

*Financial Statements and
Independent Auditor's Report of*

CENTER FOR NATURAL LANDS MANAGEMENT

September 30, 2018

CENTER FOR NATURAL LANDS MANAGEMENT

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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 statement of financial position as of September 30, 2018, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12, these financial statements include a prior period adjustment. The effect of this adjustment was to increase prior period unrestricted net assets by \$382,000. Our opinion is not modified with respect to this matter.

Other Matters*Other 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* (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 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 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 28, 2019, 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 28, 2019

Roseville, California

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS

Assets:

Cash and cash equivalents	\$ 1,055,229
Money market funds	3,966,714
Accounts receivable, net of \$1,554 allowance for doubtful accounts	1,011,036
Seed inventory	293,950
Incurred expenditures to be billed	256,959
Prepaid expenses	<u>146,739</u>
Total current assets	6,730,627
Investments	110,756,720
Funds held for others	17,176,199
Land and conservation easements	90,569,355
Fixed assets and computer software, net	<u>112,879</u>
Total assets	<u>\$ 225,345,780</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 619,247
Accrued expenses	<u>511,020</u>
Total current liabilities	1,130,267
Funds held for others	17,176,199
Other long-term liabilities	<u>1,200,014</u>
Total liabilities	19,506,480

Commitments

Net Assets:

Unrestricted	3,096,968
Temporarily restricted	45,349,537
Permanently restricted	<u>157,392,795</u>
Total net assets	<u>205,839,300</u>
Total liabilities and net assets	<u>\$ 225,345,780</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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and income:				
Public support:				
Grants and donations	\$ 3,828,692	\$ 52,681	\$ -	\$ 3,881,373
Endowment and related support	-	3,008,582	13,612,131	16,620,713
Real Property	-	-	27,992,683	27,992,683
Program services:				
Preserve management	790,508	247,291	-	1,037,799
Property analysis	783,099	-	-	783,099
Account management	319,883	-	-	319,883
Seed production	25,039	-	-	25,039
Dividend and interest income	57	669,685	-	669,742
Realized and unrealized gain on investments	-	11,475,073	-	11,475,073
Net assets released for real property	-	(10,299,581)	10,299,581	-
Net assets transferred to unrestricted	709,012	(624,412)	(84,600)	-
Net assets released from restrictions	3,964,313	(3,964,313)	-	-
Total support and income	10,420,603	565,006	51,819,795	62,805,404
Expenses:				
Program services:				
Grant related	3,755,667	-	-	3,755,667
Preserve related	3,134,189	-	-	3,134,189
Acquisitions and other services	433,845	-	-	433,845
Total program services	7,323,701	-	-	7,323,701
Management and administration	1,427,119	-	-	1,427,119
Total expenses	8,750,820	-	-	8,750,820
Change in net assets	1,669,783	565,006	51,819,795	54,054,584
Net assets, beginning of year, adjusted	1,427,185	44,784,531	105,573,000	151,784,716
Net assets, end of year	\$ 3,096,968	\$ 45,349,537	\$ 157,392,795	\$ 205,839,300

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, 2018

	Program Services			Management and Administration	Total
	Grant Related	Preserve Related	Acquisitions and Other Services		
Personnel Expenses:					
Wages	\$ 1,656,724	\$ 937,077	\$ 184,487	\$ 943,775	\$ 3,722,063
Benefits	337,594	190,950	37,593	187,370	753,507
Payroll taxes	134,328	75,979	14,958	71,528	296,793
Total personnel expenses	<u>2,128,646</u>	<u>1,204,006</u>	<u>237,038</u>	<u>1,202,673</u>	<u>4,772,363</u>
Contracted services	584,058	661,506	163,067	15,743	1,424,374
Management fees	-	821,829	-	-	821,829
Supplies and equipment	372,378	184,430	20,568	26,369	603,745
Subawards	396,846	-	-	-	396,846
Occupancy	93,951	25,665	8,236	54,545	182,397
Travel	66,340	29,404	782	20,446	116,972
Insurance	17,679	45,831	200	16,875	80,585
Dues, fees, licenses	6,806	19,535	528	5,656	32,525
Vehicles	-	57,958	-	-	57,958
Software/cloud computing	11,956	6,367	1,254	32,411	51,988
Professional services	13,500	17,600	-	7,783	38,883
Depreciation and amortization	-	31,709	-	2,262	33,971
Office expenses	8,723	8,393	537	7,056	24,709
Sponsored conferences and meetings	5,943	4,579	-	13,369	23,891
Property and B&O Taxes	48,841	15,377	1,635	2,222	68,075
Public relations/publishing	-	-	-	15,449	15,449
Other	-	-	-	4,260	4,260
	<u>\$ 3,755,667</u>	<u>\$ 3,134,189</u>	<u>\$ 433,845</u>	<u>\$ 1,427,119</u>	<u>\$ 8,750,820</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

