



CENTER FOR NATURAL LANDS MANAGEMENT

**FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 and 2020**

**AND REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED SEPTEMBER 30, 2021**

CENTER FOR NATURAL LANDS MANAGEMENT

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SEPTEMBER 30, 2021

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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 statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Natural Lands Management as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matter

As discussed in Note 2 to the financial statements, for the year ended September 30, 2021, Center for Natural Lands Management adopted new accounting guidance Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. 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 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 28 2022 on our consideration of Center for Natural Lands Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Center for Natural Lands Management's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Natural Lands Management's internal control over financial reporting and compliance.

Abbott, Stringham & Lynch

March 28, 2022

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,536,308	\$ 3,305,579
Money market funds	4,629,737	3,779,112
Accounts receivable, net	382,184	719,784
Unbilled contract costs	248,549	40,426
Seed inventory, net	-	293,306
Prepaid expenses	48,233	40,587
Funds held for others	22,286,521	18,198,551
Total current assets	31,131,532	26,377,345
Investments	163,913,685	128,299,200
Land and conservation easements	95,011,055	94,796,055
Property and equipment, net	312,055	199,063
	<u>\$290,368,327</u>	<u>\$ 249,671,663</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 251,029	\$ 248,269
Funds held for others	22,286,521	18,198,551
Accrued expenses	360,955	381,445
Paycheck Protection Program loan payable	-	701,700
Retirement benefit payable, current portion	95,832	104,226
Total current liabilities	22,994,337	19,634,191
Retirement benefit payable, non-current	1,208,049	1,195,805
Total liabilities	<u>24,202,386</u>	<u>20,829,996</u>
Net assets:		
Without donor restrictions	9,145,700	6,429,808
With donor restrictions	257,020,241	222,411,859
Total net assets	<u>266,165,941</u>	<u>228,841,667</u>
	<u>\$290,368,327</u>	<u>\$ 249,671,663</u>

See accompanying independent auditor's report and notes to financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF ACTIVITIES

	Year Ended September 30, 2021			Year Ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and income:						
Support:						
Grants and donations	\$ 1,183,189	\$ 215,081	\$ 1,398,270	\$ 2,520,583	\$ 1,012,365	\$ 3,532,948
Forgiveness of Paycheck Protection Program loan	701,700	-	701,700	-	-	-
Endowment and related support	-	1,499,862	1,499,862	-	1,808,314	1,808,314
Real property	-	215,000	215,000	-	2,575,000	2,575,000
Total support	1,884,889	1,929,943	3,814,832	2,520,583	5,395,679	7,916,262
Program services revenue:						
Preserve management	1,080,771	31,171	1,111,942	1,039,810	55,916	1,095,726
Property analysis	984,206	-	984,206	867,952	-	867,952
Account management	434,173	-	434,173	358,427	-	358,427
Seed production	89,736	-	89,736	76,128	-	76,128
Total program services revenue	2,588,886	31,171	2,620,057	2,342,317	55,916	2,398,233
Net investment income	1,021,464	38,348,096	39,369,560	466,582	12,295,295	12,761,877
Other income	-	11,111	11,111	-	-	-
Net assets released from restrictions	5,711,939	(5,711,939)	-	3,913,058	(3,913,058)	-
Total support, revenue and income	11,207,178	34,608,382	45,815,560	9,242,540	13,833,832	23,076,372
Expenses:						
Program services:						
Preserve related	4,810,671	-	4,810,671	3,841,032	-	3,841,032
Grant related	1,109,213	-	1,109,213	2,179,784	-	2,179,784
Acquisitions and other services	1,105,544	-	1,105,544	531,666	-	531,666
Total program services	7,025,428	-	7,025,428	6,552,482	-	6,552,482
Fundraising	58,675	-	58,675	-	-	-
Management and general	1,407,183	-	1,407,183	1,518,864	-	1,518,864
Total expenses	8,491,286	-	8,491,286	8,071,346	-	8,071,346
Change in net assets	2,715,892	34,608,382	37,324,274	1,171,194	13,833,832	15,005,026
Net assets, beginning of year	6,429,808	222,411,859	228,841,667	5,258,614	208,578,027	213,836,641
Net assets, end of year	\$ 9,145,700	\$257,020,241	\$266,165,941	\$ 6,429,808	\$222,411,859	\$228,841,667

