these agreements at September 30, 2023 or 2022.

Note 9 - 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:

	September 30,	
	2023	2022
Money market funds	$ 1,671,297	$ 1,732,560
U.S. Treasury Securities	2,431,000	2,336,045
Investments	23,918,150	14,816,542
	$ 28,020,447	$ 18,885,147

Note 10 - Retirement benefit payable

In December 2007, the Board of Directors approved a post-employment retirement benefit arrangement for the former Executive Director. The arrangement provides for a monthly retirement payment plus a contribution toward health insurance. The former Executive Director retired in December 2008. The estimated present value of these benefits at September 30, 2023 is $1,297,422, and is classified as follows: $94,708 as a current liability and $1,202,714 as a long-term liability as of September 30, 2023. At September 30, 2023 the Organization expensed $78,421 for benefits in relation to this arrangement.

The estimated present value of these benefits at September 30, 2022 is $1,303,712, and is classified as follows: $99,695 as a current liability and $1,204,017 as a long-term liability as of September 30, 2022. At September 30, 2022 the Organization expensed $78,421 for benefits in relation to this arrangement.

Note 11 - Net assets without donor restrictions

The Organization’s net assets without donor restriction is comprised of undesignated and board designated amounts for the following purposes:

	September 30,	
	2023	2022
Undesignated	$ 9,250,643	$ 7,212,568
Board designated for use on preserves	1,834,688	1,297,670
	$ 11,085,331	$ 8,510,238

The net assets without donor restriction designated by the Board for use on preserves are funds set aside by the Board to supplement donor restricted endowments in maintaining land preserves.

Note 12 - Net assets with donor restrictions and endowments

Net assets with donor restrictions include net assets restricted in perpetuity that consist of amounts initially established as endowments, land, or easements.

The endowments consist of stewardship funds received which are intended to produce a growing perpetual annuity sufficient to support the perpetual obligations on donor restricted donations of land or easements. Earnings on endowment funds are restricted for the specific purpose of maintaining land preserves.

The Organization’s Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restriction restricted in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as restricted for a specific purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and the investment policies of the Organization in making a determination to appropriate or accumulate donor-restricted endowment funds.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature existed in two donor-restricted endowment funds, which together had an original gift value of $842,300, a current fair value of $731,599, and a deficiency of $110,701 as of September 30, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the donor-restricted endowment funds were invested in accordance with the Organization’s investment policy. The Organization had no underwater endowments at September 30, 2023.

Note 12 - Net assets with donor restrictions and endowments (continued)

Investment and spending policy

The Organization has adopted an investment and spending policy 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 5% over the annual rate of inflation, without assuming too great a risk. The investment spending policy is 4.5% of the endowment balance or the inflation-adjusted annual budget used to calculate the required endowment, whichever is less. This allows an endowment to grow in periods of positive investment earnings and allows stewardship to continue in periods of negative earnings. 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.

Net assets with donor restriction consisted of the following:

	September 30,	
	2023	2022
Restricted for a specific purpose:		
Endowment earnings, including initial and capital funds	$ 79,659,793	$ 65,021,289
Land maintenance funds	465,509	458,006
Grant funds	463,611	585,955
Total restricted for a specific purpose	80,588,913	66,065,250
Restricted for perpetuity:		
Endowments	72,702,373	72,538,561
Land and easements	95,011,055	95,011,055
Total restricted for perpetuity	167,713,428	167,549,616
Total net assets with donor restriction	$ 248,302,341	$ 233,614,866

Land maintenance funds: These funds are designated for acquisition, enhancement and/or management of conservation properties.

Grant funds: These funds were received prior to completion of work specified under grant agreements.

Note 12 - Net assets with donor restrictions and endowments (continued)

Changes in endowment fund balances consisted of the following:

	Restricted for	
	Specific Purpose	Perpetuity
Beginning balances at October 1, 2021	$ 88,339,047	$ 72,538,561
Realized and unrealized loss on investments	(18,182,065)	-
Dividend and interest income	5,599	-
Endowment and related support	-	-
Preserve management	159,964	-
Release from restrictions	(5,301,256)	-
Ending balances at September 30, 2022	65,021,289	72,538,561
Realized and unrealized gain on investments	19,651,319	-
Dividend and interest income	42,912	-
Endowment and related support	30,254	163,812
Preserve management	43,486	-
Release from restrictions	(5,129,467)	-
Ending balances at September 30, 2023	$ 79,659,793	$ 72,702,373

Note 13 - Taxes on investment income

The Organization generated approximately $77,000 and $385,000 of unrelated business income from its investments in various private equity funds for the years ended September 30, 2023 and 2022, respectively. The unrelated business income is subject to federal income tax at a rate of 21% and California tax at a rate of 8.84%. For the years ended September 30, 2023 and 2022, the total unrelated business income tax expense was approximately $89,000 and $66,000, respectively. At September 30, 2023, the Organization has approximately $82,000 of prepaid taxes that are available to be offset against future tax liabilities.

