

*Financial Statements and
Independent Auditor's Report of*

CENTER FOR NATURAL LANDS MANAGEMENT

September 30, 2019

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, 2019, 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, 2019, 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.

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, 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 Washburn

An Accountancy Corporation

March 27, 2020
Roseville, California

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FINANCIAL POSITION

September 30, 2019

ASSETS

Assets:

Cash and cash equivalents	\$	1,044,899
Money market funds		4,187,819
Accounts receivable, net of \$8,333 allowance for doubtful accounts		1,370,529
Seed inventory		263,236
Incurred expenditures to be billed		99,461
Prepaid expenses		<u>46,550</u>
Total current assets		7,012,494
Investments		116,443,333
Funds held for others		17,237,735
Land and conservation easements		92,221,055
Fixed assets, net		<u>174,743</u>
Total assets	\$	<u><u>233,089,360</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	333,457
Accrued expenses		<u>496,176</u>
Total current liabilities		829,633
Funds held for others		17,237,735
Other long-term liabilities		<u>1,185,351</u>
Total liabilities		19,252,719

Commitments

Net Assets:

Without donor restriction		5,258,614
With donor restriction		<u>208,578,027</u>
Total net assets		<u>213,836,641</u>
Total liabilities and net assets	\$	<u><u>233,089,360</u></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, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and income:			
Public support:			
Grants and donations	\$ 3,214,505	\$ 121,105	\$ 3,335,610
Endowment and related support	-	3,183,254	3,183,254
Real Property	-	1,651,700	1,651,700
Program services:			
Preserve management	973,830	936,634	1,910,464
Property analysis	707,267	-	707,267
Account management	333,478	-	333,478
Seed production	9,131	-	9,131
Dividend and interest income, net	137,521	1,173,456	1,310,977
Realized and unrealized gain on investments	20,564	4,300,816	4,321,380
Net assets released from restrictions	4,247,045	(4,247,045)	-
Total support and income	9,643,341	7,119,920	16,763,261
Expenses:			
Program services:			
Preserve related	3,799,794	-	3,799,794
Grant related	2,926,032	-	2,926,032
Acquisitions and other services	492,421	-	492,421
Total program services	7,218,247	-	7,218,247
Management and administration	1,547,673	-	1,547,673
Total expenses	8,765,920	-	8,765,920
Change in net assets	877,421	7,119,920	7,997,341
Assets transferred to without donor restriction	1,284,225	(1,284,225)	-
Net assets, beginning of year	3,096,968	202,742,332	205,839,300
Net assets, end of year	\$ 5,258,614	\$ 208,578,027	\$ 213,836,641

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, 2019

	Program Services			Management and Administration	Total
	Preserve Related	Grant Related	Acquisitions and Other Services		
Personnel expenses:					
Wages	\$ 1,200,089	\$ 1,511,789	\$ 212,426	\$ 1,035,499	\$ 3,959,803
Benefits	228,233	288,715	40,568	190,588	748,104
Payroll taxes	96,276	121,790	17,113	77,103	312,282
Total personnel expenses	<u>1,524,598</u>	<u>1,922,294</u>	<u>270,107</u>	<u>1,303,190</u>	<u>5,020,189</u>
Contracted services	561,155	315,518	148,080	33,062	1,057,815
Management fees	1,030,744	-	-	-	1,030,744
Supplies and equipment	282,776	275,971	48,024	8,326	615,097
Occupancy	36,035	93,444	10,684	59,682	199,845
Subawards	-	146,312	-	-	146,312
Travel	39,474	70,745	1,106	11,946	123,271
Property and B&O Taxes	83,834	37,045	163	330	121,372
Insurance	47,426	25,466	-	29,845	102,737
Vehicles	78,251	-	-	-	78,251
Depreciation	51,262	-	-	-	51,262
Software/cloud computing	8,113	10,581	1,442	29,356	49,492
Professional services	19,475	13,900	4,631	10,660	48,666
Public relations/publishing	-	-	-	31,919	31,919
Dues, fees, licenses	20,496	4,235	690	4,162	29,583
Office expenses	11,382	7,090	620	6,581	25,673
Sponsored conferences and meetings	4,773	3,431	-	14,904	23,108
Other	-	-	6,874	3,710	10,584
	<u>\$ 3,799,794</u>	<u>\$ 2,926,032</u>	<u>\$ 492,421</u>	<u>\$ 1,547,673</u>	<u>\$ 8,765,920</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, 2019