See accompanying independent auditor's report and notes to financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

	Program Services					
	Preserve Related	Grant Related	Acquisitions and Other Services	Fundraising	Management and General	Total
Personnel expenses:						
Wages	\$ 1,342,855	\$ 298,711	\$ 345,360	\$ 42,992	\$ 989,414	\$ 3,019,332
Benefits	203,433	45,253	52,105	6,513	146,063	453,367
Payroll taxes	110,155	24,504	28,214	3,527	74,729	241,129
Total personnel expenses	1,656,443	368,468	425,679	53,032	1,210,206	3,713,828
Contracted services	1,261,479	419,685	262,565	-	22,106	1,965,835
Management fees	1,190,933	-	-	-	-	1,190,933
Supplies and equipment	286,698	101,290	91,812	-	20,212	500,012
Seed inventory write off	-	-	293,306	-	-	293,306
Occupancy	59,782	28,082	16,031	1,914	73,568	179,377
Subawards	-	144,296	-	-	-	144,296
Insurance	82,168	3,998	134	-	31,222	117,522
Depreciation	80,262	-	607	-	-	80,869
Vehicles	79,542	-	-	-	-	79,542
Professional services	28,610	14,250	-	-	2,500	45,360
Software/cloud computing	10,678	2,375	2,735	690	26,914	43,392
Dues, fees and licenses	23,813	477	10,989	1,884	2,643	39,806
Travel	15,127	15,739	100	-	5,172	36,138
Property and B&O taxes	23,142	9,024	223	-	403	32,792
Office expenses	8,577	1,529	1,363	170	7,014	18,653
Sponsored conferences and meetings	3,417	-	-	-	2,221	5,638
Other	-	-	-	985	3,002	3,987
	<u>\$ 4,810,671</u>	<u>\$ 1,109,213</u>	<u>\$ 1,105,544</u>	<u>\$ 58,675</u>	<u>\$ 1,407,183</u>	<u>\$ 8,491,286</u>

See accompanying independent auditor's report and notes to financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

	Program Services				
	Preserve Related	Grant Related	Acquisitions and Other Services	Management and General	Total
Personnel expenses:					
Wages	\$ 1,272,563	\$ 1,198,111	\$ 260,207	\$ 1,016,604	\$ 3,747,485
Benefits	264,111	248,659	53,379	202,688	768,837
Payroll taxes	101,935	95,971	20,602	75,150	293,658
Total personnel expenses	1,638,609	1,542,741	334,188	1,294,442	4,809,980
Management fees	1,106,946	-	-	-	1,106,946
Contracted services	545,539	135,843	154,582	25,777	861,741
Supplies and equipment	249,769	179,396	23,575	22,526	475,266
Occupancy	41,102	91,582	11,100	61,782	205,566
Insurance	64,489	24,406	66	39,600	128,561
Subawards	-	79,839	-	-	79,839
Travel	17,276	50,970	541	8,838	77,625
Vehicles	76,152	-	-	-	76,152
Professional services	21,371	26,500	3,000	6,287	57,158
Software/cloud computing	9,046	8,880	1,828	35,538	55,292
Depreciation	54,123	-	-	-	54,123
Dues, fees and licenses	36,601	3,074	500	5,808	45,983
Office expenses	10,049	5,746	762	7,376	23,933
Sponsored conferences and meetings	4,514	362	-	5,810	10,686
Other	-	-	1,409	4,285	5,694
Property and B&O (refunds) taxes	(34,554)	30,445	115	795	(3,199)
	<u>\$ 3,841,032</u>	<u>\$ 2,179,784</u>	<u>\$ 531,666</u>	<u>\$ 1,518,864</u>	<u>\$ 8,071,346</u>

