Financial Statements

For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

and
Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended December 31, 2017

CONSERVATION LEGACY

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For the Year Ended December 31, 2017

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Conservation Legacy

Report on the Financial Statements

We have audited the accompanying financial statements of Conservation Legacy, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation Legacy as of December 31, 2017, 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.

Continued

Other Matters

Prior Period Financial Statements

The financial statements of Conservation Legacy as of December 31, 2016, were audited by other auditors whose report dated August 31, 2017, expressed an unmodified opinion on those statements.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2018, on our consideration of Conservation Legacy'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 Conservation Legacy'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 Conservation Legacy's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.
Washington, DC
August 1, 2018

CONSERVATION LEGACY

STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,196,595	$ 1,357,403
Project fee contracts and grants receivable	4,721,199	3,228,571
Prepaid expenses	90,165	145,521
Note receivable, current portion	12,889	11,232
Total Current Assets	6,020,848	4,742,727
Note receivable, net of current portion	113,234	129,157
Other assets	71,611	51,494
Investment in SIEC	1,377,479	1,379,842
Property and equipment, net	3,282,639	3,030,406
TOTAL ASSETS	$ 10,865,811	$ 9,333,626
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 429,372	$ 297,217
Accrued payroll expenses	495,023	363,961
Deferred revenue	60,483	30,440
Capital leases obligation, current portion	162,118	113,801
Notes payable, current portion	71,049	67,648
Total Current Liabilities	1,218,045	873,067
Capital leases obligation, net of current portion	475,839	366,846
Notes payable, net of current portion	1,161,245	1,232,022
TOTAL LIABILITIES	2,855,129	2,471,935
Net Assets		
Unrestricted	7,907,407	6,773,891
Temporarily restricted	103,275	87,800
TOTAL NET ASSETS	8,010,682	6,861,691
TOTAL LIABILITIES AND NET ASSETS	$ 10,865,811	$ 9,333,626

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

CONSERVATION LEGACY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017			
	Unrestricted	Temporarily Restricted	2017	2016
OPERATING REVENUE AND SUPPORT				
Grants and contracts	$ 21,500,322	$ -	$ 21,500,322	$ 17,723,746
Contributions	26,666	275,400	302,066	472,842
SIEC building management fees	80,099	-	80,099	79,412
Other income	57,593	-	57,593	153,998
Rental income	39,816	-	39,816	33,065
Net assets released from purpose restrictions	259,925	(259,925)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	21,964,421	15,475	21,979,896	18,463,063
OPERATING EXPENSES				
Program Services	19,671,899	-	19,671,899	16,664,145
Supporting Services:				
Management and general	1,175,650	-	1,175,650	1,033,014
Fundraising	7,144	-	7,144	29,340
TOTAL OPERATING EXPENSES	20,854,693	-	20,854,693	17,726,499
Change in net assets from operations	1,109,728	15,475	1,125,203	736,564
NONOPERATING ACTIVITIES				
Realized gain on the sale of property	26,151	-	26,151	10,151
Investment income	(2,363)	-	(2,363)	4,983
CHANGE IN NET ASSETS	1,133,516	15,475	1,148,991	751,698
NET ASSETS, BEGINNING OF YEAR	6,773,891	87,800	6,861,691	6,109,993
NET ASSETS, END OF YEAR	$ 7,907,407	$ 103,275	$ 8,010,682	$ 6,861,691