Cash Flows provided by Operating Activities:	
Unrestricted cash received from donors, grants and support	\$ 5,727,896
Donor restricted cash received from donors, grants and support	3,308,554
Cash used for restricted funds	3,964,313
Cash paid to grantees, suppliers and employees	(8,459,545)
Dividends and interest received	669,742
Cash paid for interest	(403)
Cash provided by operating activities	<u>5,210,557</u>
Cash Flows used for Investing Activities:	
Purchase of fixed assets	(36,806)
Purchase of money market funds	(1,094,782)
Net purchase of investments	<u>(6,959,660)</u>
Cash used for investing activities	<u>(8,091,248)</u>
Cash Flows provided by Financing Activities:	
Cash received for endowments	<u>3,312,550</u>
Cash provided by financing activities	<u>3,312,550</u>
Net increase in cash and cash equivalents	431,859
Cash and cash equivalents, beginning of year	<u>623,370</u>
Cash and cash equivalents, end of year	<u>\$ 1,055,229</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF CASH FLOWS (Continued)
For the Year Ended September 30, 2018

Reconciliation of Change in Net Assets to Cash

Provided by Operating Activities

Change in net assets	\$ 54,054,584
Adjustments to reconcile:	
Depreciation and amortization	33,971
Restricted for permanently restricted real property	(38,292,264)
Restricted cash for endowments	(3,312,550)
Post retirement benefit obligation	(11,451)
Cash used for restricted funds	3,964,313
Realized and unrealized gain on investments	(11,475,073)
(Increase) decrease in assets:	
Accounts receivable	(175,263)
Seed Inventory	88,050
Incurred expenditures to be billed	67,888
Prepaid expenses	(106,304)
Other assets	133,704
Increase (decrease) in liabilities:	
Accounts payable	187,727
Accrued expenses	53,225
Cash provided by operating activities	<u>\$ 5,210,557</u>
Supplemental disclosure of non-cash investment and financing activity:	
Non-cash permanently restricted real property	38,292,264
Non-cash permanently restricted endowment	1,200,000

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

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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 realized and unrealized gain on investments in the Statement of Activities and Changes in Net Assets. 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 NAV.

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, 2018, 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 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.

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 U.S. GAAP. Contributed services received from volunteers, but not recognized, totaled \$93,504 at September 30, 2018.

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 Section 23701(d) of the California Franchise Tax Board, 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, 2018, 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.

Seed Inventory

The Organization's seed inventory consists of plant seeds which are stated at the lower of cost or net realizable value. The cost of seed inventory is determined using the average cost method.

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.

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 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 of various programs or services have been allocated among the programs or services benefited based on personnel time.

Estimates and Assumptions

The preparation of the financial statements in connection with U.S. GAAP 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, seed inventory values, 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 has elected not to early adopt.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new accounting standard develops a common revenue standard that will remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements, and simplify the preparation of financial statements. In August 2015, the FASB deferred the original implementation date by one year. Application of this standard is effective for the Organization for the year ending September 30, 2020. The Organization is currently evaluating the impact of adoption of the new standard on its financial statements.

In February 2016, the FASB issued ASU No 2016-02, *Leases (Topic 842)*. The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases. Application of this standard is effective for the year ending September 30, 2021. The Organization is currently evaluating the impact of adoption of the new standard on its financial statements.

