

RIVERS & LANDS CONSERVANCY

**Consolidated Financial Statements
And
Supplementary Information
With
Independent Auditor's Reports
For the Year Ended March 31, 2020**

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5005 La Mart Drive, Suite 100A
Riverside, CA 92507
christensoncpas.com
(951)784-9552

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rivers & Lands Conservancy
Riverside, California

We have audited the accompanying consolidated financial statements of Rivers & Lands Conservancy (the Conservancy) (a California nonprofit corporation) which comprise the consolidated statement of financial position as of March 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Conservancy'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 Conservancy'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rivers & Lands Conservancy as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustments

As discussed in Note 12 to the consolidated financial statements, the net assets – beginning of the year is being restated for errors noted in the prior year consolidated financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of Rivers & Lands Conservancy’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 Rivers & Lands Conservancy’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 Rivers & Lands Conservancy’s internal control over financial reporting and compliance.

Christenson & Associates, LLP

Riverside, California
May 26, 2021

Christenson & Associates, LLP
Certified Public Accountants

RIVERS & LANDS CONSERVANCY
Consolidated Statement of Financial Position
March 31, 2020

ASSETS	
Current assets	
Cash and cash equivalents	\$ 338,157
Receivables	<u>79,173</u>
Total current assets	<u>417,330</u>
Property and equipment, net	<u>107,477</u>
Other assets	
Beneficial interest in assets held by others	17,946
Investments	11,677,880
Lands restricted for conservation	<u>20,061,710</u>
Total other assets	<u>31,757,536</u>
Total assets	<u>\$32,282,343</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 65,373
Accrued expenses	12,705
Contingent liability	583,233
Deferred revenue	<u>330,659</u>
Total current liabilities	<u>991,970</u>
Net assets	
Without donor restrictions	542,214
With donor restrictions	<u>30,748,159</u>
Total net assets	<u>31,290,373</u>
Total liabilities and net assets	<u>\$32,282,343</u>

The accompany notes are an integral part of these consolidated financial statements.

RIVERS & LANDS CONSERVANCY**Consolidated Statement of Activities**

For the Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains (Losses)			
Contributions and grants	\$ 141,159	\$10,889,141	\$11,030,300
Service fees	546,065		546,065
Net investment loss	(24,227)	(443,699)	(467,926)
Change in value of beneficial interest in assets held by others		(4,109)	(4,109)
Other income	1,766	11,531	13,297
Net assets released from restrictions due to satisfaction of purpose restriction	<u>486,889</u>	<u>(486,889)</u>	
Total revenue, support and gains (losses)	<u>1,151,652</u>	<u>9,965,975</u>	<u>11,117,627</u>
Expenses			
Program	834,877		834,877
General administration	269,535		269,535
Development	<u>135,684</u>		<u>135,684</u>
Total expenses	<u>1,240,096</u>		<u>1,240,096</u>
Increase in net assets	<u>(88,444)</u>	<u>9,965,975</u>	<u>9,877,531</u>
Net assets – beginning of year, as previously reported	630,658	20,583,184	21,213,842
Prior period adjustments		<u>199,000</u>	<u>199,000</u>
Net assets – beginning of year, as restated	630,658	20,782,184	21,412,842
Net assets – end of year	<u>\$ 542,214</u>	<u>\$30,748,159</u>	<u>\$31,290,373</u>

The accompany notes are an integral part of these consolidated financial statements.

RIVERS & LANDS CONSERVANCY
Consolidated Statement of Functional Expenses
For the Year Ended March 31, 2020

	Program			Total Program Services
	Land Acquisition	Outreach Education	Land Stewardship	
Salaries and wages	\$102,701	\$ 66,652	\$158,056	\$327,409
Payroll taxes	8,130	5,277	12,513	25,920
Employee benefits	15,524	10,075	23,891	49,490
Maintenance and repairs	259	859	26,518	27,636
Stewardship contractor		561	83,808	84,369
Legal fees	93,083	494	38,715	132,292
Consulting fees	37,884	711	5,975	44,570
Appraisal fees	4,000		2,500	6,500
Accounting				
Office supplies	7		119	126
License, fees & permits		3	577	580
Property tax	8,153		10,926	19,079
Utilities	2,792	1,812	4,297	8,901
Conferences and training			1,833	1,833
Travel	524	337	4,704	5,565
Rent and overhead	3,051	1,980	4,695	9,726
Office overhead	1,075	692	1,739	3,506
IT communication and website	874	567	1,345	2,786
Insurance	6,683	4,337	14,288	25,308
Education and community relations		20,041	4,437	24,478
Member and outreach events				
Memberships and sponsorships	1,560	1,335	2,402	5,297
Land acquisition expense	21		(426)	(405)
State filing fees				
Water expenses			2,566	2,566
Bank fees				
Depreciation			17,119	17,119
Bad debt	10,193		33	10,226
Total expenses	\$296,514	\$115,733	\$422,630	\$834,877

The accompany notes are an integral part of these consolidated financial statements.