Cash Flows Provided by Operating Activities:	
Unrestricted cash received from donors, grants and support	\$ 5,102,260
Donor restricted cash received from donors, grants and support	1,057,739
Cash used for restricted funds	4,247,045
Cash paid to grantees, suppliers and employees	(8,929,726)
Dividends and interest received	1,310,977
Cash paid for interest	(41)
Cash provided by operating activities	<u>2,788,254</u>
Cash Flows Used for Investing Activities:	
Purchase of fixed assets	(148,455)
Purchase of money market funds	(221,105)
Net purchase of investments	<u>(5,612,278)</u>
Cash used for investing activities	<u>(5,981,838)</u>
Cash Flows Provided by Financing Activities:	
Cash received for endowments	<u>3,183,254</u>
Cash provided by financing activities	<u>3,183,254</u>
Net change in cash and cash equivalents	(10,330)
Cash and cash equivalents, beginning of year	<u>1,055,229</u>
Cash and cash equivalents, end of year	<u>\$ 1,044,899</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, 2019

Reconciliation of Change in Net Assets to Cash

Provided by Operating Activities

Change in net assets	\$	7,997,341
Adjustments to reconcile:		
Depreciation		51,262
Restricted in perpetuity real property		(1,651,700)
Restricted cash for endowments		(3,183,254)
Post retirement benefit obligation		(14,663)
Gain on disposal of fixed assets		35,330
Cash used for restricted funds		4,247,045
Realized and unrealized gain on investments		(4,321,380)
(Increase) decrease in assets:		
Accounts receivable		(359,493)
Seed inventory		30,714
Incurred expenditures to be billed		157,498
Prepaid expenses		100,189
Increase (decrease) in liabilities:		
Accounts payable		(285,790)
Accrued expenses		(14,845)
Cash provided by operating activities	\$	<u>2,788,254</u>
Supplemental disclosure of non-cash investment and financing activity:		
Non-cash real property, restricted in perpetuity	\$	<u>1,651,700</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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).

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 ended September 30, 2019. The Organization has adopted the provisions of ASU 2016-14.

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, 2022. The Organization is currently evaluating the impact of adoption of the new standard on its financial statements.

A summary of the net asset reclassification as a result of the application of ASU 2016-14 as of September 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
As originally stated:				
Net assets, September 30, 2018	\$ 3,096,968	\$ 45,349,537	\$ 157,392,795	\$ 205,839,300
		Without Donor Restrictions	With Donor Restrictions	Total
As restated:				
Net assets, October 1, 2018		\$ 3,096,968	\$ 202,742,332	\$ 205,839,300

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

Financial Statement Presentation

The Organization reports information regarding its financial position according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. All financial transactions have been recorded and reported in the following net asset classifications:

Net Assets without Donor Restriction

These net assets represent resources over which the Organization has discretionary control and that are not restricted by donor-imposed stipulations.

Net Assets with Donor Restriction

These net assets represent resources whose use by the Organization is limited by grant/donor-imposed stipulations that are restricted for a specific purpose or restricted for perpetuity. When a donor restriction expires, that is, when a stipulated purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Activities. Earnings from endowment funds are used to maintain land. Revenues are released from restrictions and transferred to net assets without donor restriction when land maintenance and monitoring costs are incurred.

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.

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 net asset value (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, 2019, the allowance for doubtful accounts was \$8,333.

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.

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

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 without donor restriction or with donor restriction 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 \$92,889 at September 30, 2019.

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.

U.S. GAAP requires 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, 2019, 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 net assets with donor restriction. A portion of earnings are transferred monthly from with donor restriction to without donor restriction to provide income for the management of properties to the Organization.

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.

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

Fixed Assets

Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Fixed assets are depreciated using the straight-line method over estimated useful lives of three to five years, 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 net assets with donor restriction.

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.

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.

NOTE 2: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization receives significant contributions to establish endowments that will exist in perpetuity; the income generated from these endowments is used to fund preserve management activities. In addition, the Organization receives contributions with donor restrictions to be used in accordance with associated purpose restrictions, usually to benefit a particular site. It also receives support without donor restrictions and earns income by providing services related to conservation preserve management and grant funded activities. Funds designated for legal expenses, R&D expenses, reinvestments and contingencies may be used during the year as specific identified expenditures arise.