See accompanying independent auditor's report and notes to financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 37,324,274	\$ 15,005,026
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	80,869	54,123
Non-cash contribution of real property restricted for endowments	(215,000)	(2,575,000)
Contributions restricted for preserve management and endowments	(1,499,862)	(1,808,314)
Realized and unrealized gains on investments	(38,785,087)	(11,901,266)
Forgiveness of Paycheck Protection Program loan payable	(701,700)	-
Seed inventory write off	293,306	-
Changes in operating assets and liabilities:		
Accounts receivable, net	337,600	650,745
Unbilled contract costs	(208,123)	59,035
Seed inventory	-	(30,070)
Prepaid expenses	(7,646)	5,963
Accounts payable	2,760	(85,188)
Accrued expenses	(20,490)	(4,628)
Retirement benefit payable	3,850	4,577
Net cash used in operating activities	(3,395,249)	(624,997)
Cash flows from investing activities:		
Purchase of property and equipment	(193,861)	(78,443)
Proceeds from sale of money market funds	2,368,938	2,045,035
Purchase of money market funds	(3,219,563)	(1,636,328)
Proceeds from sale of investments	5,871,353	2,669,675
Purchase of investments	(2,700,751)	(2,624,276)
Net cash provided by investing activities	2,126,116	375,663
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan payable	-	701,700
Contributions restricted for preserve management and endowments	1,499,862	1,808,314
Net cash provided by financing activities	1,499,862	2,510,014
Net change in cash and cash equivalents	230,729	2,260,680
Cash and cash equivalents, beginning of year	3,305,579	1,044,899
Cash and cash equivalents, end of year	<u>\$ 3,536,308</u>	<u>\$ 3,305,579</u>
Supplemental disclosure of cash flows information:		
Non-cash contribution of real property restricted for endowments	<u>\$ 215,000</u>	<u>\$ 2,575,000</u>
Non-cash forgiveness of Paycheck Protection Program loan payable	<u>\$ 701,700</u>	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 1 - Nature of operations

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Financial statement presentation

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

Without donor restrictions - these net assets represent resources over which the Organization has discretionary control and that are not restricted by donor-imposed stipulations.

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

Use of estimates

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

Cash and cash equivalents

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 2 - Summary of significant accounting policies (continued)

Money market funds

Money market funds include funds designated and limited for the care and management of specific properties and specific purposes and therefore are not considered cash and cash equivalents.

Investments

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

Accounts receivable

Accounts receivable represent service revenue receivables and expenditures for which reimbursement has been requested but not yet received. Accounts receivable are written off against the allowance after all means of collections have been exhausted and the potential recovery is considered remote. The Organization has a consistent collection record and, based on the quality of the customer accounts and past history, management has evaluated accounts receivable and is not aware of any issues that would impact the collectability of existing accounts receivable. Management believes that an adequate allowance for doubtful accounts receivable has been provided. At September 30, 2021 and 2020, the allowance for doubtful accounts was \$1,554.

Revenue recognition - contributions

Contributions

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

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

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the potential donor, and are recognized as assets and revenue when the conditions are substantially met and the contributions become unconditional. As of September 30, 2021 and 2020, there were no conditional contributions.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition - contributions (continued)

Contributed goods and services

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

Volunteers contribute valuable amounts of time to the Organization's program services, however, the financial statements do not reflect the value of these contributed services as they do not meet recognition criteria prescribed by U.S. GAAP. Contributed services received from volunteers, but not recognized, totaled approximately \$3,500 and \$15,000 at September 30, 2021, and 2020, respectively.

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 fair value. Purchased land is stated at cost. The properties are permanently restricted for environmental purposes and cannot be used for commercial purposes.

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

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

Revenue recognition - contracts with customers

On October 1, 2020, the Organization adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606) and all the related amendments using the modified retrospective method, whereby the adoption did not impact any prior periods. The effect of adopting the new standard did not require any cumulative effect adjustment to net assets as of October 1, 2020. There was no impact to the financial statements as of and for the year ended September 30, 2021.

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition - contracts with customers (continued)

The Organization also generates revenue from the sale of seed inventory to customers in the Pacific Northwest region of the United States. Revenue from the sale of seed inventory is recognized at a point in time at the time of delivery.

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

Allocation of investment income

Earnings on endowment funds are available for use in managing and maintaining conservation lands. Investment earnings and losses are recorded as net assets with donor restriction. A portion of earnings are transferred monthly from with donor restriction to without donor restriction to provide income for the management of properties.

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. Management believes that inventory balance was immaterial and was written off during the year ended September 30, 2021.