NOTE 2: INVESTMENTS

Investments are held in Common Fund and Citi Wealth Management. Investments at September 30, 2018, consisted of the following at fair market value:

	2018	
	<u>Shares/Cost</u>	<u>Amount</u>
Common Fund:		
SS S&P 500 Index Fund	324,739	\$ 47,164,395
SS Global Equity Fund	2,637,535	46,907,486
Institutional Multi-Strategy Bond Fund	1,187,042	12,405,430
State Street U.S. Gov't Money Market	116,578	116,578
Private equity funds		17,267,371
Less mitigation funds held for others		(13,104,540)
		<u>\$ 110,756,720</u>

Investment income is presented net of investment fees of \$71,676 for the years ended September 30, 2018, investment income consisted of the following:

	2018
Institutional Multi-Strategy Equity Fund appreciation	\$ 1,076,666
SS S&P 500 Index Fund appreciation	5,933,088
Private equity fund appreciation	2,574,577
SS Global Equity Fund appreciation	2,045,080
U.S. Treasury Notes	13,673
Institutional Multi-Strategy Bond Fund (depreciation)	(162,303)
Interest, dividends and other	664,034
	<u>\$ 12,144,815</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 consisted of the following at September 30, 2018:

	2018
Vehicles and equipment	\$ 507,417
Computer software	357,068
	<u>864,485</u>
Less accumulated depreciation and amortization	751,606
	<u>\$ 112,879</u>

Depreciation and amortization expense was \$33,971 for the fiscal year ended September 30, 2018.

NOTE 4: LEASE COMMITMENTS

The Organization leases its office facilities and a copier under non-cancelable operating leases. The copier lease and the office facility leases are set to expire at various times.

Minimum annual commitments under non-cancelable leases are as follows at September 30, 2018:

<u>For the year ending September 30,</u>	<u>Minimum lease Commitments</u>
2019	\$ 57,187
2020	8,170
	<u>\$ 65,357</u>

Rent expense under leases for the fiscal year ended September 30, 2018, was \$57,617.

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, 2019. Borrowings on the revolving line of credit are unsecured and bear interest at Prime + 2% (7.25% at September 30, 2018). Borrowings on the overdraft line of credit are unsecured and bear interest at Prime + 8% (13.25% at September 30, 2018). The Organization had no borrowings on outstanding balances under these agreements at September 30, 2018.

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>2018</u>
Cash and cash equivalents	\$ 1,473,058
Marketable securities	2,598,601
Investments	13,104,540
	<u>\$ 17,176,199</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, 2018 is \$1,289,357, and is classified as follows: \$89,343 as a current liability in accrued expenses and \$1,200,014 as a long-term liability as of September 30, 2018. At September 30, 2018 the Organization expensed \$61,595 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, 2018.

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, 2018:

	<u>2018</u>
<u>Permanently Restricted</u>	
Endowments	\$ 66,823,440
Land and Easements	<u>90,569,355</u>
	<u>\$ 157,392,795</u>

NOTE 8: NET ASSETS AND ENDOWMENTS (Continued)

Temporarily restricted net assets are held for maintenance costs associated with land preserves, which is a purpose restriction, the Organization does not hold any time restricted net assets. Temporarily restricted net assets consisted of the following at September 30, 2018:

	<u>2018</u>
<u>Temporarily Restricted</u>	
Endowment earnings, including initial and capital funds	\$ 43,881,033
Reinvestments	943,549
Land maintenance funds	467,780
Grant funds and other miscellaneous	57,175
	<u>\$ 45,349,537</u>

Changes in endowment fund balances consisted of the following at September 30, 2018:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance	\$ 33,665,685	\$ 53,295,909
Realized and unrealized gain on investments	11,016,385	-
Dividend and interest income	669,685	-
Endowment and related support	3,424,203	12,412,131
Transfer to unrestricted net assets	-	(84,600)
Net assets released for purchase of real property	(1,200,000)	1,200,000
Release from restriction	(3,694,925)	-
	<u>\$ 43,881,033</u>	<u>\$ 66,823,440</u>

During the year the Organization reviewed the policy for legal and research and development funds and determined these assets should be classified as unrestricted net assets, as such, a transfer was made during the year to move \$624,412 from temporarily restricted net assets. Also during the year the Organization reclassified \$84,600 in board restricted assets from permanently restricted net assets to unrestricted net assets.

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 \$91,750 in 2018.

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.

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, 2018.