As of September 30, 2019, financial assets that could readily be made available within one year of the Statement of Financial Position date to meet general expenditures:

Total financial assets	
Cash and cash equivalents	\$ 1,044,899
Money market funds	4,187,819
Investments	133,681,068
Accounts receivable, net	1,370,529
Incurred expenditures to be billed	<u>99,461</u>
Total financial assets	<u>140,383,776</u>

Amounts unavailable for general expenditure within one year, due to:	
Restricted by donors for a specific purpose or in perpetuity	(116,356,977)
Funds held for others	(17,237,735)
Designated for legal expenses	(693,352)
Designated for R&D expenses	(371,628)
Designated for reinvestments and contingencies	<u>(3,098,841)</u>
Total amounts unavailable for general expenditures within one year	<u>(137,758,533)</u>

Amounts unavailable to management without Board approval:	
Board designated for use on preserves	<u>(566,077)</u>
Total amounts unavailable to management without Board approval	<u>(566,077)</u>

Total financial assets available to management for general expenditures within one year	<u>\$ 2,059,166</u>
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In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization has reported positive operating cash flows in 2019. The Organization also maintains a line of credit to meet short-term needs. See Note 6.

NOTE 3: INVESTMENTS

Investments are held in Common Fund and Citi Wealth Management. Investments at September 30, 2019, consisted of the following at fair market value:

Common Fund:	<u>Shares/Cost</u>	<u>Amount</u>
SS S&P 500 Index Fund	300,628	\$ 45,513,236
SS Global Equity Fund	2,531,726	45,150,998
Institutional Multi-Strategy Bond Fund	1,707,971	18,626,960
State Street U.S. Gov't Money Market	537,761	537,761
Private equity funds		19,819,241
Less mitigation funds held for others		<u>(13,204,863)</u>
		<u>\$ 116,443,333</u>

Investment income is presented net of investment fees of \$64,803 for the year ended September 30, 2019, investment income consisted of the following:

SS S&P 500 Index Fund appreciation	\$ 1,640,972
Private equity fund appreciation	2,118,302
SS Global Equity Fund appreciation	58,338
Institutional Multi-Strategy Bond Fund appreciation	503,768
Interest, dividends and other	<u>1,310,977</u>
	<u>\$ 5,632,357</u>

The Organization has committed to fund an additional \$16 million for capital calls in private equity funds.

NOTE 4: FIXED ASSETS

Fixed assets consisted of the following at September 30, 2019:

Vehicles and equipment	\$ 604,881
Less accumulated depreciation	<u>(430,138)</u>
	<u>\$ 174,743</u>

Depreciation expense was \$51,262 for the year ended September 30, 2019.

NOTE 5: LEASE COMMITMENTS

The Organization leases its office facilities and a copier under non-cancelable operating leases. The copier lease and the office facility leases expire through 2023.

Minimum annual commitments under non-cancelable leases are as follows at September 30, 2019:

<u>For the year ending September 30,</u>	<u>Minimum Lease Commitments</u>
2020	\$ 67,039
2021	40,806
2022	3,000
2023	3,000
	<u>\$ 113,845</u>

Rent expense under leases for the year ended September 30, 2019, was \$66,081.

NOTE 6: 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, 2020. Borrowings on the revolving line of credit are unsecured and bear interest at Prime + 2% (7.15% at September 30, 2019). Borrowings on the overdraft line of credit are unsecured and bear interest at Prime + 8% (13.15% at September 30, 2019). The Organization had no borrowings on outstanding balances under these agreements at September 30, 2019.

NOTE 7: FUNDS HELD FOR OTHERS

The Organization holds cash and investments in separate accounts which are to be maintained for purchase and management of additional conservation lands. The Organization has a fiduciary responsibility to the organizations to which the funds belong. Funds consist of the following at September 30, 2019:

Cash and cash equivalents	\$ 1,338,329
Marketable securities	2,694,522
Investments	13,204,884
	<u>\$ 17,237,735</u>

NOTE 8: 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, 2019 is \$1,295,454, and is classified as follows: \$110,103 as a current liability in accrued expenses and \$1,185,351 as a long-term liability as of September 30, 2019. At September 30, 2019 the Organization expensed \$73,679 for benefits in relation to this arrangement.