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

CONSERVATION LEGACY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

		Supporting Services				
	Program	Management and General	Fundraising	Total Supporting Services	2017 Total	2016 Total
Stipends of corps members	$ 8,792,917	-	$ -	$ -	$ 8,792,917	$ 7,076,719
Staff wages	4,598,063	703,936	2,065	706,001	5,304,064	4,663,081
Payroll taxes and benefits	2,055,789	135,146	396	135,542	2,191,331	2,001,206
Tools, supplies, gear and incentives	906,749	5,758	17	5,775	912,524	716,404
Vehicle expense	623,286	29,315	86	29,401	652,687	568,989
Depreciation and amortization	354,710	18,646	55	18,701	373,411	270,179
Special projects travel	360,438	-	-	-	360,438	231,797
Staff development and travel	304,633	46,637	137	46,774	351,407	232,269
Contracted services	310,232	25,405	4,259	29,664	339,896	529,369
Occupancy	291,653	15,330	45	15,375	307,028	280,254
Corps member development	298,467	-	-	-	298,467	347,840
Office and computer supplies	215,877	11,348	33	11,381	227,258	212,564
Special projects supplies	213,503	-	-	-	213,503	39,164
Professional services	119,135	6,763	19	6,782	125,917	100,767
Insurance	94,864	4,987	15	5,002	99,866	109,874
Interest expense	-	87,400	-	87,400	87,400	61,271
Background searches	66,933	-	-	-	66,933	49,630
Dues and subscriptions	-	37,639	-	37,639	37,639	53,305
Recruitment	37,509	-	-	-	37,509	23,382
Miscellaneous	-	37,049	13	37,062	37,062	128,440
Marketing	27,141	1,427	4	1,431	28,572	15,655
Board administration	-	8,864	-	8,864	8,864	14,340
TOTAL EXPENSES	$ 19,671,899	$ 1,175,650	$ 7,144	$ 1,182,794	$ 20,854,693	$ 17,726,499

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

CONSERVATION LEGACY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,148,991	$ 751,698
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	373,411	270,179
Gain on the sale of property	(26,151)	(10,151)
Unrealized gain on investments	2,363	(4,983)
Changes in assets and liabilities:		
Project fee contracts and grants receivable	(1,492,628)	(877,821)
Prepaid expenses	55,356	(80,083)
Other assets	(20,117)	(45,001)
Accounts payable and accrued expenses	132,155	(193,037)
Accrued payroll expenses	131,062	42,374
Deferred revenue	30,043	(43,546)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	334,485	(190,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	14,266	11,176
Purchases of property and equipment	(230,904)	-
Proceeds from the sale of property and equipment	63,994	42,425
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(152,644)	53,601
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	848,399	670,445
Payments on line of credit	(848,399)	(670,445)
Proceeds from long-term debt	-	772,372
Principal payments on capital leases	(275,273)	(289,197)
Repayments of long-term debt	(67,376)	(861,738)
NET CASH USED IN FINANCING ACTIVITIES	(342,649)	(378,563)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(160,808)	(515,333)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,357,403	1,872,736
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,196,595	$ 1,357,403
SUPPLEMENTAL INFORMATION		
Interest paid	$ 86,412	$ 61,271
NONCASH FINANCING AND INVESTING ACTIVITIES		
Equipment acquired under a capital lease	450,999	677,515
Obligation of equipment acquired under a capital lease	(450,999)	(677,515)
	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization

Conservation Legacy (the Organization), formerly Southwest Conservation Corps, is a national nonprofit organization, incorporated in Colorado in 1998, dedicated to supporting locally based conservation service programs. The Organization's mission statement is: "Fostering conservation service in support of communities and ecosystems."

Conservation Legacy accomplishes its mission statement in two ways:

- Conservation Legacy provides service and work opportunities for a diverse group of individuals to complete community and conservation projects for public benefit.
- Conservation Legacy completes conservation projects on public lands which include the maintenance of recreational trails and open space, the protection of communities from wildfire, and safeguarding wildlife.

Conservation Legacy's conservation program is accomplished through various projects, including:

- Arizona Conservation Corps with offices in Flagstaff and Tucson;
- Stewards, a national individual placement program with offices in Durango, Colorado, and Beckley, West Virginia;
- Preserve America Youth Summit based in Durango, Colorado;
- Southeast Conservation Corps based in Chattanooga, Tennessee;
- Southwest Conservation Corps with offices in Durango and Salida, Colorado, and Acoma Pueblo and Gallup, New Mexico;
- Great Appalachian Valley Conservation Corps based in New Market, Virginia.

