

*Financial Statements and
Independent Auditor's Report of*

CENTER FOR NATURAL LANDS MANAGEMENT

September 30, 2017 and 2016

CENTER FOR NATURAL LANDS MANAGEMENT

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets - September 30, 2017	4
Statement of Activities and Changes in Net Assets - September 30, 2016	5
Statement of Functional Expenses - September 30, 2017	6
Statement of Functional Expenses - September 30, 2016	7
Statements of Cash Flows	8 and 9
Notes to Financial Statements	10 – 21
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 <i>Government Auditing Standards</i>	22 and 23
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24 and 25
Schedule of Expenditures of Federal Awards	26 - 29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31



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, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, 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.

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, 2017 and 2016, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 6, 2018, 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 6, 2018

Roseville, California

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	ASSETS	
	2017	2016
Assets:		
Cash and cash equivalents	\$ 623,370	\$ 664,098
Money market funds	2,871,932	2,623,830
Accounts receivable, net of \$1,554 allowance for doubtful accounts in 2017 and 2016	835,773	1,036,387
Incurred expenditures to be billed	324,847	83,422
Prepaid expenses	40,435	41,789
Total current assets	4,696,357	4,449,526
Investments	96,286,300	84,935,482
Funds held for others	16,054,465	13,634,281
Land and conservation easements	52,277,091	52,277,091
Fixed assets and computer software, net	110,043	64,174
Other assets	133,705	1,759
Total assets	\$ 169,557,961	\$ 155,362,313
	LIABILITIES AND NET ASSETS	
Liabilities:		
Accounts payable	\$ 431,520	\$ 542,922
Accrued expenses	457,795	425,099
Total current liabilities	889,315	968,021
Funds held for others	16,054,465	13,634,281
Other long-term liabilities	1,211,465	1,219,956
Total liabilities	18,155,245	15,822,258
Commitments		
Net Assets:		
Unrestricted	1,045,185	699,463
Temporarily restricted	44,784,531	36,028,855
Permanently restricted	105,573,000	102,811,737
Total net assets	151,402,716	139,540,055
Total liabilities and net assets	\$ 169,557,961	\$ 155,362,313

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and income:				
Public support:				
Grants and donations	\$ 3,281,565	\$ 147,583	\$ -	\$ 3,429,148
Endowment and related support	-	19,727	2,761,263	2,780,990
Program services:				
Preserve management	543,433	32,453	-	575,886
Property analysis	552,138	-	-	552,138
Account management	342,857	-	-	342,857
Dividend and interest income	2	703,588	-	703,590
Gain on disposal of fixed assets	7,000	-	-	7,000
Realized and unrealized gain on investments	-	10,822,397	-	10,822,397
Net assets released from restriction	<u>2,970,072</u>	<u>(2,970,072)</u>	<u>-</u>	<u>-</u>
Total support and income	<u>7,697,067</u>	<u>8,755,676</u>	<u>2,761,263</u>	<u>19,214,006</u>
Expenses:				
Program services:				
Grant related	3,131,677	-	-	3,131,677
Preserve related	2,491,938	-	-	2,491,938
Acquisitions and other services	319,966	-	-	319,966
Software development	<u>26,245</u>	<u>-</u>	<u>-</u>	<u>26,245</u>
Total program services	<u>5,969,826</u>	<u>-</u>	<u>-</u>	<u>5,969,826</u>
Management and administration	<u>1,381,519</u>	<u>-</u>	<u>-</u>	<u>1,381,519</u>
Total expenses	<u>7,351,345</u>	<u>-</u>	<u>-</u>	<u>7,351,345</u>
Change in net assets	345,722	8,755,676	2,761,263	11,862,661
Net assets, beginning of year	<u>699,463</u>	<u>36,028,855</u>	<u>102,811,737</u>	<u>139,540,055</u>
Net assets, end of year	<u>\$ 1,045,185</u>	<u>\$ 44,784,531</u>	<u>\$ 105,573,000</u>	<u>\$ 151,402,716</u>