General		
Administration	Development	Total
\$136,334	\$ 81,595	\$ 545,338
10,793	6,459	43,172
20,608	12,334	82,432
2,618	1,584	31,838
		84,369
16,384		148,676
50,625		95,195
		6,500
6,300		6,300
1,491	345	1,962
38	103	721
117		19,196
3,707	2,219	14,827
331	475	2,639
1,158	190	6,913
4,050	2,424	16,200
1,311	4,748	9,565
1,160	694	4,640
8,871	5,309	39,488
30	5,857	30,365
	9,793	9,793
2,071	1,555	8,923
		(405)
1,031		1,031
		2,566
507		507
		17,119
		10,226
<u>\$269,535</u>	<u>\$135,684</u>	<u>\$1,240,096</u>

RIVERS & LANDS CONSERVANCY

Consolidated Statement of Cash Flows

For the Year Ended March 31, 2020

Cash flows from operating activities	
Increase in net assets	\$9,877,531
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	17,119
Net realized and unrealized loss on investments	737,688
Change in value of beneficial interest held by others	4,109
Contributions and other deposits restricted for investment in endowment	(1,801,505)
Interest and dividends restricted for investment in endowment	(65,123)
Purchases of land restricted for conservation	(4,239)
Noncash contribution of land restricted for conservation	(3,836,000)
Noncash grant for purchase of land restricted for conservation	(5,934,000)
Decrease in:	
Receivables	188,221
Prepaid expenses	15,664
Increase (decrease) in:	
Accounts payable	29,104
Accrued expenses	(21,921)
Contingent liability	583,233
Deferred revenue	<u>43,355</u>
Net cash used in operating activities	<u>(166,764)</u>
Cash flows from investing activities	
Proceeds from sale of investments	4,615,653
Purchases of investments	(6,335,306)
Net cash used in investing activities	<u>(1,719,653)</u>
Cash flows from financing activities	
Contributions and other deposits restricted for investment in endowment	1,801,505
Interest and dividends restricted for investment in endowment	<u>65,123</u>
Net cash provided by financing activities	<u>1,866,628</u>
Net decrease in cash and cash equivalents	(19,789)
Cash and cash equivalents, beginning of year	<u>357,946</u>
Cash and cash equivalents, end of year	<u>\$ 338,157</u>
Supplemental Disclosure	
Taxes paid	\$800

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

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

1. Organization

Rivers & Lands Conservancy (Conservancy) is dedicated to the preservation of open space by seeking to identify, protect, and manage habitats of rare and endangered species, natural land, and other sensitive sites throughout the Southern California Region. The Conservancy receives support from contributions from individuals, businesses, and government grants. Service fees are received to facilitate the protection and stewardship of lands set aside as mitigation for developments.

2. Summary of Significant Accounting Policies

A description of the significant accounting principles employed in the preparation of these financial statements follows:

Consolidation

The consolidated financial statements include the accounts of Rivers & Lands Conservancy and its wholly-owned subsidiary, El Casco LLC. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Conservancy have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, Not-for-Profit Entities, Presentation of Financial Statements.

The Conservancy reports information regarding its financial position and activities according to two classes of net assets that are based on the existence or absence of restrictions on use that are placed by its donors:

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Conservancy, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Conservancy's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet received.

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conservancy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Conservancy has cash in one financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Conservancy also maintains money market type funds that are SIPC insured up to \$250,000. At various times throughout the year, the Conservancy may have cash balances at these financial institutions which exceed the FDIC or SIPC insurance limits. Management reviews the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Conservancy.

Receivables

Receivables include amounts due for service fees which the Conservancy has an unconditional right to receive. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Conservancy provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the Conservancy to collect the unpaid balances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Conservancy's policy to charge off uncollectible receivables when management determines the receivables will not be collected. Since all receivables are deemed collectible, the Conservancy did not record an allowance for doubtful accounts at March 31, 2020.