Property, equipment and depreciation

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

Tax-exempt status

The Organization is considered to be a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from state tax under State of California Revenue and Taxation Code Section 23701(d). Only unrelated business income is subject to federal and state income tax. Some of the Organization's investment income is earned through private equity funds. A portion of the income passed through to the Organization from these funds is considered unrelated business income. The resulting income tax payable is immaterial and no provision for income taxes has been made in the accompanying financial statements.

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 2 - Summary of significant accounting policies (continued)

Tax-exempt status (continued)

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for years ended September 30, 2018 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended September 30, 2017 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed.

Allocation of functional expenses

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

New accounting pronouncements - not yet adopted

In 2016 and through subsequent amendments, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning with October 1, 2022. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

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

In 2020, the FASB issued accounting guidance focused on the presentation and disclosure requirements for contributed nonfinancial assets. The new guidance is effective for the Organization's year beginning October 2021. The new standard requires the entity to present contributed nonfinancial assets, such as property and equipment, food, supplies and intangible assets, as a separate line item on the statement of activities. In addition, the standard also requires enhanced disclosures including qualitative information about whether or not the contributed nonfinancial assets were utilized in a program or monetized; policies for monetizing those assets; descriptions of donor restrictions; and enhanced disclosure regarding the fair value techniques. Early adoption is permitted and the standard is to be applied retrospectively. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 2 - Summary of significant accounting policies (continued)

Subsequent events

The Organization has evaluated subsequent events through March 28, 2022, which is the date these financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of September 30, 2021 and 2020 are as follows:

	September 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 3,536,308	\$ 3,305,579
Money market funds	4,629,737	3,779,112
Investments	163,913,685	128,299,200
Accounts receivable, net	382,184	719,784
Unbilled contract costs	248,549	40,426
Total financial assets	<u>172,710,463</u>	<u>136,144,101</u>
Less:		
Restricted by donors for a specific purpose or for perpetuity	(162,009,186)	(127,615,804)
Operating liabilities	<u>(707,816)</u>	<u>(1,435,640)</u>
	<u>(162,717,002)</u>	<u>(129,051,444)</u>
Total financial assets available within one year	9,993,461	7,092,657
Liquidity resources:		
Amounts unavailable to management without Board approval (Note 12)	<u>(1,334,163)</u>	<u>(846,700)</u>
Total financial assets and liquidity resources available to management for general expenditures within one year	<u>\$ 8,659,298</u>	<u>\$ 6,245,957</u>

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 4 - Investments

Investments are held at Common Fund. Investments consisted of the following at fair market value:

	September 30,	
	2021	2020
Common Fund:		
SS S&P 500 Index Fund	\$ 96,620,713	\$ 55,127,555
SS Global Equity Fund	31,767,235	49,187,063
Institutional Multi-Strategy Bond Fund	14,658,043	14,453,263
State Street U.S. Government Money Market	1,367,524	119,424
Private equity funds	37,686,098	23,697,018
Total investments held at Common Fund	182,099,613	142,584,323
Less funds held for others (Note 10)	(18,185,928)	(14,285,123)
	<u>\$ 163,913,685</u>	<u>\$ 128,299,200</u>

Net investment income is presented net of investment fees of \$47,153 and \$51,851, respectively.

The Organization has committed to fund an additional \$30 million for capital calls in private equity funds, if necessary.

Note 5 - Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Money market funds have quoted market prices in active markets to preserve their value at \$1 per share.
- Level 2 - Includes other observable inputs, not included in Level 1, that are directly or indirectly observable in the marketplace. The fair value of the 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.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 5 - Fair value measurements (continued)

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

No assets were noted at Levels 3 for the years ended September 30, 2021 or 2020. There have been no changes in the methodologies used at September 30, 2021.