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and income:				
Public support:				
Grants and donations	\$ 3,846,046	\$ 10,321,879	\$ -	\$ 14,167,925
Real property	-	-	126,350	126,350
Endowment and related support	-	617,749	2,901,623	3,519,372
Program services:				
Preserve management	499,160	43,101	-	542,261
Property analysis	579,353	-	-	579,353
Account management	257,560	-	-	257,560
Dividend and interest income	2	1,036,160	-	1,036,162
Realized and unrealized gain on investments	-	4,558,835	-	4,558,835
Net assets released from restriction	<u>2,606,417</u>	<u>(2,606,417)</u>	<u>-</u>	<u>-</u>
Total support and income	<u>7,788,538</u>	<u>13,971,307</u>	<u>3,027,973</u>	<u>24,787,818</u>
Expenses:				
Program services:				
Grant related	3,556,288	-	-	3,556,288
Preserve related	2,312,904	-	-	2,312,904
Acquisitions and other services	320,362	-	-	320,362
Software development	<u>11,744</u>	<u>-</u>	<u>-</u>	<u>11,744</u>
Total program services	<u>6,201,298</u>	<u>-</u>	<u>-</u>	<u>6,201,298</u>
Management and administration	<u>1,438,036</u>	<u>-</u>	<u>-</u>	<u>1,438,036</u>
Total expenses	<u>7,639,334</u>	<u>-</u>	<u>-</u>	<u>7,639,334</u>
Change in net assets	149,204	13,971,307	3,027,973	17,148,484
Net assets, beginning of year	<u>550,259</u>	<u>22,057,548</u>	<u>99,783,764</u>	<u>122,391,571</u>
Net assets, end of year	<u>\$ 699,463</u>	<u>\$ 36,028,855</u>	<u>\$ 102,811,737</u>	<u>\$ 139,540,055</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

	Program Services				Management and Administration	Total
	Grant Related	Preserve Related	Acquisitions and Other Services	Software Development		
Personnel Expenses:						
Wages	\$ 1,564,305	\$ 876,706	\$ 150,869	\$ -	\$ 947,274	\$ 3,539,154
Benefits	304,889	170,873	29,405	-	179,805	684,972
Payroll taxes	<u>126,078</u>	<u>70,660</u>	<u>12,160</u>	<u>-</u>	<u>71,276</u>	<u>280,174</u>
Total personnel expenses	<u>1,995,272</u>	<u>1,118,239</u>	<u>192,434</u>	<u>-</u>	<u>1,198,355</u>	<u>4,504,300</u>
Management fees	-	752,687	-	-	-	752,687
Contracted services	315,250	285,354	78,830	16,400	13,663	709,497
Supplies and equipment	210,914	126,523	41,209	-	7,487	386,133
Subawards	308,969	-	-	-	-	308,969
Occupancy	88,963	24,551	4,225	-	54,781	172,520
Travel	79,530	16,747	1,680	17	12,667	110,641
Insurance	40,657	32,076	-	-	26,839	99,572
Property and B&O Taxes	42,810	16,202	-	-	245	59,257
Vehicles	-	40,083	-	-	-	40,083
Software/cloud computing	11,658	6,478	1,115	80	20,501	39,832
Professional services	13,970	13,273	-	-	11,292	38,535
Dues, fees, licenses	8,789	12,369	-	9,748	7,107	38,013
Depreciation and amortization	-	29,439	-	-	3,878	33,317
Sponsored conferences and meetings	4,154	9,829	-	-	13,093	27,076
Office expenses	10,741	8,088	473	-	7,049	26,351
Other	-	-	-	-	3,972	3,972
Public relations/publishing	-	-	-	-	590	590
	<u>\$ 3,131,677</u>	<u>\$ 2,491,938</u>	<u>\$ 319,966</u>	<u>\$ 26,245</u>	<u>\$ 1,381,519</u>	<u>\$ 7,351,345</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2016

