# CENTER FOR NATURAL LANDS MANAGEMENT

## FINANCIAL STATEMENTS

## YEARS ENDED SEPTEMBER 30, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the financial statements of Center for Natural Lands Management (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Center for Natural Lands Management as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Center for Natural Lands Management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, on October 1, 2023, Center for Natural Lands Management adopted new accounting guidance Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses.* Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Natural Lands Management's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Center for Natural Lands Management's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Natural Lands Management's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Abbott, Stringham & Lynch

March 25, 2025

# CENTER FOR NATURAL LANDS MANAGEMENT

## STATEMENTS OF FINANCIAL POSITION

### Assets

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 1,268,541 | $ 1,973,005 |
| Money market funds | 2,630,897 | 2,516,104 |
| Accounts receivable, net of allowance for credit losses of $5,301 and $3,248, respectively | 475,886 | 559,829 |
| Unbilled contract costs | 156,168 | - |
| Prepaid expenses | 107,837 | 130,547 |
| Funds held for others | 34,286,577 | 28,020,447 |
| Total current assets | 38,925,906 | 33,199,932 |
| Investments | 189,319,122 | 160,940,977 |
| Land and conservation easements | 95,216,055 | 95,011,055 |
| Property and equipment, net | 348,404 | 299,070 |
| Operating lease right-of-use asset | 30,556 | 29,428 |
| | $323,840,043 | $ 289,480,462 |

### Liabilities and Net Assets

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 184,021 | $ 207,037 |
| Funds held for others | 34,286,577 | 28,020,447 |
| Accrued expenses | 338,841 | 538,456 |
| Operating lease liability | 30,556 | 29,428 |
| Retirement benefit payable, current portion | 99,234 | 94,708 |
| Total current liabilities | 34,939,229 | 28,890,076 |
| Retirement benefit payable, non-current | 1,188,878 | 1,202,714 |
| Total liabilities | 36,128,107 | 30,092,790 |
| Net assets: | | |
| Without donor restrictions | 13,672,716 | 11,085,331 |
| With donor restrictions | 274,039,220 | 248,302,341 |
| Total net assets | 287,711,936 | 259,387,672 |
| | $323,840,043 | $ 289,480,462 |

# CENTER FOR NATURAL LANDS MANAGEMENT

## STATEMENTS OF ACTIVITIES

| | Year Ended September 30, 2024 | | | Year Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support, revenues and income: | | | | | | |
| Support: | | | | | | |
| Grants and donations | $ 596,043 | $ 228,558 | $ 824,601 | $ 540,205 | $ 127,546 | $ 667,751 |
| Endowment and related support | - | 831,572 | 831,572 | - | 194,066 | 194,066 |
| Total support | 596,043 | 1,060,130 | 1,656,173 | 540,205 | 321,612 | 861,817 |
| Program services revenue: | | | | | | |
| Preserve management | 1,117,797 | 29,773 | 1,147,570 | 1,179,029 | 34,811 | 1,213,840 |
| Property analysis | 1,423,135 | - | 1,423,135 | 1,539,786 | - | 1,539,786 |
| Account management | 538,707 | - | 538,707 | 463,878 | - | 463,878 |
| Seed production | 162,014 | - | 162,014 | 230,378 | - | 230,378 |
| Total program services revenue | 3,241,653 | 29,773 | 3,271,426 | 3,413,071 | 34,811 | 3,447,882 |
| Net investment income | 2,767,624 | 30,100,659 | 32,868,283 | 1,438,314 | 19,694,231 | 21,132,545 |
| Other income | 1,000 | - | 1,000 | 10,350 | - | 10,350 |
| Net assets released from restrictions | 5,453,683 | (5,453,683) | - | 5,363,179 | (5,363,179) | - |
| Total support, revenue and income | 12,060,003 | 25,736,879 | 37,796,882 | 10,765,119 | 14,687,475 | 25,452,594 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Preserve related | 5,772,477 | - | 5,772,477 | 4,801,305 | - | 4,801,305 |
| Grant related | 548,750 | - | 548,750 | 521,439 | - | 521,439 |
| Acquisitions and other services | 1,310,727 | - | 1,310,727 | 1,194,453 | - | 1,194,453 |
| Total program services | 7,631,954 | - | 7,631,954 | 6,517,197 | - | 6,517,197 |
| Management and general | 1,829,718 | - | 1,829,718 | 1,612,727 | - | 1,612,727 |
| Fundraising | 10,946 | - | 10,946 | 60,102 | - | 60,102 |
| Total expenses | 9,472,618 | - | 9,472,618 | 8,190,026 | - | 8,190,026 |
| Change in net assets | 2,587,385 | 25,736,879 | 28,324,264 | 2,575,093 | 14,687,475 | 17,262,568 |
| Net assets, beginning of year | 11,085,331 | 248,302,341 | 259,387,672 | 8,510,238 | 233,614,866 | 242,125,104 |
| Net assets, end of year | $ 13,672,716 | $274,039,220 | $287,711,936 | $ 11,085,331 | $248,302,341 | $259,387,672 |