Property and Equipment

The Conservancy capitalizes acquisitions of land, buildings, leasehold improvements and equipment of \$5,000 and greater. The fair market value of donated assets is similarly capitalized. Expenditures for maintenance and repairs are expensed when incurred. Depreciation is provided on the straight-line method over the assets' estimated useful lives.

Endowment Fund

In accordance with FASB standards, the Conservancy has determined it is subject to the Uniform Prudent Management of Institutional Funds Act of 2006, which requires the Conservancy to classify a portion of a donor-restricted endowment fund of perpetual duration as net assets with donor restrictions, unless stated otherwise in the gift instrument by the donor. Earnings from these gift instruments are considered net assets with donor restrictions until appropriated for expenditure by the Conservancy. The Conservancy's endowment includes both donor-restricted endowment and funds designated by the board of directors to function as endowments.

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statement of financial position.

Endowment Investment and Spending Policies

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a forecasted stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment funds. The Conservancy's spending and investment policies work together to achieve this objective. The current long-term return objective is to return 5% net of investment fees. Actual returns in any given year may vary from this amount. The expected return utilizes reasonable investment assumptions; however, a different set of assumptions could also be considered reasonable and result in varying expectations.

To satisfy its long-term rate-of-return objectives, the Conservancy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conservancy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy on the endowments is to spend money as needed for stewardship and property management, without invading the corpus of the endowment. The amount of expenses can vary from year to year, depending on the requirements of the property and/or easement. In cases of market decline of investment values, the Conservancy will allocate such losses to the endowments, possibly causing the value of the endowment to be underwater. In such instances, the Conservancy will make every effort to ensure that future market increases are allocated to the endowments to restore their original amounts and will at no time spend from an underwater fund.

Earnings on corpus are maintained in the same investment account as the corpus. As expenses are incurred, funds are transferred from the endowment investment account to cash to pay expenses.

Lands and Conservation Easements Restricted for Conservation

Lands restricted for conservation consists of land acquired by the Conservancy through purchase or donation and is stated at cost or the estimated fair market value of the land on the date of receipt. Easements acquired as mitigation are valued at zero due to the liability of associated stewardship requirements.

Income Taxes

The Conservancy qualifies as a not-for-profit tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and applicable provisions of the California Revenue and Taxation Code, Section 23701(d). The Conservancy is classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code. As a not-for-profit organization, the Conservancy is subject to federal and state taxes on any unrelated business taxable income. This includes unrelated business income tax on net water sales income. Since the Conservancy reported a net loss on water sales for the year ended March 31, 2020, no unrelated business income tax was due.

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Service revenue and evaluation fees are recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided. Contributions are recognized when cash, or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Conservancy has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting guidance for Contributions Received and Contributions Made (Topic 605)*. The update addresses whether a grant, contract, or agreement is a contribution or an exchange transaction based on whether the resource provider is receiving commensurate value in return. If commensurate value is received by the resource provider, it is accounted for as an exchange transaction. If commensurate value is not received by the contributor, it is accounted for as a contribution. Analysis of various provisions of this standard resulted in no significant changes in the way the Conservancy recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The disclosures of revenue have been enhanced in accordance with the standard.

Revenue with and without Donor Restrictions

The Conservancy reports contributions and grants received as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires due to time or use, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses are charged directly to the functional area to which they relate including direct salaries and wages based on time records and management's estimates. Indirect expenses that are allocated include payroll taxes, employee benefits, utilities, office rent and overhead, office overhead, and IT communications and website, which are allocated based on salaries and wages percentages.

Future Accounting Pronouncements

In June 2020, the FASB issued ASU no. 2020-5, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities* which extended the effective dates for the Conservancy as indicated in the paragraphs which follow.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. This guidance is effective for the Conservancy beginning April 1, 2020. Management is currently evaluating the impact this guidance may have on the Conservancy's financial statements.

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

In February 2017, the FASB issued ASU No. 2017-02, *Leases (Topic 842)*. ASU 2017-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2017-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding "right-of-use" assets. This guidance is effective for the Conservancy beginning April 1, 2022. Management is currently evaluating the impact this guidance may have on the Conservancy's financial statements.