	Program Services				Management and Administration	Total
	Grant Related	Preserve Related	Acquisitions and Other Services	Software Development		
Personnel Expenses:						
Wages	\$ 1,534,824	\$ 789,873	\$ 158,247	\$ -	\$ 985,335	\$ 3,468,279
Benefits	282,270	145,266	29,103	-	176,628	633,267
Payroll taxes	<u>122,850</u>	<u>63,223</u>	<u>12,666</u>	-	<u>73,656</u>	<u>272,395</u>
Total personnel expenses	<u>1,939,944</u>	<u>998,362</u>	<u>200,016</u>	-	<u>1,235,619</u>	<u>4,373,941</u>
Contracted services	493,481	270,667	79,824	11,600	24,511	880,083
Management fees	-	673,605	-	-	-	673,605
Supplies and equipment	312,063	147,745	31,926	-	22,751	514,485
Subawards	489,767	-	-	-	-	489,767
Occupancy	83,573	22,836	4,575	-	55,312	166,296
Travel	86,673	21,699	2,246	144	14,722	125,484
Insurance	40,833	40,603	-	-	9,826	91,262
Property and B&O Taxes	59,898	10,361	-	-	282	70,541
Software/cloud computing	12,341	6,229	1,248	-	21,680	41,498
Depreciation and amortization	-	34,852	-	-	4,240	39,092
Vehicles	-	34,994	-	-	-	34,994
Professional services	10,000	18,700	-	-	736	29,436
Dues, fees, licenses	7,280	16,227	-	-	5,661	29,168
Office expenses	10,573	8,969	527	-	6,733	26,802
Sponsored conferences and meetings	9,862	5,560	-	-	10,925	26,347
Public relations/publishing	-	1,495	-	-	20,288	21,783
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,750</u>	<u>4,750</u>
	<u>\$ 3,556,288</u>	<u>\$ 2,312,904</u>	<u>\$ 320,362</u>	<u>\$ 11,744</u>	<u>\$ 1,438,036</u>	<u>\$ 7,639,334</u>

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, 2017 and 2016

	2017	2016
Cash Flows provided by Operating Activities:		
Unrestricted cash received from donors, grants and support	\$ 4,679,182	\$ 5,361,754
Donor restricted cash received from donors, grants and support	199,763	606,379
Cash received from restricted funds	2,970,072	2,606,417
Cash paid to grantees, suppliers and employees	(7,535,769)	(7,652,745)
Dividends and interest received	703,590	1,036,162
Cash paid for interest	(48)	(161)
Cash provided by operating activities	1,016,790	1,957,806
Cash Flows used for Investing Activities:		
Purchase of fixed assets	(79,186)	-
Proceeds received on disposal of fixed assets	7,000	-
Purchase of money market funds	(248,102)	(1,207,218)
Net purchase of investments	(3,498,493)	(14,138,183)
Cash used for investing activities	(3,818,781)	(15,345,401)
Cash Flows provided by Financing Activities:		
Cash received for endowments	2,761,263	2,901,623
Proceeds restricted for land purchases	-	10,376,350
Cash provided by financing activities	2,761,263	13,277,973
Net decrease in cash and cash equivalents	(40,728)	(109,622)
Cash and cash equivalents, beginning of year	664,098	773,720
Cash and cash equivalents, end of year	\$ 623,370	\$ 664,098

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, 2017 and 2016

Reconciliation of Change in Net Assets to Cash

Provided by Operating Activities

Change in net assets	\$ 11,862,661	\$ 17,148,484
Adjustments to reconcile:		
Depreciation and amortization	33,317	39,092
Donated land	-	(126,350)
Restricted for land purchases	-	(10,376,350)
Restricted cash for endowments	(2,761,263)	(2,901,623)
Post retirement benefit obligation	(8,491)	(5,766)
Gain on disposal of fixed assets	(7,000)	-
Cash received from restricted funds	2,970,072	2,606,417
Realized and unrealized gain on investments	(10,822,397)	(4,558,835)
(Increase) decrease in assets:		
Accounts receivable	200,614	231,504
Incurred expenditures to be billed	(241,425)	(29,164)
Prepaid expenses	1,354	(16,536)
Other assets	(131,946)	952
Increase (decrease) in liabilities:		
Accounts payable	(111,402)	(99,966)
Accrued expenses	32,696	68,652
Deferred income	-	(22,705)
Cash provided by operating activities	<u>\$ 1,016,790</u>	<u>\$ 1,957,806</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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 and land acquisition funds.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources whereby the Organization’s use 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 for the care and management of specific properties and specific purposes.

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

Investments

Investments are stated at estimated fair market value. Realized and unrealized gains and losses are recorded in the period in which they occur and are reported as investment income or loss. 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 Incurred Expenditures to be Billed

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 good 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, 2017 and 2016, the allowance for doubtful accounts was \$1,554.

In accordance with the terms of applicable grant awards, grant and donation revenue is recognized when services are performed and related reimbursable expenses are incurred. Incurred expenditures to be billed represents service revenues that have been earned, but are not yet billed.

Conservation Easements

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 appraised value. The Organization monitors activities on the land and enforces easement restrictions.