# CENTER FOR NATURAL LANDS MANAGEMENT

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2024

| | Program Services | | | | | |
|---|---|---|---|---|---|---|
| | Preserve Related | Grant Related | Acquisitions and Other Services | Management and General | Fundraising | Total |
| Personnel expenses: | | | | | | |
| Wages | $ 1,792,915 | $ 211,957 | $ 714,504 | $ 1,260,651 | $ 6,956 | $3,986,983 |
| Benefits | 289,026 | 34,168 | 114,214 | 192,658 | 1,121 | 631,187 |
| Payroll taxes | 150,783 | 17,825 | 59,585 | 99,425 | 585 | 328,203 |
| Total personnel expenses | 2,232,724 | 263,950 | 888,303 | 1,552,734 | 8,662 | 4,946,373 |
| Contracted services | 1,241,397 | 110,411 | 251,606 | 45,737 | - | 1,649,151 |
| Management fees | 1,374,051 | - | - | - | - | 1,374,051 |
| Supplies and equipment | 322,990 | 125,566 | 93,528 | 14,748 | - | 556,832 |
| Occupancy | 78,752 | 9,310 | 42,991 | 89,002 | 306 | 220,361 |
| Insurance | 93,807 | 8,324 | 907 | 29,979 | - | 133,017 |
| Vehicles | 126,032 | - | - | - | - | 126,032 |
| Depreciation | 103,510 | - | 4,544 | 3,360 | - | 111,414 |
| Travel | 37,209 | 15,993 | 3,311 | 14,273 | 12 | 70,798 |
| Professional services | 35,675 | - | - | 31,100 | - | 66,775 |
| Software/cloud computing | 26,287 | 2,343 | 6,917 | 25,264 | 412 | 61,223 |
| Dues, fees, licenses | 31,815 | 151 | 14,229 | 3,732 | - | 49,927 |
| Property and B&O taxes | 23,953 | 8,692 | 1,579 | 890 | - | 35,114 |
| Taxes on investment income | 27,269 | - | - | - | - | 27,269 |
| Sponsored conferences and meetings | 7,618 | 552 | 346 | 11,138 | - | 19,654 |
| Office expenses | 9,388 | 670 | 2,241 | 7,187 | 22 | 19,508 |
| Subawards | - | 2,788 | - | - | - | 2,788 |
| Other | - | - | 225 | 574 | 1,532 | 2,331 |
| | $ 5,772,477 | $ 548,750 | $ 1,310,727 | $ 1,829,718 | $ 10,946 | $9,472,618 |

## CENTER FOR NATURAL LANDS MANAGEMENT

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

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

# CENTER FOR NATURAL LANDS MANAGEMENT

## STATEMENTS OF CASH FLOWS

| | Year Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Change in net assets | $ 28,324,264 | $ 17,262,568 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 111,414 | 108,960 |
| Non-cash operating lease expense | 30,700 | 30,000 |
| Contributions restricted for preserve management and endowments | (831,572) | (194,066) |
| Realized and unrealized gain on investments | (31,474,493) | (22,335,222) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 83,943 | (176,136) |
| Unbilled contract costs | (156,168) | 76,752 |
| Prepaid expenses | 22,710 | (83,423) |
| Accounts payable | (23,016) | (114,327) |
| Accrued expenses | (199,615) | 119,761 |
| Operating lease liability | (30,700) | (30,000) |
| Retirement benefit payable | (9,310) | (6,290) |
| Net cash used in operating activities | (4,151,843) | (5,341,423) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (160,748) | (145,463) |
| Purchase of real property restricted for endowments | (205,000) | - |
| Proceeds from sale of money market funds | 4,749,751 | 4,323,362 |
| Purchase of money market funds | (4,864,544) | (4,619,239) |
| Proceeds from sale of investments | 56,975,309 | 212,244,997 |
| Purchase of investments | (53,878,961) | (208,320,374) |
| Net cash provided by investing activities | 2,615,807 | 3,483,283 |
| Cash flows from financing activities: | | |
| Contributions restricted for preserve management and endowments | 831,572 | 194,066 |
| Net change in cash and cash equivalents | (704,464) | (1,664,074) |
| Cash and cash equivalents, beginning of year | 1,973,005 | 3,637,079 |
| Cash and cash equivalents, end of year | $ 1,268,541 | $ 1,973,005 |
| Supplemental disclosure of cash flows information: | | |
| Cash paid for taxes on investment income | $ - | $ 171,751 |