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

Level 2 Fair Value Measurements: The fair value of the Institutional 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 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 11: 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, 2018, including \$13,104,540 of funds held for others:

2018	Level 1	Level 2	NAV as a Practical Expedient
Money Market Funds	\$ 3,966,714	\$ -	\$ -
SS S&P 500 Index Fund	-	47,164,395	-
SS Global Equity Fund	-	46,907,486	-
Institutional Multi-Strategy Bond Fund	-	12,405,430	-
State Street U.S. Government Money Market	-	116,578	-
Private equity funds	-	-	17,267,371
	\$ 3,966,714	\$ 106,593,889	\$ 17,267,371

Investments valued using NAV as a practical expedient:

September 30, 2018	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 17,267,371	\$ 15,975,026	N/A	N/A

NOTE 12: PRIOR PERIOD ADJUSTMENT

The Organization determined in 2018 that seed inventory the Organization had on hand at September 30, 2017 had market value, resulting in seed sales income during 2018. The Organization recorded a prior period adjustment to record seed inventory at September 30, 2017. As a result, the Organization's unrestricted net assets were adjusted. The following adjustment was made.

Prior period adjustment, September 30, 2018	Balance Previously reported	Prior period adjustment	Balance as adjusted
Net Assets	\$ 151,402,716	\$ 382,000	\$ 151,784,716

NOTE 13: SUBSEQUENT EVENTS

Management evaluated subsequent events through March 28, 2019, 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 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, 2018, 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 28, 2019.

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 28, 2019



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, 2018. 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, 2018.