In-Kind Donations

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

Revenue Recognition

Revenue is recognized when earned. The Organization recognizes specific contract and grant revenue when the related expenses have been incurred in compliance with the contract and grant agreements. Contributions and support received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of any donor imposed restrictions.

Volunteers contribute significant 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 generally accepted accounting principles. Contributed services received, but not recognized, totaled \$108,348 and \$93,744 at September 30, 2017 and 2016, respectively.

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

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. The Organization is however subject to income taxes from activities unrelated to its 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, 2017, 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. The Organization is open to examination for the previous three (Federal) and four (State) years by various tax authorities.

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 for the management of properties to the Organization. In accordance with the 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.

Fixed Assets and Computer Software

Fixed assets and computer software 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, or in the case of capitalized lease assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Fixed assets 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.

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.

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

Functional Allocation of Expenses

The costs of providing the various program and management and administrative services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statements of Functional Expenses present 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 of various programs or services have been allocated among the programs or services benefited based on personnel time.

Reclassifications

Certain reclassifications were made to the prior year financial statements to comply with current year presentation. The most significant changes related to the presentation of expenses in the Statement of Activities and Changes in Net Assets. The reclassifications had no impact on the previously reported net assets.

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 private equity investments, allocation of investment income to endowments, and the allowance for doubtful accounts. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new accounting standard modifies the information provided to donors, grantors, and other users of the financial statements by eliminating the distinction between resources with permanent and temporary restrictions, requiring the use of the placed-in-service approach for reporting gift restrictions and enhancing disclosures. Application of this statement is effective for the year ending September 30, 2019. Early adoption is permitted. The Organization is currently evaluating the impact adoption of the new standard will have on its financial statements.

In May 2015, the FASB issued ASU No 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The new accounting standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The standard also removes the requirement for certain investment disclosures. The Organization adopted ASU No. 2015-07 for the fiscal year ended September 30, 2017 and the provisions have been retrospectively applied to the prior period presented.

NOTE 2: INVESTMENTS

Investments are held in Common Fund and Citi Wealth Management. Investments at September 30, 2017 and 2016, consisted of the following at fair market value:

	2017		2016	
	Shares/Cost	Amount	Shares/Cost	Amount
Common Fund:				
Institutional Multi-Strategy Equity Fund	1,168,999	\$ 20,543,405	2,231,501	\$ 33,347,123
Institutional Global Multi-Asset Fund	-	-	3,344,489	36,622,330
SS S&P 500 Index Fund	317,743	39,151,588		-
SS Global Equity Fund	1,249,578	20,660,253		-
Institutional Multi-Strategy Bond Fund	395,917	4,273,443	348,711	3,895,812
State Street U.S. Gov't Money Market		11,584		1,145,938
Private equity funds		13,373,006		9,834,640
Less mitigation funds held for others		<u>(11,890,137)</u>		<u>(10,114,945)</u>
		86,123,142		74,730,898
Citi Wealth Management:				
U.S. Treasury Notes	10,205,000	<u>10,163,158</u>	10,205,000	<u>10,204,584</u>
		<u>\$ 96,286,300</u>		<u>\$ 84,935,482</u>

Investment income is presented net of investment fees of \$187,131 and \$225,784 for the years ended September 30, 2017 and 2016, investment income consisted of the following:

	2017	2016
Institutional Multi-Strategy Equity Fund appreciation	\$ 3,977,774	\$ 2,534,982
SS S&P 500 Index Fund appreciation	2,050,280	-
Private equity fund appreciation	1,941,960	550,870
Institutional Global Multi-Asset Fund appreciation	1,532,983	1,392,791
SS Global Equity Fund appreciation	1,352,636	-
U.S. Treasury Notes	19,788	-
Institutional Multi-Strategy Bond Fund (depreciation) appreciation	(53,024)	80,192
Interest, dividends and other	<u>703,590</u>	<u>1,036,162</u>
	<u>\$ 11,525,987</u>	<u>\$ 5,594,997</u>

The Organization has committed to fund an additional \$16 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Vehicles and equipment	\$ 470,611	\$ 463,742
Computer software	<u>357,068</u>	<u>357,068</u>
	827,679	820,810
Less accumulated depreciation and amortization	<u>717,636</u>	<u>756,636</u>
Total	<u>\$ 110,043</u>	<u>\$ 64,174</u>

Depreciation and amortization expense was \$33,317 and \$39,092 for the fiscal years ended September 30, 2017 and 2016, respectively.