NOTE 9: NET ASSETS WITHOUT DONOR RESTRICTION

The Organization's net assets without donor restriction is comprised of undesignated and board designated amounts for the following purposes at September 30, 2019:

Undesignated	\$ 4,692,537
Board designated for use on preserves	<u>566,077</u>
	<u>\$ 5,258,614</u>

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

NOTE 10: NET ASSETS WITH DONOR RESTRICTION AND ENDOWMENTS

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

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

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

From time to time, 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, 2019.

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.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS (Continued)

Net assets with donor restriction consisted of the following at September 30, 2019:

Restricted for a specific purpose:

Endowment earnings, including initial and capital funds	\$ 46,314,572
Land maintenance funds	453,233
Grant funds	<u>59,037</u>
Total restricted for a specific purpose	<u>46,826,842</u>

Restricted in perpetuity:

Endowments	69,530,135
Land and Easements	<u>92,221,055</u>
Total restricted in perpetuity	<u>161,751,190</u>

Total net assets with donor restriction	<u>\$ 208,578,032</u>
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Land maintenance funds: These funds are designated for acquisition, enhancement and/or management of conservation properties.

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

Changes in endowment fund balances consisted of the following at September 30, 2019:

	<u>Specific Purpose</u>	<u>Restricted for Perpetuity</u>
Beginning balance	\$ 43,881,033	\$ 66,823,440
Realized and unrealized gain on investments	4,300,821	-
Dividend and interest income	1,173,456	-
Endowment and related support	476,559	2,706,695
Preserve management	636,734	-
Release from restriction	<u>(4,154,031)</u>	<u>-</u>
	<u>\$ 46,314,572</u>	<u>\$ 69,530,135</u>

During the year the Organization reviewed the policy for reinvestments and determined these assets should be classified as net assets without donor restriction, as such, a transfer was made during the year to move \$943,549 from net assets with donor restriction. Also during the year the Organization reclassified \$340,676 from net assets with donor restriction to net assets without donor restriction.

NOTE 11: 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 \$94,335 in 2019.

NOTE 12: RISKS AND UNCERTAINTIES

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

NOTE 13: FAIR VALUE MEASUREMENTS

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

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2019.

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 13: 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, 2019, including \$17,237,735 of funds held for others:

2019	Level 1	Level 2	NAV as a Practical Expedient
Money Market Funds	\$ 4,187,819	\$ -	\$ -
SS S&P 500 Index Fund	-	45,513,236	-
SS Global Equity Fund	-	45,150,998	-
Institutional Multi-Strategy Bond Fund	-	18,626,960	-
State Street U.S. Government Money Market	-	537,761	-
Private equity funds	-	-	19,819,241
	\$ 4,187,819	\$ 109,828,955	\$ 19,819,241

Investments valued using NAV as a practical expedient:

September 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 19,819,241	\$ 16,315,120	N/A	N/A

NOTE 14: SUBSEQUENT EVENTS

Management evaluated subsequent events through March 27, 2020, 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, except as noted below:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a result, economic uncertainties have arisen which are likely to negatively impact net investment income. Other financial impacts could occur though such potential impact is unknown at this time.

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, 2019, 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 27, 2020.

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 Washburn

An Accountancy Corporation

Roseville, California

March 27, 2020

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, 2019. 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, 2019.