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 28, 2019

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2018	
			Disbursements / Expenditures	Subrecipients
U.S. Department of Defense (DOD):				
<i>Regional Conservation Effort Program</i>				
<i>Joint Base Lewis McChord (JBLM)</i>				
DOD JBLM-Gopher 16-07	12.UNKNOWN	W911S8-16-2-0007	\$ 596	\$ -
DOD JBLM-Inv SpeciesLate 17-01	12.UNKNOWN	W911S8-17-2-0001	45,027	-
DOD JBLM-MPG Hab Enh 17-02	12.UNKNOWN	W911S8-17-2-0002	98,339	-
DOD JBLM-Gopher 17-03	12.UNKNOWN	W911S8-17-2-0003	51,593	-
DOD JBLM-TES Prscb Burn 17-04	12.UNKNOWN	W911S8-17-2-0004	95,347	-
DOD JBLM-SHL 17-05	12.UNKNOWN	W911S8-17-2-0005	23,250	-
DOD JBLM-SHL Nur & Post Mon 17-06	12.UNKNOWN	W911S8-17-2-0006	82,171	-
DOD JBLM-SHL Mont Co-op 17-07	12.UNKNOWN	W911S8-17-2-0007	149,573	-
DOD JBLM-Bfly Nur & Mont 17-08	12.UNKNOWN	W911S8-17-2-0008	116,591	-
DOD JBLM-Prsb Fire ESA 17-09	12.UNKNOWN	W911S8-17-2-0009	46,626	-
DOD JBLM-TCB Fire 17-10	12.UNKNOWN	W911S8-17-2-0010	156,768	-
DOD JBLM-SHL ESA Mit Mgmt 17-13	12.UNKNOWN	W911S8-17-2-0013	107,705	-
DOD JBLM-SHL Mig & Brd 17-14	12.UNKNOWN	W911S8-17-2-0014	113,400	998
DOD JBLM-Nox Weed 17-16	12.UNKNOWN	W911S8-17-2-0016	135,173	-
DOD JBLM-Native Seed 17-17	12.UNKNOWN	W911S8-17-2-0017	142,603	-
DOD JBLM-Native Seed 17-20	12.UNKNOWN	W911S8-17-2-0020	30,437	-
DOD JBLM-Veg & Soil 17-21	12.UNKNOWN	W911S8-17-2-0021	30,380	-
DOD JBLM-Salmon 17-23	12.UNKNOWN	W911S8-17-2-0023	76,349	-
DOD JBLM-Effects Monitoring 17-24	12.UNKNOWN	W911S8-17-2-0024	146,776	-
DOD JBLM-INRMP 17-26	12.UNKNOWN	W911S8-17-2-0026	142,378	-
DOD JBLM-TCB Habitat Rest 18-01	12.UNKNOWN	W911S8-18-2-0001	2,498	-
DJ-Upland Invasives 18-02	12.UNKNOWN	W911S8-18-2-0002	7,077	-
DJ-SHL Migration 18-03	12.UNKNOWN	W911S8-18-2-0003	25,595	-
DJ-Mazama Gopher 18-04	12.UNKNOWN	W911S8-18-2-0004	4,306	-
DJ-Prscb Burn ESA 18-05	12.UNKNOWN	W911S8-18-2-0005	4,947	-
DJ-TCB Mont & Ehn 18-06	12.UNKNOWN	W911S8-18-2-0006	1,834	-
DJ-Nat Seed 18-09	12.UNKNOWN	W911S8-18-2-0009	1,390	-
DJ-Nox Weed Sur & Cntrl 18-10	12.UNKNOWN	W911S8-18-2-0010	1,481	-
DJ-Prairie Seed 18-12	12.UNKNOWN	W911S8-18-2-0012	2,031	-
DJ-SHL Hab Rest 18-13	12.UNKNOWN	W911S8-18-2-0013	2,988	-
DJ- INRMP 18-15	12.UNKNOWN	W911S8-18-2-0015	1,294	-
			<u>1,846,523</u>	<u>998</u>
<i>Army Corp of Engineers - Columbia River</i>				
DOD-ACE-SHL 16	12.UNKNOWN	W9127N-16-C-0023	<u>220,622</u>	<u>81,767</u>
			<u>220,622</u>	<u>81,767</u>
<i>Total Regional Conservation Effort Program</i>			<u>2,067,145</u>	<u>82,765</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, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2018 Disbursements / Expenditures	Subrecipients
U.S. Department of Defense (DOD) - Continued:				
<i>Army Compatible Use Buffer Program - Joint Base Lewis McChord</i>				
RDECOM ACUB	12.UNKNOWN	W911SR-06-2-0006	46,830	43,947
RDECOM ACUB	12.UNKNOWN	W9124J-15-2-0002	111,159	87,757
			<u>157,989</u>	<u>131,704</u>
Total Department of Defense			\$ 2,225,134	\$ 214,469
U.S. Department of Agriculture (DOA):				
<i>Research and Development Forest Research</i>				
USDA PAC NW FIRE	10.652	16-DG-11261975-082	\$ 6,400	\$ -
			6,400	-
<i>Environmental Quality Incentives Program</i>				
NRCS-Deschutes Rvr	10.912	740546150A6	4,418	-
NRCS- Peterson	10.912	7454601505U	8,902	-
NRCS- Meadowlark	10.912	749104154UB	12,765	-
NRCS-Copper Creek	10.912	749104154Y2	753	-
NRCS-Scatter Creek	10.912	7405461717M	2,670	-
			<u>29,508</u>	-
<i>Wildlife Habitat Incentive Program</i>				
NRCS-WHIP Kelly Ridge	10.914	720546131X5	4,174	-
NRCS- WHIP Noyes	10.914	72054613516	620	-
NRCS WHIP WH 2014-18	10.914	720546131WU	1,157	-
NRCS WHIP Scatter Creek	10.914	720546131WV	561	-
			<u>6,512</u>	-
<i>Sustainable Agriculture Research and Education</i>				
<i>Passed through University of Washington</i>	10.215	2017-3864-26913	10,821	-
Total Department of Agriculture			\$ 53,241	\$ -