NOTE 4: LEASE COMMITMENTS

The Organization leases its office facilities, a copier, and a two acre parcel of land under non-cancelable operating leases. The copier lease and the office facility leases are set to expire at various times. The 4 year land lease will expire in fiscal year 2019.

Minimum annual rental commitments under non-cancelable leases are as follows at September 30, 2017:

<u>For the year ending September 30,</u>	<u>Minimum lease Commitments</u>
2018	\$ 66,300
2019	57,191
2020	<u>8,170</u>
	<u>\$ 131,661</u>

Rent expense under leases for the fiscal years ended September 30, 2017 and 2016, was \$56,812 and \$51,872, respectively.

NOTE 5: LINES 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 expire June 28, 2018. Borrowings on the revolving line of credit are unsecured and bear interest at Prime + 2% (6.25% at September 30, 2017). Borrowings on the overdraft line of credit are unsecured and bear interest at Prime + 8% (12.25% at September 30, 2017). The Organization had no borrowings on outstanding balances under these agreements at September 30, 2017 and 2016, respectively.

NOTE 6: 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:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,626,302	\$ 1,767,414
Marketable securities	2,538,026	1,751,922
Investments	<u>11,890,137</u>	<u>10,114,945</u>
Total	<u>\$ 16,054,465</u>	<u>\$ 13,634,281</u>

NOTE 7: OTHER LONG-TERM LIABILITIES

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, 2017 and 2016 is \$1,298,206 and \$1,304,171, respectively, and is classified as follows: \$86,741 and \$84,215 as a current liability in accrued expenses and \$1,211,465 and \$1,219,956 as a long-term liability as of September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016 the Organization expensed \$62,920 and \$65,121 for benefits in relation to this arrangement.

NOTE 8: NET ASSETS AND ENDOWMENTS

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.

Permanently restricted endowments consist of stewardship funds received which are intended to produce a growing perpetual annuity sufficient to support the perpetual obligations on permanently restricted donations of land or easements.

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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization had no underwater endowments at September 30, 2017 and 2016.

NOTE 8: NET ASSETS 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 spend 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.

Permanently restricted net assets consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>Permanently Restricted</u>		
Endowments	\$ 53,295,909	\$ 50,534,646
Land and Easements	52,277,091	52,277,091
	<u>\$ 105,573,000</u>	<u>\$ 102,811,737</u>

Funds received for maintenance costs associated with land preserves are temporarily restricted. Temporarily restricted net assets consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>Temporarily Restricted</u>		
Earnings on endowments	\$ 33,665,685	\$ 22,159,489
Future land acquisition and stewardship funds	10,824,857	10,905,067
Land maintenance funds	103,904	2,698,604
Grant funds	190,085	265,695
	<u>\$ 44,784,531</u>	<u>\$ 36,028,855</u>

Changes in endowment fund balances consisted of the following at September 30, 2017:

<u>2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance	\$ 22,159,489	\$ 50,534,646
Dividend and interest income	703,588	-
Realized and unrealized gain on investments	10,802,608	-
Endowment and related support	-	2,761,263
Total	<u>\$ 33,665,685</u>	<u>\$ 53,295,909</u>

NOTE 8: NET ASSETS AND ENDOWMENTS (Continued)

Changes in endowment fund balances consisted of the following at September 30, 2016:

<u>2016</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance	\$ 19,722,478	\$ 47,633,023
Dividend and interest income	1,036,160	-
Realized and unrealized gain on investments	4,558,835	-
Endowment and related support	-	2,901,623
Released from restriction	<u>(3,157,984)</u>	<u>-</u>
Total	<u>\$ 22,159,489</u>	<u>\$ 50,534,646</u>

NOTE 9: 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 \$88,620 and \$78,785 in 2017 and 2016, respectively.

NOTE 10: 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 financial position.

On December 19, 2016 the Organization received a memorandum dated December 13, 2016 from the Department of the Army, US Army Installation Management Command (IMCOM), which advised of an immediate freeze on Army Compatible Use Buffer (ACUB) funds. It indicated that this freeze was due to a recent internal review in which IMCOM found several critical ACUB management controls lacking or ineffective which are administered at both the Headquarters Department of Army (HQDA) and Command levels. The Organization received notice that portions of the freeze were lifted during fiscal year 2017, however, there is still some uncertainty related to this program. This review does not involve the Organization directly and was not predicated upon any action, or inaction, by the Organization. The Organization does not expect any long-term implications with regard to its ability to fulfill its mission or obligations specific to these grants as the awarded funding remains in place.