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 Washburn

An Accountancy Corporation

Roseville, California

March 27, 2020

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2019	
			Disbursements/ Expenditures	Subrecipients
U.S. Department of Defense (DOD):				
<i>Regional Conservation Effort Program</i>				
<i>Joint Base Lewis McChord (JBLM)</i>				
DOD JBLM-Effects Monitoring 17-24	12.UNKNOWN	W911S8-17-2-0024	\$ 708	\$ -
DOD JBLM-TCB Habitat Rest 18-01	12.UNKNOWN	W911S8-18-2-0001	142,868	-
DJ-Upland Invasives 18-02	12.UNKNOWN	W911S8-18-2-0002	133,868	-
DJ-SHL Migration 18-03	12.UNKNOWN	W911S8-18-2-0003	123,518	-
DJ-Mazama Gopher 18-04	12.UNKNOWN	W911S8-18-2-0004	140,257	-
DJ-Prscb Burn ESA 18-05	12.UNKNOWN	W911S8-18-2-0005	136,647	-
DJ-TCB Mont & Ehn 18-06	12.UNKNOWN	W911S8-18-2-0006	145,097	-
DJ-SHL L S Mont 18-07	12.UNKNOWN	W911S8-18-2-0007	149,628	-
DJ-Nat Seed 18-09	12.UNKNOWN	W911S8-18-2-0009	27,888	-
DJ-Nox Weed Sur & Cntrl 18-10	12.UNKNOWN	W911S8-18-2-0010	139,244	-
DJ-Prairie Seed 18-12	12.UNKNOWN	W911S8-18-2-0012	149,810	-
DJ-SHL Hab Rest 18-13	12.UNKNOWN	W911S8-18-2-0013	123,389	-
DJ-AQ & RP Invasives 18-14	12.UNKNOWN	W911S8-18-2-0014	68,663	-
DJ- INRMP 18-15	12.UNKNOWN	W911S8-18-2-0015	146,189	-
DJ-Rare seed & Plug 18-16	12.UNKNOWN	W911S8-18-2-0016	95,759	-
DJ-INV weeds 19-01	12.UNKNOWN	W911S8-19-2-0001	3,039	-
DJ-SHL Migration 19-02	12.UNKNOWN	W911S8-19-2-0002	10,087	-
DJ-SHL Hab Rest 19-04	12.UNKNOWN	W911S8-19-2-0004	2,576	-
DJ-Peak Season weeds 19-05	12.UNKNOWN	W911S8-19-2-0005	392	-
DJ-Prscb Burn ESA 19-09	12.UNKNOWN	W911S8-19-2-0009	500	-
DJ-Mazama Gopher Hab enh 19-10	12.UNKNOWN	W911S8-19-2-0010	459	-
DJ- BFLY Habitat 19-12	12.UNKNOWN	W911S8-19-2-0012	4,681	-
DJ- Salmon Hab Rest 19-14	12.UNKNOWN	W911S8-19-2-0014	1,035	-
			<u>1,746,302</u>	<u>-</u>
<i>Army Corp of Engineers - Columbia River</i>				
DOD-ACE-SHL 16	12.UNKNOWN	W9127N-16-C-0023	33,028	-
DOD-ACE-SHL 19	12.UNKNOWN	W9127N-19-C-0015	42,828	-
DOD-ACE-SHL 19	12.UNKNOWN	W912HZ-19-2-0009	17,312	-
			<u>93,168</u>	<u>-</u>
<i>Total Regional Conservation Effort Program</i>			1,839,470	-
<i>Army Compatible Use Buffer Program - Joint Base Lewis McChord</i>				
RDECOM ACUB	12.UNKNOWN	W911SR-06-2-0006	13,539	-
Total Department of Defense			<u>\$ 1,853,009</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, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2019 Disbursements/ Expenditures	Subrecipients
U.S. Department of Agriculture (DOA):				
<i>Research and Development Forest Research</i>				
USDA PAC NW FIRE	10.652	16-DG-11261975-082	\$ 6,130	\$ -
<i>Environmental Quality Incentives Program</i>				
NRCS-Deschutes Rvr	10.912	740546150A6	7,061	-
NRCS- Meadowlark	10.912	749104154UB	7,524	-
NRCS-Copper Creek	10.912	749104154Y2	833	-
NRCS-Scatter Creek	10.912	7405461717M	6,953	-
			<u>22,371</u>	-
<i>Wildlife Habitat Incentive Program</i>				
NRCS- WHIP Noyes	10.914	72054613516	2,308	-
<i>Sustainable Agriculture Research and Education</i>				
<i>Passed through University of Washington</i>	10.215	2017-3864-26913	66,231	-
Total Department of Agriculture			\$ 97,040	\$ -
U.S. Department of Interior (DOI):				
<i>Coastal Program</i>				
USFWS	15.630	F19AC00033	\$ 4,091	\$ -
<i>Partners for Fish and Wildlife</i>				
USFWS-MEADOWLARK	15.631	F16AC00228	9,943	-
USFWS Colvin Ranch	15.631	F17AC00067	3,112	-
USFWS Dan Kelly 17	15.631	F17AC00351	13,647	-
USFWS Tenino Rh Resto 17-21	15.631	F17AC00398	8,384	-