Conservation Legacy is primarily funded through partnership agreements with public land management agencies.

Basis of Accounting

Conservation Legacy reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Conservation Legacy considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Project Fee Contracts and Grants Receivable

Contracts and grants receivable are stated at their net realizable value, and are due under various federal and nonfederal awards and agreements. Conservation Legacy does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. All amounts are due within one year.

1. Organization and Summary of Significant Accounting Policies (continued)

Investment in SIEC

Conservation Legacy owns a 50% interest in Southwest Institute for Education and Conservation (SIEC) and accounts for this investment using the equity method of accounting. Conservation Legacy's share of the net income of SIEC is recognized as investment income in Conservation Legacy's statement of activities and included in the investment in SIEC on the statement of financial position. Distributions received from SIEC are treated as a reduction of the investment account.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Conservation Legacy follows a practice of capitalizing all expenditures for property and equipment in excess of $5,000. The estimated fair value of donated assets is similarly capitalized. Depreciation on buildings and improvements is recognized on a straight-line basis over the estimated useful life of 30 years. Depreciation and amortization on vehicles and equipment are recognized on a straight-line basis over the estimated useful lives of five to 10 years. The cost of property and equipment that is retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization. Any gain or loss is determined as the difference between the disposal proceeds, if any, and the carrying amount of the asset and is recognized within revenue and support or expenses within the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

The net assets of Conservation Legacy are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of Conservation Legacy's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Conservation Legacy has grants and contracts with U.S. government agencies and other organizations in exchange for services. Revenue from cost-reimbursable grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as project fee contracts and grants receivable in the accompanying statement of financial position. Grant and contract awards received in advance, but not yet expended, are reflected as deferred revenue in the accompanying statement of financial position.

Conservation Legacy also has firm fixed-price contracts with the U.S. federal government, state government agencies and private companies in exchange for services. Revenue from firm fixed-price contracts is recognized on the percentage of completion method. Under this

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

method, individual contract revenue is earned on the basis of applying management's estimate of the percentage of the total contract work completed during the year to the total contract price. Revenue recognized on firm fixed-price contracts for which payments have not been received is reflected as project fee contracts and grants receivable in the accompanying statement of financial position. Contract payments received but not yet expended for the purpose of the contract are reflected as deferred revenue in the accompanying statement of financial position.

Conservation Legacy recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. Conservation Legacy reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on personnel costs.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

Operating revenue and expenses generally reflect those revenues and expenses that management can influence. Nonoperating activities include investment income and any gains from the sale of property.

2. Project Fee Contracts and Grants Receivable

Project fee contracts and grants receivable as of December 31, 2017, were as follows:

Billed	$ 736,856
Unbilled	3,984,343
Total Project Fee Contracts and Grants Receivable	$ 4,721,199

3. Investment in SIEC

During 2007, Conservation Legacy and Durango Education Center formed SIEC, a 501(c)(25) *Title-Holding Corporation for Multiple Parents*, to provide office space and facilities to educational agencies and nonprofit organizations. Conservation Legacy and Durango Education Center have guaranteed the debt of SIEC. SIEC purchased a building at 701 Camino Del Rio, Durango, Colorado, in February 2007 for $4,875,000. The investment in SIEC is accounted for using the equity method, and accordingly, Conservation Legacy records its share of SIEC's income or loss. For the year ended December 31, 2017, Conservation Legacy's net share of SIEC's loss was $2,363. For the year ended December 31, 2017, there were no distributions received from SIEC. SIEC owns the building in Durango, Colorado, where Conservation Legacy is headquartered. In 2017, Conservation Legacy paid $66,880 in office rent and $13,486 in utilities to SIEC. Conservation Legacy managed the building and provided bookkeeping services to SIEC and was paid management fees of $54,000, and was reimbursed for costs incurred of $26,099, for the year ended December 31, 2017.