NOTE 11: 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, 2017 and 2016.

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: U.S. Treasury Notes are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. The fair value of the Institutional Global Multi-Asset Fund, Institutional Multi-Strategy Equity Fund, Institutional Multi-Strategy Bond Fund, the State Street U.S. Government Money Market Fund, SS S&P 500 Index Fund and SS Global Equity 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.

NAV as a Practical Expedient: 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 consolidated statement 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 12: FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2017 and 2016, including \$11,890,137 and \$10,114,945 of funds held for others, respectively:

2017	Level 1	Level 2	NAV as a Practical Expedient
Money Market Funds	\$ 2,871,932	\$ -	\$ -
U.S. Treasury Notes	-	10,163,158	-
SS S&P 500 Index Fund	-	39,151,588	-
SS Global Equity Fund	-	20,660,253	-
Institutional Multi-Strategy Equity Fund	-	20,543,405	-
Institutional Multi-Strategy Bond Fund	-	4,273,443	-
State Street US Government Money Market	-	11,584	-
Private equity funds	-	-	13,373,006
	\$ 2,871,932	\$ 94,803,431	\$ 13,373,006
2016	Level 1	Level 2	NAV as a Practical Expedient
Money Market Funds	\$ 2,623,830	\$ -	\$ -
U.S. Treasury Notes	-	10,204,584	-
Institutional Global Multi-Asset Fund	-	36,622,330	-
Institutional Multi-Strategy Equity Fund	-	33,347,123	-
Institutional Multi-Strategy Bond Fund	-	3,895,812	-
State Street US Government Money Market	-	1,145,938	-
Private equity funds	-	-	9,834,640
	\$ 2,623,830	\$ 85,215,787	\$ 9,834,640

Investments valued using NAV as a practical expedient:

September 30, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 13,373,006	\$ 15,647,527	N/A	N/A
September 30, 2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 9,834,640	\$ 11,910,026	N/A	N/A

NOTE 13: **SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 6, 2018, the date these financial statements were available to be issued. Management has determined there were no material subsequent events that would require recognition or additional disclosure in these consolidated 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 Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2018.

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*.

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.

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

March 6, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
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 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, 2017. 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 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). Those standards and the Uniform Guidance 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, 2017.

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

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

March 6, 2018

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2017 Disbursements/ Expenditures	Subrecipients
U.S. Department of Defense (DOD):				
<i>Regional Conservation Effort Program</i>				
<i>Joint Base Lewis McChord (JBLM)</i>				
DOD JBLM-Nur Seed 16-03	12.UNKNOWN	W911S8-16-2-0003	\$ 72,081	\$ -
DOD JBLM-Mazama Gopher 16-04	12.UNKNOWN	W911S8-16-2-0004	141,713	-
DOD JBLM-Gopher 16-07	12.UNKNOWN	W911S8-16-2-0007	44,795	-
DOD JBLM-Bfly Invasives 16-08	12.UNKNOWN	W911S8-16-2-0008	77,767	-
DOD JBLM-Butterfly 16-09	12.UNKNOWN	W911S8-16-2-0009	90,801	-
DOD JBLM-SHL 16-10	12.UNKNOWN	W911S8-16-2-0010	58,399	-
DOD JBLM- SHL Fire Enh 16-11	12.UNKNOWN	W911S8-16-2-0011	90,986	-
DOD JBLM-Forest plnt soil & Topo	12.UNKNOWN	W911S8-16-2-0013	58,013	-
DOD JBLM- Oak Pine 16-15	12.UNKNOWN	W911S8-16-2-0015	58,744	-
DOD JBLM-SHL Post 16-16	12.UNKNOWN	W911S8-16-2-0016	75,058	-
DOD JBLM- SHL Nur & Res 16-17	12.UNKNOWN	W911S8-16-2-0017	124,464	-
DOD JBLM-Nat Seed 16-18	12.UNKNOWN	W911S8-16-2-0018	35,000	-
DOD JBLM-Drone Oak	12.UNKNOWN	W911S8-16-2-0019	6,639	-
DOD JBLM-Inv SpeciesLate 17-01	12.UNKNOWN	W911S8-17-2-0001	2,896	-
DOD JBLM-Gopher 17-03	12.UNKNOWN	W911S8-17-2-0003	47,044	-
DOD JBLM-SHL 17-05	12.UNKNOWN	W911S8-17-2-0005	127,043	-
DOD JBLM-SHL Nur & Post Mon 17-06	12.UNKNOWN	W911S8-17-2-0006	17,861	-
DOD JBLM-SHL Mont Co-op 17-07	12.UNKNOWN	W911S8-17-2-0007	15	-
DOD JBLM-Bfly Nur & Mont 17-08	12.UNKNOWN	W911S8-17-2-0008	30,307	-
DOD JBLM-Prsb Fire ESA 17-09	12.UNKNOWN	W911S8-17-2-0009	54,684	-
DOD JBLM-TCB Fire 17-10	12.UNKNOWN	W911S8-17-2-0010	59	-
DOD JBLM-SHL ESA Mit Mgmt 17-13	12.UNKNOWN	W911S8-17-2-0013	42,522	-
DOD JBLM-SHL Mig & Brd 17-14	12.UNKNOWN	W911S8-17-2-0014	32,641	-
DOD JBLM-Native Seed 17-17	12.UNKNOWN	W911S8-17-2-0017	8,900	-
DOD JBLM-Native Seed 17-20	12.UNKNOWN	W911S8-17-2-0020	3,117	-
			<u>1,301,549</u>	<u>-</u>
<i>Beal AFB</i>				
ACE/Auxilio Beale AFB	12.UNKNOWN	018.007.14.0044.0002	<u>5,534</u>	<u>-</u>
			5,534	-
<i>Army Corp of Engineers - Columbia River</i>				
DOD-ACE-SHL 16	12.UNKNOWN	W9127N-16-C-0023	<u>100,248</u>	<u>3,150</u>
			<u>100,248</u>	<u>3,150</u>
<i>Total Regional Conservation Effort Program</i>			1,407,331	3,150