3. Liquidity and Availability of Funds

Financial assets available to meet cash needs for current liabilities and general expenditures within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 338,157
Receivables	79,173
Beneficial interest in assets held by others	17,946
Investments	<u>11,677,880</u>
	12,113,156
Less:	
Net assets without donor restrictions – board designated	(436,832)
Net assets with donor restrictions less land restricted for conservation	<u>(10,686,449)</u>
Total	<u>\$ 989,875</u>

The Conservancy considers revenue, support and gains received within one year for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures subject to the spending policy for any endowment related income.

4. Property and Equipment

The following is a summary of property and equipment, net at March 31, 2020:

Truck	\$ 42,852
Office equipment	5,659
Field equipment	27,799
Mobile home	54,550
El Casco well	<u>27,631</u>
	158,491
Less accumulated depreciation	<u>51,014</u>
Property and equipment, net	<u>\$107,477</u>

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

5. Investments

Investments consisted of the following at March 31, 2020:

	Fair Value	Cost
Cash and cash equivalents	\$ 335,730	\$ 335,730
Government securities	1,928,538	1,704,259
Corporate bonds	1,418,959	1,392,783
Equities	4,798,956	5,198,372
Mutual funds	<u>3,195,697</u>	<u>3,595,350</u>
Total investments	<u>\$11,677,880</u>	<u>\$12,226,494</u>

The Conservancy's investments include funds held for endowments totaling \$10,393,875 at March 31, 2020.

Return on investments consisted of the following for the year ended March 31, 2020:

Dividends and interest	\$ 322,855
Net realized and unrealized loss	(688,104)
Investment fees	(102,677)
Net investment loss	<u>\$(467,926)</u>

6. Fair Value Measurements

Fair values of assets measured on a recurring basis are as follows at March 31, 2020:

	Total Fair Value	Level 1	Level 2
Beneficial interest in assets held by others	\$ 17,946		\$17,946
Investments	<u>11,677,880</u>	<u>\$11,677,880</u>	
Total	<u>\$11,695,826</u>	<u>\$11,677,880</u>	<u>\$17,946</u>

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal to principal market);
3. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

7. Restrictions and Limitation on Net Asset Balances

The board designated net assets without donor restriction to be used for the following purposes at March 31, 2020:

Land revolving fund	\$ 94,941
Reserve account	60,000
General stewardship	124,065
Legal defense fund	<u>157,826</u>
	<u>\$436,832</u>

Net assets with donor restrictions are restricted for the following purposes at March 31, 2020:

Subject to expenditure for a specific purpose:

El Casco LLC	\$ 27,030
Santa Ana River Trail	18,522
Perris Valley Line	50,977
Cienega Canyon	7,005
Restricted Fund Holding Account	24,642
Acorns to Oaks	1,000
Land and Easement Management	420,262
Fish & Wildlife Service DSF	498,268
Edison DSF	5,748
Agricultural	83,716
Mt. Rubidoux Stewardship, Education & Outreach	21,336
Land restricted for conservation available for transfer to another agency	<u>2,168,822</u>
	<u>3,327,328</u>

Perpetual in nature:

Land restricted for conservation	17,892,888
Endowment funds, subject to endowment spending policy - stewardship	9,509,997
Beneficial interest in assets held by others	<u>17,946</u>
	<u>27,420,831</u>

Total net assets with donor restrictions \$30,748,159

8. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors are as follows for the year ended March 31, 2020:

Satisfaction of specified purpose:

Santa Ana River Trail	\$ 29,978
Perris Valley Line	16,284
Cienega Canyon	30,437
Restricted Fund Holding Account	21,354
Acorns to Oaks	4,000
Land and Easement Management	83,191
Fish & Wildlife Service DSF	52,403
Edison DSF	4,252
Mt. Rubidoux Stewardship, Education & Outreach	21,664
Stewardship	<u>223,326</u>
Total net assets released from restrictions	<u>\$486,889</u>

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

9. Endowment Fund

Endowment net assets consisted of the following at March 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds, perpetual in duration – original gift amount	\$ -	\$8,967,593	\$8,967,593
Donor-restricted endowment funds – nonperpetual	6,284	542,404	548,688
Board-designated endowment funds	<u>294,361</u>		<u>294,361</u>
Total endowment net assets	<u>\$300,645</u>	<u>\$9,509,997</u>	<u>\$9,810,642</u>