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, 2018

Federal Grantor/ Pass-Through Grantor/ U.S. Department of Interior (DOI):	Federal CFDA Number	Agency or Pass- Through Number	2018	
			Disbursements / Expenditures	Subrecipients
<i>Partners for Fish and Wildlife</i>				
USFWS Tenalquot 2015	15.631	F15AC00456	\$ 9,873	\$ -
USFWS-MEADOWLARK	15.631	F16AC00228	460	-
USFWS Colvin Ranch	15.631	F17AC00067	20,520	-
USFWS Dan Kelly 17	15.631	F17AC00351	17,271	-
USFWS Tenino Rh Resto 17-21	15.631	F17AC00398	25,938	-
USFWS Rochester Rh Resto II 17-21	15.631	F17AC00400	10,025	-
USFWS Wolf Haven Resto II 17-21	15.631	F17AC00395	22,589	-
U-Grazing Mgmt OSF	15.631	F18AC00491	3,843	-
U-Tenalquot III	15.631	F18AC00493	1,626	-
U- GH Preserve III	15.631	F18AC00529	3,677	-
U- SPS Prscb Burn	15.631	F18AP00495	2,026	-
			<u>117,848</u>	<u>-</u>
<i>Passed through Capitol Land Trust</i>				
USFWS/CLT- Bayshore	15.631	F15AC00418	6,174	-
			<u>124,022</u>	<u>-</u>
<i>State Wildlife Grants</i>				
<i>Passed through Washington Department Fish and Wildlife:</i>				
USFWS/WDFW SWG phase II (Note C)	15.634	F14AP00801	126,469	75,297
USFWS/WDFW SWG	15.634	F17AP00813	49,612	3,499
USFWS/WDFW SWG	15.634	F17AP00814	45,414	34,535
			<u>221,495</u>	<u>113,331</u>
<i>Endangered Species Conservation Recovery Implementation Funds</i>				
USFWS Lark Conservation Strategy	15.657	F14AC00838	9,984	-
USFWS Deschutes Prairie	15.657	F14AC00641	9,225	-
USFWS Prescribed Burn	15.657	F14AP00681	10,444	-
USFWS-NPS Nat Seed Ph II	15.657	F16AC00523	101,803	-
USFWS Eval Veg Mat 16-18	15.657	F16AC00536	44,175	-
USFWS- N Coast Silverspot Bfly OR	15.657	F16AC00538	18,739	-
USFWS SHL post Flegding	15.657	F16AC00540	19,732	-
USFWS Cooperatve Recovery 14-16	15.657	F16AC00557	18,246	-
USFWS SPS Nat Seed Ph VII	15.657	F16AC00570	68,641	-
USFWS TCBfly interaction 16-18	15.657	F16AC00696	69,682	-
USFWS SHL Analyses	15.657	F15AV00554	58,763	-
USFWS Central Coast Seed	15.657	F17AC00359	14,001	-
USFWS SPS Nursery Ph VIII	15.657	F17AC00493	69,568	-
USFWS NPS Native Seed Ph III	15.657	F17AC00494	79,767	-
USFWS SHL Airfields	15.657	F17AO00577	16,857	-
			<u>609,627</u>	<u>-</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, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2018 Disbursements / Expenditures	Subrecipients
U.S. Department of Interior (DOI)- Continued:				
<i>Passed through Pacific Rim Institute:</i>				
USFWS/PRI CALE 16 (Note C)	15.657	CALE-3-CNLM-1	1,940	-
USFWS/PRI CALE 16 (Note C)	15.657		28	-
USFWS/PRI CALE 16 (Note C)	15.657		<u>7,924</u>	<u>-</u>
			9,892	-
<i>Passed through Institute of Applied Ecology</i>				
USFWS/IAE	15.657	F17AC00629	<u>5,075</u>	<u>-</u>
			624,594	-
Endangered Species Act- Candidate Conservation action funds				
USFWS Island Marble Bfly	15.660	F17AC00232	16,094	-
Endangered Species Act- Section 6				
<i>Passed through California Dept of F & W</i>	15.615	P1620101	73,726	69,046
Central Valley Project Improvement Act				
<i>Passed through Bureau of Reclamation</i>	15.512	R17AP00242	6,278	-
Fish and Wildlife Coordination Act				
<i>Passed through Bureau of Reclamation</i>	15.564	R16AP00033	57	-
Natural Resource Stewardship				
<i>Passed through National Parks Service</i>	15.944	P18AC00100	36,076	-
<i>Passed through National Parks Service</i>	15.944	P17AC01347	<u>62,098</u>	<u>-</u>
			<u>98,174</u>	<u>-</u>
Total Department of Interior			\$ 1,164,440	\$ 182,377
Total Federal Expenditures			\$ 3,442,815	\$ 396,846

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, 2018

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, 2018. 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. Pass-through entity identifying numbers are presented where available.

NOTE C: INDIRECT COST RATE

At September 30, 2018, the Organization was reimbursed at the federally negotiated indirect cost rate of 26.21%.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2018

Summary of Auditor's Results

<i>Financial Statements</i>	
Type of auditor's report issued:	<i>Unmodified</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>

<i>Federal Awards</i>	
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>Unmodified</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: Regional Conservation Effort Program- JBLM Regional Conservation Effort Program - Army Corp of Engineers - Columbia River	<i>CFDA 12.UNKNOWN CFDA 12.UNKNOWN</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.