## Note 1 - Nature of operations

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

## Note 2 - Summary of significant accounting policies

### Basis of presentation

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

### Financial statement presentation

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

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

### Use of estimates

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

### Cash and cash equivalents

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

**Note 2 - Summary of significant accounting policies (continued)**

**Money market funds**

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

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements 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 statements 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, unbilled contract costs, and allowance for credit losses**

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance, Accounting Standards Codification (ASC) Topic 326, *Financial Instruments - Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective October 1, 2023. The impact of the adoption was not considered significant to the financial statements and primarily resulted in new and enhanced disclosures. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable and unbilled contract costs.

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 allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables and is adjusted for management assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. 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 credit losses has been provided. At September 30, 2024 and 2023, the allowance for credit losses was $5,301 and $3,248, respectively.

Unbilled contract costs represent service revenue earned for which reimbursement has not yet been requested.

## Note 2 - Summary of significant accounting policies (continued)

### 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, 2024 and 2023, there were no conditional contributions.

***Contributed goods and services***

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

Volunteers contribute valuable amounts of time to the Organization’s program services, however, the financial statements do not reflect the value of these contributed services as they do not meet recognition criteria prescribed by GAAP. Contributed services received from volunteers, but not recognized, totaled approximately $41,000 and $19,000 at September 30, 2024, and 2023, respectively.

***Land and conservation easements***

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

The Organization receives contributions that require the establishment of endowment funds to provide for the care and management of the properties. These funds are invested in Common Fund 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 restrictions.

**Note 2 - Summary of significant accounting policies (continued)**

**Revenue recognition - contributions (continued)**

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

**Revenue recognition - contracts with customers**

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

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

The opening balance as of September 30, 2022 of accounts receivable and unbilled contract costs was $383,693 and $76,752, respectively.

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

**Allocation of investment income**

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

**Property, equipment and depreciation**

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

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

| | |
|---|---|
| Equipment | 3-10 years |
| Vehicles | 5 years |

## Note 2 - Summary of significant accounting policies (continued)

### Tax-exempt status

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

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

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for year ended September 30, 2021 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, 2020 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed. The Organization's Exempt Organization Business Income Tax Returns (Form 990-T and Form 109) are subject to examination for the year ended September 30, 2018 and after.

### Allocation of functional expenses

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

### Leases

The Organization measures and records lease transactions using Accounting Standards Codification Topic 842, *Leases*. The standard was adopted on October 1, 2022.

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

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

**Note 2 - Summary of significant accounting policies (continued)**

**Leases (continued)**

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

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

**Subsequent events**

The Organization has evaluated subsequent events through March 25, 2025, which is the date these financial statements were available to be issued.

**Note 3 - Liquidity and availability of resources**

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

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

| | September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Financial assets: | | |
| Cash and cash equivalents | $ 1,268,541 | $ 1,973,005 |
| Money market funds | 2,630,897 | 2,516,104 |
| Investments | 189,319,122 | 160,940,977 |
| Accounts receivable, net | 475,886 | 559,829 |
| Unbilled contract costs | 156,168 | - |
| Total financial assets | 193,850,614 | 165,989,915 |
| Less: | | |
| Restricted by donors for a specific purpose or for perpetuity | (178,823,165) | (153,291,286) |
| Operating liabilities | (652,652) | (869,629) |
| | (179,475,817) | (154,160,915) |
| Total financial assets available within one year | 14,374,797 | 11,829,000 |
| Liquidity resources: | | |
| Amounts available for preserve management | 5,602,676 | 5,363,053 |
| Amounts unavailable to management without Board approval (Note 11) | (2,437,737) | (1,834,688) |
| Total financial assets and liquidity resources available to management for general expenditures within one year | $ 17,539,736 | $ 15,357,365 |