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30, 2021 and 2020, including \$22,286,521 and \$18,198,551 of funds held for others, respectively:

	Assets at Fair Value as of September 30, 2021		
	Level 1	Level 2	Total
Money market funds	\$ 4,629,737	\$ -	\$ 4,629,737
Investments:			
SS S&P 500 Index Fund	-	96,620,716	96,620,716
SS Global Equity Fund	-	31,767,235	31,767,235
Institutional Multi-Strategy Bond Fund	-	14,658,043	14,658,043
State Street U.S. Government Money Market	-	1,367,524	1,367,524
Private equity funds measured at net asset value (NAV)	-	-	37,686,095
Total investments	-	144,413,518	182,099,613
	<u>\$ 4,629,737</u>	<u>\$ 144,413,518</u>	<u>\$ 186,729,350</u>

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 5 - Fair value measurements (continued)

	Assets at Fair Value as of September 30, 2020		
	Level 1	Level 2	Total
Money market funds	\$ 3,779,112	\$ -	\$ 3,779,112
Investments:			
SS S&P 500 Index Fund	-	55,127,555	55,127,555
SS Global Equity Fund	-	49,187,063	49,187,063
Institutional Multi-Strategy Bond Fund	-	14,453,263	14,453,263
State Street U.S. Government Money Market	-	119,424	119,424
Private equity funds measured at net asset value (NAV)	-	-	23,697,018
Total investments	-	118,887,305	142,584,323
	<u>\$ 3,779,112</u>	<u>\$ 118,887,305</u>	<u>\$ 146,363,435</u>

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

	Fair Value as of September 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 37,686,095	\$ 30,051,198	N/A	N/A
	Fair Value as of September 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 23,697,018	\$ 26,818,247	N/A	N/A

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 6 - Property and equipment

Property and equipment consisted of the following:

	September 30,	
	2021	2020
Vehicles	\$ 773,729	\$ 616,295
Equipment	42,635	17,841
	816,364	634,136
Less accumulated depreciation	(504,309)	(435,073)
	<u>\$ 312,055</u>	<u>\$ 199,063</u>

Depreciation expenses amounted to \$80,869 and \$54,123 for the years ended September 30, 2021 and 2020, respectively.

Note 7 - Lease commitments

The Organization leases its office facilities and an agriculture facility under non-cancelable operating leases. The leases expire through March 2025. The lease payments for the agriculture facility are paid annually beginning in March of each year. Total rent expense was \$29,253 and \$69,925 for the years ended September 30, 2021 and 2020, respectively.

Minimum annual commitments under non-cancelable leases are as follows at September 30, 2021:

For the Years Ending September 30,	Amount
2022	\$ 28,662
2023	11,031
2024	2,000
	<u>\$ 41,693</u>

Note 8 - Line of credit

The Organization has a revolving \$250,000 line of credit and a \$50,000 overdraft protection line of credit with a bank that both expiring June 28, 2022. Borrowings on the revolving line of credit are unsecured and bear interest at the bank's Prime Rate plus 2% (5.25% at September 30, 2021). Borrowings on the overdraft line of credit are unsecured and bear interest at the bank's Prime Rate plus 8% (11.25% at September 30, 2021). The Organization had no borrowings or outstanding balances under these agreements at September 30, 2021 or 2020.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 9 - Paycheck Protection Program loan payable

On April 15, 2020, the Organization received loan proceeds in the amount of \$701,700 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses for amounts of up to 2.5 times the average monthly payroll expenses of the qualifying business for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period defined in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On January 5, 2021, upon completion of loan forgiveness review by the SBA, the Organization received confirmation that the entire loan balance and interest were forgiven.

Note 10 - Funds held for others

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

	September 30,	
	2021	2020
Cash and cash equivalents	\$ 1,982,162	\$ 1,816,074
Money market funds	2,118,431	2,097,354
Investments	18,185,928	14,285,123
	<u>\$ 22,286,521</u>	<u>\$ 18,198,551</u>

Note 11 - Retirement benefit payable

In December 2007, the Board of Directors approved a post-employment retirement benefit arrangement for the former Executive Director. The arrangement provides for a monthly retirement payment plus a contribution toward health insurance. The former Executive Director retired in December 2008. The estimated present value of these benefits at September 30, 2021 is \$1,303,881, and is classified as follows: \$95,832 as a current liability and \$1,208,049 as a long-term liability as of September 30, 2021. At September 30, 2021 the Organization expensed \$78,421 for benefits in relation to this arrangement.