Changes in the endowment net assets for the year ended March 31, 2020 follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$283,907	\$9,182,267	\$9,466,174
Investment income, net of fees	(14,404)	(431,776)	(446,180)
Contributions	35,000	980,215	1,015,215
Appropriation of endowment assets for expenditure	<u>(3,858)</u>	<u>(220,709)</u>	<u>(224,567)</u>
Endowment net assets, end of year	<u>\$300,645</u>	<u>\$9,509,997</u>	<u>\$9,810,642</u>

10. Related Party Transactions

Office space was provided to the Conservancy by a board member. During the year ended March 31, 2020, the estimated fair market value of the donated rent included in contributions and grants was \$12,000.

11. Retirement Plan

The Conservancy established a SIMPLE IRA plan effective October 1, 2008 for all employees who work at least 30 hours a week. The Conservancy agrees to match employees' contributions up to a limit of 3% of compensation for the year. For the year ended March 31, 2020, the Conservancy's expense for matching contributions to the plan totaled \$15,850.

12. Prior Period Adjustment

Total net assets at the beginning of the year increased by \$199,000 to correct an error caused by not reporting the fair market value of land donated during the year ended March 31, 2019. The adjustment increased land held for conservation and net assets with donor restrictions by \$199,000.

13. Risks and Uncertainties

The Conservancy invests in funds with underlying assets consisting of any combination of stocks, bonds, fixed income securities and other investment securities. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the value of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

RIVERS & LANDS CONSERVANCY
Notes to Consolidated Financial Statements

13. Risks and Uncertainties (continued)

On March 11, 2020, the World Health Organization characterized Coronavirus Disease 2019 (COVID-19) as a pandemic. As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, and this could materially affect the Conservancy's account balances and the amounts reported in the consolidated statement of financial position and consolidated statement of activity, as mentioned above. Because of the uncertainty of the markets during this time, Conservancy management is unable to estimate the total impact the pandemic will have.

14. Subsequent Events

Management has evaluated events occurring between March 31, 2020 and May 26, 2021, the date the financial statements were available to be issued for the possible effects on these financial statements.

Subsequent to year-end, the Conservancy has been negatively impacted by the effects of the worldwide COVID-19 pandemic. The Conservancy is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Conservancy's financial position is not known.

SUPPLEMENTARY INFORMATION

RIVERS & LANDS CONSERVANCY
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U. S. Department of the Interior Fish and Wildlife Service			
Pass-Through Grantor: California Department of Fish and Wildlife, Wildlife Conservation Board: Program Title: Cooperative Endangered Species Conservation Fund			
Grant ID#: F16AP01064			
Subgrant ID#: SG-1900BG	15.615	2018071	\$2,000,000
Grant ID#: F17AP01092			
Subgrant ID#: SG-1901BG	15.615	2018071	<u>2,000,000</u>
Total Cooperative Endangered Species Conservation Fund			4,000,000
Direct:			
Program Title: Endangered Species Recovery Implementation			
Grant ID#: F19AC00518	15.657	N/A	<u>16,723</u>
Total U.S. Department of the Interior Fish and Wildlife Service			<u>\$4,016,723</u>

RIVERS & LANDS CONSERVANCY
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2020

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rivers & Lands Conservancy (Conservancy) under programs of the federal government for the year ended March 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Conservancy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Conservancy.

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.

3. Indirect Cost Rate

The Conservancy has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance for the Endangered Species Recovery Implementation program. No federal or state funds were expended on indirect costs related to the Cooperative Endangered Species Conservation Fund program.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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
Rivers & Lands Conservancy
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rivers & Lands Conservancy (a nonprofit organization), which comprise the statement of financial position as of March 31, 2020, 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 May 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rivers & Lands Conservancy'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rivers & Lands Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rivers & Lands Conservancy'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*.

Rivers & Lands Conservancy's Response to Finding

Rivers & Lands Conservancy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The Conservancy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Conservancy'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 Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christenson & Associates, LLP

Riverside, California
May 26, 2021

Christenson & Associates, LLP
Certified Public Accountants

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance**

To the Board of Directors
Rivers & Lands Conservancy
Riverside, California

Report on Compliance for Each Major Federal Program

We have audited Rivers & Lands Conservancy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rivers & Lands Conservancy's major federal programs for the year ended March 31, 2020. Rivers & Lands Conservancy'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 Rivers & Lands Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rivers & Lands Conservancy'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 Rivers & Lands Conservancy's compliance.