The table below contains the summarized financial information of this unconsolidated affiliate based on unaudited estimates as of and for the year ended December 31, 2017.

Condensed income statement:	
Gross profit	$ 541,144
Expenses	(545,871)
Net Income	$ (4,727)
Condensed balance sheet:	
Current assets	$ 435,321
Noncurrent assets	6,647,713
Total Assets	$ 7,083,034
Current liabilities	$ 84,190
Noncurrent liabilities	4,243,886
Stockholders' equity	2,754,958
Total Liabilities and Stockholders' Equity	$ 7,083,034

4. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2017:

Vehicles and equipment	$ 2,650,448
Building and improvements	1,563,047
Land	263,758
Construction in progress	43,830
Total Property and Equipment	4,521,083
Less: Accumulated Depreciation and Amortization	(1,238,444)
Property and Equipment, Net	$ 3,282,639

Continued

4. Property and Equipment and Accumulated Depreciation and Amortization (continued)

Depreciation and amortization expense for the year ended December 31, 2017, was $373,411.

5. Capital Leases

Conservation Legacy is the lessee of vehicles under capital leases expiring in various years through 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the estimated productive lives. The leased vehicles are included in property and equipment in the accompanying statement of financial position at a cost of $1,306,051, with accumulated amortization of $207,839 as of December 31, 2017. Amortization of assets under capital leases of $142,823 is included in depreciation and amortization expense for the year ended December 31, 2017.

The future scheduled minimum payments for the capital leases were as follows at December 31, 2017:

For the Year Ending December 31,	
2018	$ 162,118
2019	138,394
2020	258,674
2021	109,258
Total Payments	668,444
Amount Representing Interest	(30,487)
Capital Lease Payable (Present Value of Minimum Lease Payments)	$ 637,957

Interest rates on capitalized leases vary and are imputed based on the lower of the Conservation Legacy's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return. Interest expense on the capital leases totaled $20,104 for the year ended December 31, 2017.

Certain capital leases provide renewal or purchase options. Generally, purchase options are prices representing the expected fair value of the property at the expiration of the lease term.

6. Notes Payable

As of December 31, 2017, Conservation Legacy was obligated under the following notes payable to Wells Fargo and the Colorado Housing Finance Authority:

	2017
Wells Fargo Bank: Original amount $881,000; dated May 31, 2016, with a maturity date of June 1, 2026, monthly payments of $7,071 with interest at 5.15%, secured by first deed of trust on real property located on Rose Street, Flagstaff, Arizona.	$ 820,725
Colorado Housing Finance Authority: Original amount $290,000; dated December 30, 2009, with a maturity date of January 1, 2030; monthly principal and interest payments of $1,995 with interest at 5.5%, secured by first deed of trust on real property located in Salida, Colorado.	210,977
Wells Fargo Bank: Original amount $265,200; dated January 15, 2013, with a maturity date of January 15, 2028; monthly principal and interest payments of $2,157 with interest at 5.35% secured by first deed of trust on real property located on Prince Road, Tucson, Arizona.	200,592
Total Notes Payable	1,232,294
Less: Current Portion	(71,049)
Notes Payable, Noncurrent Portion	$ 1,161,245

Interest expense for the year ended December 31, 2017, was $67,295.