USFWS Rochester Rh Resto II 17-21	15.631	F17AC00400	6,282	-
USFWS Wolf Haven Resto II 17-21	15.631	F17AC00395	15,558	-
U-Grazing Mgmt OSF	15.631	F18AC00491	16,550	-
U-Tenalquot III	15.631	F18AC00493	31,145	-
U- GH Preserve III	15.631	F18AC00529	47,399	-
U- SPS Prscb Burn	15.631	F18AP00495	46,815	-
U- Whidbey Island PHE	15.631	F18AC00522	12,191	-
U-Dan Kelly Rest II	15.631	F19AC00357	1,011	-
U-Tenino Rh Resto 19-23	15.631	F19AC00359	524	-
			<u>212,561</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, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2019 Disbursements/ Expenditures	Subrecipients
<i>State Wildlife Grants</i>				
<i>Passed through Washington Department Fish and Wildlife:</i>				
USFWS/WDFW SWG phase II (Note C)	15.634	F14AP00801	14,849	-
USFWS/WDFW SWG	15.634	F17AP00813	155,949	65,079
USFWS/WDFW SWG	15.634	F17AP00814	74,953	70,377
			<u>245,751</u>	<u>135,456</u>
<i>Endangered Species Conservation Recovery Implementation Funds</i>				
USFWS Pupfish	15.657	F15AC00817	12,756	-
USFWS Eval Veg Mat 16-18	15.657	F16AC00536	3,543	-
USFWS- N Coast Silverspot Bfly OR	15.657	F16AC00538	4,756	-
USFWS SHL post Flegding	15.657	F16AC00540	26,097	-
USFWS TCBfly interaction 16-18	15.657	F16AC00696	22,365	-
USFWS SPS Nursery Ph VIII	15.657	F17AC00493	61,625	-
USFWS NPS Native Seed Ph III	15.657	F17AC00494	90,578	-
USFWS SHL Airfields	15.657	F17AO00577	6,055	-
U-Seed OSB	15.657	F18AC00398	24,822	-
U-SPS prairie Rest	15.657	F19AC00322	9,772	-
			<u>262,369</u>	<u>-</u>
<i>Passed through Pacific Rim Institute:</i>				
USFWS/PRI CALE 16 (Note C)	15.657	CRI-2018-CNLM	7,220	-
USFWS/PRI CALE 16 (Note C)	15.657	CRI-2019-CNLM	5,700	-
			<u>12,920</u>	<u>-</u>
<i>Passed through Institute of Applied Ecology</i>				
USFWS/IAE	15.657	F17AC00629	346	-
<i>Passed through Pacific Bird Habitat</i>				
USFWS/PBH	15.657	F18AC00423	10,037	-
			<u>285,672</u>	<u>-</u>
<i>Endangered Species Act- Candidate Conservation action funds</i>				
USFWS Island Marble Bfly	15.660	F17AC00232	16,273	-
<i>Endangered Species Act- Section 6</i>				
<i>Passed through California Dept of F&W</i>	15.615	P1620101	28,976	10,856
<i>Central Valley Project Improvement Act</i>				
<i>Passed through Bureau of Reclamation</i>	15.512	R17AP00242	62,828	-

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, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2019 Disbursements/ Expenditures	Subrecipients
<i>Fish and Wildlife Coordination Act</i>				
<i>Passed through Bureau of Reclamation</i>	15.564	R16AP00033	6,735	-
<i>Natural Resource Stewardship</i>				
<i>Passed through National Parks Service</i>	15.944	P18AC00100	17,111	-
<i>Passed through National Parks Service</i>	15.944	P17AC01347	3,346	-
<i>Passed through National Parks Service</i>	15.944	P17AC01257	4,192	-
			<u>24,649</u>	<u>-</u>
Total Department of Interior			<u>\$ 887,536</u>	<u>\$ 146,312</u>
Total Federal Expenditures			<u>\$ 2,837,585</u>	<u>\$ 146,312</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, 2019

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, 2019. 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, 2019, the Organization was reimbursed at the federally negotiated indirect cost rate of 27.40%.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

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 DOI - Partners for Fish and Wildlife	<i>CFDA 12.UNKNOWN CFDA 15.631</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.