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

## Note 4 - Investments

Investments consisted of the following at fair market value:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| U.S. Treasury Securities | $ 1,502,303 | $ 751,015 |
| Certificate of deposits | - | 749,060 |
| Common Fund: | | |
| Fidelity 500 Index Fund | 81,680,962 | 63,607,035 |
| State Street Global Equity Fund | 27,153,485 | 27,173,447 |
| Common Fund Credit Series | 13,852,009 | 12,894,041 |
| Common Fund REIT Portfolio, LLC | 10,002,681 | 6,441,530 |
| Common Fund High Quality Bond Fund | 9,247,149 | 10,978,897 |
| Fidelity International Treasury Bond Index Fund | 6,507,394 | 1,352,416 |
| City National Rochdale Government Money Market | 2,223,562 | 4,665,451 |
| Fidelity U.S. Bond Index Fund | 2,042,054 | - |
| Cash | 713,500 | 1,410,553 |
| Citi National Bank DDA | 2,106 | 138,000 |
| Private equity funds | 64,658,707 | 54,697,682 |
| Total investments | 219,585,912 | 184,859,127 |
| Less funds held for others (Note 9) | (30,266,790) | (23,918,150) |
| | $ 189,319,122 | $ 160,940,977 |

Net investment income is presented net of investment fees of $289,831 and $48,413, respectively.

The Organization has committed to fund an additional $36 million for capital calls in private equity funds, if necessary. The Organization contributed approximately $11 million and $14 million for capital calls during the years ended September 30, 2024 and 2023, respectively.

## Note 5 - Fair value measurements

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

**Note 5 - Fair value measurements (continued)**

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. Certificates of deposits and U.S. Treasury Securities are traded in active markets.

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

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

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

No assets were classified as Level 3 for the years ended September 30, 2024 or 2023. There have been no changes in the methodologies used at September 30, 2024.

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

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

**Note 5 - Fair value measurements (continued)**

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30, 2024 and 2023, including $30,266,790 and $23,918,150 of funds held for others, respectively:

| | Assets at Fair Value as of September 30, 2024 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Money market funds | $ 2,630,897 | $ - | $ 2,630,897 |
| Investments: | | | |
| Fidelity 500 Index Fund | - | 81,680,962 | 81,680,962 |
| State Street Global Equity Fund | - | 27,153,485 | 27,153,485 |
| Common Fund Credit Series | - | 13,852,009 | 13,852,009 |
| Common Fund REIT Portfolio, LLC | - | 10,002,681 | 10,002,681 |
| Common Fund High Quality Bond Fund | - | 9,247,149 | 9,247,149 |
| Fidelity International Treasury Bond Index | - | 6,507,394 | 6,507,394 |
| City National Rochdale Government Money Market | - | 2,223,562 | 2,223,562 |
| Fidelity U.S. Bond Index Fund | - | 2,042,054 | 2,042,054 |
| U.S. Treasury Securities | 1,502,303 | - | 1,502,303 |
| Cash | 713,500 | - | 713,500 |
| Citi National Bank DDA | - | 2,106 | 2,106 |
| Private equity funds measured at net asset value (NAV) | - | - | 64,658,707 |
| Total investments | 2,215,803 | 152,711,402 | 219,585,912 |
| | $ 4,846,700 | $ 152,711,402 | $ 222,216,809 |

**Note 5 - Fair value measurements (continued)**

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

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

| | Fair Value as of September 30, 2024 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Private equity funds | $ 64,658,707 | $ 35,955,752 | N/A | N/A |

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

## Note 6 - Property and equipment

Property and equipment consisted of the following:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Vehicles | $ 1,005,424 | $ 892,695 |
| Equipment | 96,330 | 79,740 |
| | 1,101,754 | 972,435 |
| Less accumulated depreciation | (753,350) | (673,365) |
| | $ 348,404 | $ 299,070 |

Depreciation expense amounted to $111,414 and $108,960 for the years ended September 30, 2024 and 2023, respectively.

## Note 7 - Operating lease

The Organization leases its office facility under a non-cancelable operating lease which was extended for one year and expires in September 2025. Lease expense for the years ended September 30, 2024 and 2023 was $30,700, and $30,000, respectively.