The estimated present value of these benefits at September 30, 2020 is \$1,300,031, and is classified as follows: \$104,226 as a current liability and \$1,195,805 as a long-term liability as of September 30, 2020. At September 30, 2020 the Organization expensed \$78,421 for benefits in relation to this arrangement.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 12 - Net assets without donor restrictions

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

	September 30,	
	2021	2020
Undesignated	\$ 7,811,537	\$ 5,583,108
Board designated for use on preserves	1,334,163	846,700
	<u>\$ 9,145,700</u>	<u>\$ 6,429,808</u>

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

Note 13 - Net assets with donor restrictions and endowments

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

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

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

From time to time, 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, 2021 and 2020.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 13 - Net assets with donor restrictions and endowments (continued)

Investment and spending policy

The Organization has adopted an investment and spending policy to guide the management of the Organization's portfolio of invested funds. The objective of the investment fund is to earn an annual rate of return, net of investment and management expenses, equal to or greater than 5% over the annual rate of inflation, without assuming too great a risk. The investment spending policy is 4.5% of the endowment balance or the inflation-adjusted annual budget used to calculate the required endowment, whichever is less. This allows an endowment to grow in periods of positive investment earnings and allows stewardship to continue in periods of negative earnings. The investment strategy is to invest in a sufficient number of different types of financial instruments and money managers to provide significant diversification of the investment fund and to reduce the overall risk and improve performance over time.

Net assets with donor restriction consisted of the following:

	September 30,	
	2021	2020
<i>Restricted for a specific purpose:</i>		
Endowment earnings, including initial and capital funds	\$ 88,339,047	\$ 54,978,480
Land maintenance funds	457,258	456,573
Grant funds	674,320	973,534
Total restricted for a specific purpose	89,470,625	56,408,587
<i>Restricted for perpetuity:</i>		
Endowments	72,538,561	71,207,217
Land and easements	95,011,055	94,796,055
Total restricted for perpetuity	167,549,616	166,003,272
Total net assets with donor restriction	\$ 257,020,241	\$ 222,411,859

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.

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 13 - Net assets with donor restrictions and endowments (continued)

Changes in endowment fund balances consisted of the following:

	Restricted for	
	Specific Purpose	Perpetuity
Beginning balances at October 1, 2019	\$ 46,314,572	\$ 69,530,135
Realized and unrealized gain on investments	12,268,445	-
Dividend and interest income	23,505	-
Endowment and related support	131,232	1,677,082
Preserve management	74,842	-
Release from restrictions	(3,834,116)	-
Ending balances at September 30, 2020	54,978,480	71,207,217
Realized and unrealized gain on investments	38,342,282	-
Dividend and interest income	5,129	-
Endowment and related support	168,518	1,331,344
Preserve management	86,186	-
Release from restrictions	(5,241,548)	-
Ending balances at September 30, 2021	<u>\$ 88,339,047</u>	<u>\$ 72,538,561</u>

Note 14 - 401(k) salary deferral plan

The Organization has a 401(k) Plan and employees may elect to make salary deferred contributions to the Plan. The Organization makes a safe-harbor matching contribution up to 3% of salary plus 50% of employees' contribution not to exceed 5% of compensation. The Organization made matching contributions of \$81,777 and \$89,876 for the years ended September 30, 2021 and 2020, respectively.

Note 15 - Concentrations, risks and uncertainties

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

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

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

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Financial Statements

September 30, 2021 and 2020

Note 15 - Concentrations, risks and uncertainties (continued)

Domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees and partners all of which are uncertain and cannot be predicted. It is at least reasonably possible that this matter will negatively impact the Organization. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

Note 16 - Reclassification

Certain reclassifications have been made to the September 30, 2020 financial statements to conform to the September 30, 2021 financial statement presentation, having no effect on the previously reported change in net assets.

**REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Center for Natural Lands Management (the "Organization"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abbott, Stringham & Lynch

March 28, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited Center for Natural Lands Management's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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* (CFR) 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2021.