Opinion on Each Major Federal Program

In our opinion, Rivers & Lands Conservancy 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 March 31, 2020.

Report on Internal Control over Compliance

Management of Rivers & Lands Conservancy 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 Rivers & Lands Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rivers & Lands Conservancy'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.

Christenson & Associates, LLP

Riverside, California
May 26, 2021

Christenson & Associates, LLP
Certified Public Accountants

RIVERS & LANDS CONSERVANCY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2020

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of independent auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for each major program: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes No

Identification of major program:

CFDA Number(s)
15.615

Name of Federal Program
U. S. Department of the Interior Fish and Wildlife Service
Pass-Through Grantor: California Department of Fish and Wildlife, Wildlife Conservation Board:
Program Title: Cooperative Endangered Species Conservation Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

RIVERS & LANDS CONSERVANCY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2020

Section II – Findings - Financial Statement Audit

Material Weakness

2020-001 Financial Reporting for Items which Bypass Cash and Investments

Condition: The Conservancy did not record in its general ledger receipt of federal and state grants and donated land related to the acquisition of real property for the purposes of protecting conservation lands and of habitat preservation for the Delhi Sands Flower-Loving Fly.

Criteria: Policies and internal controls should be in place to provide reasonable assurance that all material transactions are properly recorded and accounted for to permit the preparation of reliable financial statements.

Cause: The Conservancy does not have a policy or control in place to ensure that awards, grants or donations which bypass the Conservancy's cash and investment accounts are recorded to the general ledger.

Effect: Since there is no policy or control in place to ensure the recording of grants or donations which bypass the Conservancy's cash and investment accounts, grants that are received or given through escrow or land or other noncash donations may not be recorded in the general ledger causing material misstatements of the financial statements. The condition noted above resulted in an audit adjusting journal entry totaling approximately \$9,770,000 to increase land restricted for conservation in the statement of financial position and contributions and grants on the statement of activity.

Recommendation: Management and the board of directors should update its policies and procedures to include a procedure that provides guidance on recording land acquisitions and donations which bypass the cash and investment accounts to ensure that these transactions are recorded in the month that the transaction is completed. Part of this procedure should include a reconciliation of the land restricted for conservation spreadsheet to the general ledger. Also, management and the board of directors should perform a detailed review of the financial statements on a monthly basis scrutinizing the statements for the accurate and timely reporting of all material transactions.

Views of Responsible Officials and Planned Corrective Actions:

Rivers & Lands Conservancy agrees with the finding and will implement the recommended procedures.

2020-002 Financial Reporting for Contingent Liability

Condition: During the year the Conservancy recorded funds received according to an agreement with one developer along with the net investment activity related to those funds as current year income. However, the terms of the agreement indicate that if the execution of the related conservation easement to be conveyed to the Conservancy proves unsuccessful, the funds along with the investment income net of allowable fees will be returned to the developer. Since the conservation easement was not executed by March 31, 2020, the net amount held in trust should have been reported as a contingent liability.

Criteria: Policies and internal controls should be in place to provide reasonable assurance that all material transactions are properly recorded and accounted for to permit the preparation of reliable financial statements.

RIVERS & LANDS CONSERVANCY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2020

Section II – Findings - Financial Statement Audit (continued)

Cause: The Conservancy does not have a policy or control in place to ensure that funds that are to be held in trust with the right of return if conditions are not met are recorded as contingent liabilities.

Effect: Since there is no policy or control in place to ensure the proper recording of funds received which must be returned if conditions are not met, the Conservancy risks overstating stewardship contributions, investment income, and net assets causing material misstatements of the financial statements. The condition noted above resulted in an audit adjusting journal entry totaling \$583,233 to increase liabilities in the statement of financial position and decrease contributions and net investment loss on the statement of activity.

Recommendation: Management and the board of directors should update its policies and procedures to include a policy about the terms for the acceptance of funds to be held in trust which are refundable to the developer or other entity if certain conditions are not met. If the policy is to accept such funds, written procedures should be in place to provide guidance on recording the receipt of the funds and the related income to the endowment or short-term investment accounts and the contingent liability account.

Views of Responsible Officials and Planned Corrective Actions:

Rivers & Lands Conservancy agrees with the finding and will implement the recommended procedures

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

There are no matters to report.