Other information related to the operating lease is as follows:

| | Years Ended September 30, 2024 | Years Ended September 30, 2023 |
|---|---|---|
| Operating cash flows from operating leases | $ 30,700 | $ 30,000 |
| ROU assets obtained in exchange for new operating lease liabilities | $ 30,428 | $ 57,643 |
| Weighted-average remaining lease term in years for operating leases | 1 | 1 |
| Weighted-average discount rate for operating leases | 4.58% | 4.22% |

Future minimum lease payments are as follows:

| For the Year Ending September 30, | Amount |
|---|---|
| 2025 | $ 31,200 |
| Total undiscounted cash flows | 31,200 |
| Less: present value discount | (644) |
| Total lease liability | $ 30,556 |

**Note 8 - Line of credit**

The Organization has a revolving $250,000 line of credit and a $50,000 overdraft protection line of credit with a bank that both expire June 28, 2025. Borrowings on the revolving line of credit are unsecured and bear interest at the bank's Prime Rate plus 2% (10% at September 30, 2024). Borrowings on the overdraft line of credit are unsecured and bear interest at the bank's Prime Rate plus 8% (16% at September 30, 2024). The Organization had no borrowings or outstanding balances under these agreements at September 30, 2024 or 2023.

**Note 9 - Funds held for others**

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

| | September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Money market funds | $ 1,585,956 | $ 1,671,297 |
| U.S. Treasury Securities | 2,433,831 | 2,431,000 |
| Investments | 30,266,790 | 23,918,150 |
| | $ 34,286,577 | $ 28,020,447 |

**Note 10 - Retirement benefit payable**

In December 2007, the Board of Directors approved a post-employment retirement benefit arrangement for the former Executive Director. The arrangement provides for a monthly retirement payment plus a contribution toward health insurance. The former Executive Director retired in December 2008. The estimated present value of these benefits at September 30, 2024 is $1,288,112, and is classified as follows: $99,234 as a current liability and $1,188,878 as a long-term liability as of September 30, 2024. At September 30, 2024 the Organization expensed $78,421 for benefits in relation to this arrangement.

The estimated present value of these benefits at September 30, 2023 is $1,297,422, and is classified as follows: $94,708 as a current liability and $1,202,714 as a long-term liability as of September 30, 2023. At September 30, 2023 the Organization expensed $78,421 for benefits in relation to this arrangement.

## Note 11 - Net assets without donor restrictions

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

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Undesignated | $ 11,234,979 | $ 9,250,643 |
| Board designated for use on preserves | 2,437,737 | 1,834,688 |
| | $ 13,672,716 | $ 11,085,331 |

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

## Note 12 - Net assets with donor restrictions and endowments

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

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization had no underwater endowments at September 30, 2024 and 2023.

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

***Investment and spending policy***

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

Net assets with donor restriction consisted of the following:

| | September 30, | |
|---|---|---|
| | 2024 | 2023 |
| *Restricted for a specific purpose:* | | |
| Endowment earnings, including initial and capital funds | $ 104,552,834 | $ 79,659,793 |
| Land maintenance funds | 473,656 | 465,509 |
| Grant funds | 393,463 | 463,611 |
| Total restricted for a specific purpose | 105,419,953 | 80,588,913 |
| *Restricted for perpetuity:* | | |
| Endowments | 73,403,212 | 72,702,373 |
| Land and easements | 95,216,055 | 95,011,055 |
| Total restricted for perpetuity | 168,619,267 | 167,713,428 |
| Total net assets with donor restriction | $ 274,039,220 | $ 248,302,341 |

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

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

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

Changes in endowment fund balances consisted of the following:

| | Restricted for | |
|---|---|---|
| | Specific Purpose | Perpetuity |
| Beginning balances at October 1, 2022 | $ 65,021,289 | $ 72,538,561 |
| Realized and unrealized loss on investments | 19,651,319 | - |
| Dividend and interest income | 42,912 | - |
| Endowment and related support | 30,254 | 163,812 |
| Preserve management | 43,486 | - |
| Release from restrictions | (5,129,467) | - |
| Ending balances at September 30, 2023 | 79,659,793 | 72,702,373 |
| Realized and unrealized gain on investments | 30,045,726 | - |
| Dividend and interest income | 54,933 | - |
| Endowment and related support | 130,733 | 700,839 |
| Release from restrictions | (5,338,351) | - |
| Ending balances at September 30, 2024 | $ 104,552,834 | $ 73,403,212 |

**Note 13 - Taxes on investment income**

The Organization generated approximately $45,000 and $77,000 of unrelated business income from its investments in various private equity funds for the years ended September 30, 2024 and 2023, respectively. The unrelated business income is subject to federal income tax at a rate of 21% and California tax at a rate of 8.84%. For the years ended September 30, 2024 and 2023, the total unrelated business income tax expense was approximately $25,000 and $89,000, respectively. At September 30, 2024, the Organization has approximately $72,000 of prepaid taxes that are available to be offset against future tax liabilities.

**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 $99,371 and $93,806 for the years ended September 30, 2024 and 2023, 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.