During the year ended September 30, 2022 the Organization filed business income tax returns for the income generated by these funds for the years ended September 30, 2018 through September 30, 2020 with resulting tax expense of approximately $74,000.

Note 14 - 401(k) salary deferral plan

The Organization has a 401(k) Plan and employees may elect to make salary deferred contributions to the Plan. The Organization makes a safe-harbor matching contribution up to 3% of salary plus 50% of employees' contribution not to exceed 5% of compensation. The Organization made matching contributions of $93,806 and $78,889 for the years ended September 30, 2023 and 2022, respectively.

Note 15 - Concentrations, risks and uncertainties

The Organization maintains its cash and cash equivalents with high credit quality financial institutions which, at times, may be in excess of Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk with its cash accounts.

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 financial position.

The Organization is subject to other possible claims and lawsuits that may arise in the ordinary course of business activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in net assets, and cash flows of the Organization.

REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE

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 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 (the "Organization"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, 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 March 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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.

Abbott, Stringham & Lynch

March 27, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Center for Natural Lands Management's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2023. The Organization'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 Organization complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Organization 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 Organization'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 the Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 Organization'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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

Abbott, Stringham & Lynch

March 27, 2024

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Expenditures of Federal Awards

September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Defense			
Readiness and Environmental Protection Integration (REPI)			
Passed through Washington Department Fish and Wildlife:			
NFWF/WDFW	12.017	22-20656	$ 249,932
Naval Facilities Engineering Command, Southwest			
DON-PPPMouse EMP	12.UNKNOWN	N62473-20-2-0018	796,819
Total Readiness and Environmental Protection Integration (REPI)			1,046,751
Total United States Department of Defense			1,046,751
United States Department of Agriculture			
Wildlife Habitat Incentive Program			
Department of Agriculture	10.914	740546210QK	208
Total United States Department of Agriculture			208
United States Department of Interior			
Partners for Fish and Wildlife			
U-Pixley Vernal Pools	15.631	F19AC00540	1,916
U-Cholame Ranch	15.631	F22AC03122	339
U-Cavness Ranch V	15.631	F21AC02755	18,612
			20,867

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Expenditures of Federal Awards

September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Interior (continued)			
State Wildlife Grants			
Passed through Ecostudies Institute:			
USFWS/ESI	15.634	F22AP03264	222
Fish and Wildlife Coordination and Assistance Programs			
U-Ohlone Tiger Btl	15.664	F20AC00884	2,754
Endangered Species Conservation Recovery Implementation Funds			
U-SPS prairie Rest	15.657	F19AC00322	13,687
U-Eval Vernal Pool Species Northern California	15.657	F20AC00048	11,357
U-Golden Paintbrush	15.657	F22AP02095	35,680
			60,724
Passed through Ecostudies Institute:			
USFWS/ESI	15.657	F21AP02447	1,924
Central Valley Project Improvement Act			
Passed through Bureau of Reclamation	15.512	R20AP00281	31,724
Passed through Bureau of Reclamation	15.512	R17AP00242	30,618
			62,342
Total United States Department of Interior			148,833
Total Expenditures of Federal Awards			$ 1,195,792

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Schedule of Expenditures of Federal Awards

September 30, 2023

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect cost rate

At September 30, 2023, the Organization was reimbursed at the federally negotiated indirect cost rate of 24.33%.

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Schedule of Findings and Questioned Costs

September 30, 2023

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal awards

Internal control over major federal programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditor's report issued on compliance for major federal programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ yes	X no

Identification of major federal programs:

Federal assistance listing number(s)	Name of federal program or cluster
12.UNKNOWN	Naval Facilities Engineering Command, Southwest

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

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Schedule of Findings and Questioned Costs

September 30, 2023

Section II - Financial Statement Findings

No financial statement findings.

Section III - Federal Award Findings and Questioned Costs

No federal awards findings.

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Schedule of Prior Audit Findings

September 30, 2023

Status of prior year audit findings

The Organization did not have any audit findings for the year ended September 30, 2022.