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, 2017

U.S. Department of Defense (DOD) - Continued:

Army Compatible Use Buffer Program - Joint Base Lewis McChord

RDECOM ACUB	12.UNKNOWN	W911SR-06-2-0006	3,068,791	127,137
RDECOM ACUB	12.UNKNOWN	W9124J-15-2-0002	216,467	64,374
			<u>3,285,258</u>	<u>191,511</u>

Total Department of Defense \$ 4,692,589 \$ 194,661

U.S. Department of Agriculture (DOA):

Research and Development Forest Research

USDA PAC NW FIRE	10.652	16-DG-11261975-082	\$ 7,553	\$ -
			7,553	-

Environmental Quality Incentives Program

NRCS-Deschutes Rvr	10.912	740546150A6	4,513	-
NRCS- Peterson	10.912	7454601505U	1,538	-
NRCS- Meadowlark	10.912	749104154UB	28,385	-
NRCS-Copper Creek	10.912	749104154Y2	8,716	-
NRCS-Scatter Creek	10.912	7405461717M	48	-
			<u>43,200</u>	<u>-</u>

Wildlife Habitat Incentive Program

NRCS-WHIP Kelly Ridge	10.914	720546131X5	676	-
NRCS- WHIP Noyes	10.914	72054613516	932	-
NRCS WHIP WH 2014-18	10.914	720546131WU	7,524	-
NRCS WHIP Scatter Creek	10.914	720546131WV	6,234	-
			<u>15,366</u>	<u>-</u>