Abbott, Stringham & Lynch

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Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the 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 the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Abbott, Stringham & Lynch

March 28, 2022

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Expenditures of Federal Awards

September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
United States Department of Defense				
Regional Conservation Effort Program				
Army Corp of Engineers - Columbia River				
DOD-ACE-SHL 19	12.UNKNOWN	W9127N-19-C-0015	\$ 29,929	\$ 24,000
DOD-CESU	12.UNKNOWN	W912HZ-19-2-0009	44,605	-
			74,534	24,000
Naval Facilities Engineering Command, Southwest				
DON-PPPMouse EMP	12.UNKNOWN	N62473-20-2-0018	754,129	-
Total Regional Conservation Effort Program			828,663	24,000
Total United States Department of Defense			828,663	24,000
United States Department of Agriculture				
Research and Development Forest Research				
USDA PAC NW FIRE	10.652	16-DG-11261975-082	6,082	-
Environmental Quality Incentives Program				
NRCS-Deschutes Rvr	10.912	740546150A6	4,130	-
NRCS-Scatter Creek	10.912	7405461717M	227	-
			4,357	-
Wildlife Habitat Incentive Program				
Department of Agriculture	10.914	740546210QK	6,649	-
Total United States Department of Agriculture			17,088	-
United States Department of Interior				
Coastal Program				
USFWS Prairie Enh Whidbey Island	15.630	F19AC00033	5,226	-

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Expenditures of Federal Awards

September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
United States Department of Interior (continued)				
Partners for Fish and Wildlife				
U-Whidbey Island PHE	15.631	F18AC00522	9,489	7,830
U-Dan Kelly Rest II	15.631	F19AC00357	1,013	-
U-Tenino Rh Resto 19-23	15.631	F19AC00359	7,082	-
U-Tenino Rh Resto 19-23	15.631	F19AC00540	1,075	-
U-VP WPT Hab Enh	15.631	F20AC11305	255	-
U-Cavness Rn V	15.631	F21AC02755	643	-
			19,557	7,830
State Wildlife Grants				
Passed through Washington Department Fish and Wildlife:				
USFWS/WDFW SWG	15.634	F17AP00813	70,236	56,755
USFWS/WDFW SWG	15.634	F17AP00814	52,436	45,277
			122,672	102,032
Endangered Species Conservation Recovery Implementation Funds				
USFWS SHL Airfields	15.657	F17AO00577	10,716	8,166
U-SPS Nursery Ph	15.657	F19AC00320	113,226	-
U-NPS Nursery Ph	15.657	F19AC00321	111,787	-
U-SPS prairie Rest	15.657	F19AC00322	23,334	222
U-Ohlone Tiger Btl	15.657	F20AC10884	2,471	-
U-Eval Vernal Pool Species No Cal	15.657	F20AC00048	5,907	2,047
			267,441	10,435
Passed through Pacific Rim Institute				
USFWS/PRI	15.657	CRI-2019	4,710	-

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Expenditures of Federal Awards

September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
United States Department of Interior (continued)				
Endangered Species Conservation Recovery Implementation Funds (continued)				
Passed through American Bird Conservancy USFWS/ABC	15.657	19062B	2,461	-
Total Endangered Species Conservation Recovery Implementation Funds			274,612	10,435
Central Valley Project Improvement Act Passed through Bureau of Reclamation	15.512	R17AP00242	25,523	-
Natural Resource Stewardship Passed through National Parks Service	15.944	P17AC01257	9,417	-
Total United States Department of Interior			457,007	120,297
Total Expenditures of Federal Awards			\$ 1,302,758	\$ 144,297

CENTER FOR NATURAL LANDS MANAGEMENT

Notes to Schedule of Expenditures of Federal Awards

September 30, 2021

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect cost rate

At September 30, 2021, the Organization was reimbursed at the federally negotiated indirect cost rate of 27.31%.

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Findings and Questioned Costs

September 30, 2021

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal awards

Internal control over major federal programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

___ yes X no

Identification of major federal programs:

Federal assistance

listing number(s)

Name of federal program or cluster

12.UNKNOWN

Naval Facilities Engineering Command, Southwest

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Findings and Questioned Costs

September 30, 2021

Section II - Financial Statement Findings

No financial statement findings.

Section III - Federal Award Findings and Questioned Costs

No federal awards findings.

CENTER FOR NATURAL LANDS MANAGEMENT

Schedule of Prior Audit Findings

September 30, 2021

Status of prior year audit findings

The Organization did not have any audit findings for the year ended September 30, 2020.