Total Department of Agriculture \$ 66,119 \$ -

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, 2017

U.S. Department of Interior (DOI):					
<i>Partners for Fish and Wildlife</i>					
USFWS Fisher-McKenzie	15.631	F12AC01273	\$	1,461	-
USFWS Wolf Haven 2013-15	15.631	F13AC00209		3,166	-
USFWS Chehalis Knotweed	15.631	F13AC00324		17,086	-
USFWS Mahan TC 2013-17	15.631	F13AC00383		12,676	-
USFWS Scatter Creek 2013-17	15.631	F13AC00811		17,899	-
USFWS Cavness 15-18	15.631	F15AC00454		9,829	-
USFWS Tenalquot 2015	15.631	F15AC00456		20,372	-
USFWS-MEADOWLARK	15.631	F16AC00228		331	-
USFWS Glacial 2016-20	15.631	F16AC00515		78,436	-
USFWS Colvin Ranch	15.631	F17AC00067		9,591	-
USFWS Dan Kelly 17	15.631	F17AC00351		68	-
USFWS Wolf Haven Resto II 17-21	15.631	F17AC00395		1,634	-
USFWS Tenino Rh Resto 17-21	15.631	F17AC00398		428	-
USFWS Rochester Rh Resto II 17-21	15.631	F17AC00400		2,267	-
				<u>175,244</u>	<u>-</u>
<i>Passed through Capitol Land Trust</i>					
USFWS/CLT- Bayshore	15.631	F15AC00418		9,608	-
				<u>184,852</u>	<u>-</u>
<i>State Wildlife Grants</i>					
<i>Passed through Washington Department Fish and Wildlife:</i>					
USFWS/WDFW SWG phase II	15.634	F14AP00801		<u>130,857</u>	<u>98,113</u>
				130,857	98,113
<i>Endangered Species Conservation Recovery Implementation Funds</i>					
USFWS Cooperative Recovery	15.657	F14AC00487		8,149	-
USFWS Deschutes Prairie	15.657	F14AC00641		13,255	-
USFWS Lark Conservation Strategy	15.657	F14AC00838		1,999	-
USFWS Prescribed Burn	15.657	F14AP00681		24,862	-
USFWS Nat Plants 15-17	15.657	F15AC00636		44,397	16,195
USFWS Nat Plants NPS	15.657	F15AC00639		59,529	-
USFWS Pupfish	15.657	F15AC00817		541	-
USFWS SHL Analyses	15.657	F15AV00554		8,794	-
USFWS-NPS Nat Seed Ph II	15.657	F16AC00523		60,688	-
USFWS Eval Veg Mat 16-18	15.657	F16AC00536		24,001	-
USFWS- N Coast Silverspot Bfly OR	15.657	F16AC00538		11,566	-
USFWS SHL post Flegding	15.657	F16AC00540		31,964	-
USFWS Cooperatve Recovery 14-16	15.657	F16AC00557		51,935	-
USFWS SPS Nat Seed Ph VII	15.657	F16AC00570		66,430	-
USFWS TCBfly interaction 16-18	15.657	F16AC00696		61,883	-
USFWS SHL Airfields	15.657	F17AO00577		1,810	-
				<u>471,803</u>	<u>16,195</u>

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, 2017

U.S. Department of Interior (DOI)- Continued:

Passed through Pacific Rim Institute:

USFWS/PRI CALE 16	15.657	CALE-3-CNLM-1	<u>10,711</u>	<u>-</u>
<i>Total Endangered Species Conservation Recovery Implementation Funds</i>			10,711	-

Endangered Species Act- Candidate Conservation action funds

USFWS Island Marble Bfly	15.660	F17AC00232	2,633	-
--------------------------	--------	------------	-------	---

Neotropical migrating Bird Conservation

<i>passed through American Bird Conserva</i>	15.635	F15AP00992	8,203	-
--	--------	------------	-------	---

Natural Resource Stewardship

<i>passed through National Parks Service</i>	15.944	P17AC01347	<u>3,308</u>	<u>-</u>
--	--------	------------	--------------	----------

CFDA Unknown

<i>passed through CDFW</i>	unknown	P1620101	2,845	-
<i>USFWS - Pacific Rim Institute</i>	unknown		<u>3,261</u>	<u>-</u>
			6,106	-

Total Department of Interior			<u>\$ 818,473</u>	<u>\$ 114,308</u>
-------------------------------------	--	--	-------------------	-------------------

Total Federal Expenditures			<u>\$ 5,577,181</u>	<u>\$ 308,969</u>
-----------------------------------	--	--	---------------------	-------------------

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, 2017

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, 2017. 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*. 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 the Uniform Guidance, *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: INDIRECT COST RATE

At September 30, 2017, the Organization was reimbursed at the federally negotiated indirect cost rate of 29.50%.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2017

Summary of Auditor's Results

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

Federal Awards	
Internal control over major program:	
• Material weakness identified?	<i>NO</i>
• Significant deficiency identified that is not considered to be a material weakness?	<i>NO</i>
Type of auditor's report issued on compliance for major program:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<i>NO</i>
Major Programs: Army Compatible Use Buffer Program - Joint Base Lewis McChord and Endangered Species Conservation Recovery Implementation Funds	<i>CFDA 12.UNKNOWN CFDA 15.657</i>
Dollar threshold used to distinguish between type A and type B programs:	<i>\$750,000</i>
Auditee qualified as a low-risk auditee?	<i>YES</i>

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.