The future scheduled maturities as of December 31, 2017, were:

For the Year Ending December 31,	Flagstaff Office	Salida Office	Tucson Property	Total
2018	$ 43,018	$ 12,650	$ 15,381	$ 71,049
2019	45,319	13,364	16,237	74,920
2020	47,635	14,118	17,114	78,867
2021	50,290	14,914	18,091	83,295
2022	52,980	15,756	19,097	87,833
Thereafter	581,483	140,175	114,672	836,330
Total	$ 820,725	$ 210,977	$ 200,592	$ 1,232,294

Continued

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 were available for the following projects:

Trail clearing project	$ 35,000
Acoma Farms farm intern	28,476
VISTA members placement	19,960
Dolores River restoration	9,875
Ancestral Lands	8,464
Southwestern Conservation Corps	1,000
Arizona Conservation Corps	500
Total Temporarily Restricted Net Assets	$ 103,275

8. Commitments, Risks and Contingencies

Office and Property Leases

Conservation Legacy leases the office space for its Headquarters in Durango, Colorado, from SIEC, a related party. The lease term was July 1, 2015, to June 30, 2018. On July 1, 2018 Conservation Legacy extended its current lease from July 1, 2018, to June 30, 2023, at the same rate of $5,573 per month plus utilities. The rent and utilities expenses on this lease were $66,880 and $13,486, respectively, for 2017. The lease may be canceled by either party with three months' notice.

Conservation Legacy leases additional office space under noncancelable operating leases, the last of which expires in 2020. These noncancelable operating leases do not contain escalation clauses or lease incentives.

Future minimum lease payments on noncancelable office space leases at December 31, 2017, including the extended office lease, were as follows:

For the Year Ending December 31,	
2018	$ 103,760
2019	31,200
2020	4,800
Total	$ 139,760

Conservation Legacy rents a portion of the building located in Flagstaff, Arizona, to an unrelated organization. The lease term is March 1, 2016, to February 28, 2019. The tenant may renew the lease for one extended term of three years. Either party to the lease may cancel with written notice of at least six months. On each anniversary of the lease, the rent will increase by no more than 3%. Total rents received under this rental agreement were $28,800 for fiscal year 2017.

8. Commitments, Risks and Contingencies (continued)

Office and Property Leases (continued)

Rent expense for operating leases for the year ended December 31, 2017, was $152,250 and is included in occupancy expense in the accompanying statement of functional expenses.

Line of Credit

Conservation Legacy has a line of credit of $2.5 million with Alpine Bank which matures on April 10, 2019. The line of credit is restricted by $250,000 which secures credit cards issued by Alpine Bank. As a result, the total available to Conservation Legacy under the line of credit is $2.25 million. The interest rate is based on 1.375 percentage points over the JP Morgan Chase Bank prime rate with a minimum of 5.125% and maximum of 24% per annum. The line of credit is collateralized by the assets of Conservation Legacy, excluding the real estate. The line of credit had no balance outstanding at December 31, 2017.

Concentration of Revenue

Conservation Legacy received 52% of its operating revenue and support from the Department of the Interior (DOI), 15% from the Department of Agriculture (USDA), and 14% from Corporation for National and Community Service. The DOI and USDA funding includes multiple small funding amounts from individual public land management units (e.g. National Forests, National Parks, etc.) across the country. If these partnerships with DOI or USDA or the agreements with Corporation for National and Community Service were terminated, it would have a substantial effect on Conservation Legacy's operations.

Office of Management and Budget Uniform Guidance

Conservation Legacy has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2017, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal agencies of the independent auditor's reports for the year ended December 31, 2017, will not have a material effect on Conservation Legacy's financial position as of December 31, 2017, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Amounts received and expended by Conservation Legacy under various federal and state grants, contracts and other agreements are subject to audit by government agencies. Billings under cost-reimbursable government contracts, grants and other agreements are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the DOI, Conservation Legacy's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates. DOI has yet to audit the rates for the year ended December 31, 2017. Management believes that adjustments, if any, which might result from such audits would not have a material impact on the financial position of Conservation Legacy.

Continued

8. Commitments, Risks and Contingencies (continued)

Concentration of Credit Risk

As of December 31, 2017, Conservation Legacy maintained cash balances in excess of the federally insured limit. Accounts per depositor per institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts held in excess of FDIC insurance coverage as of December 31, 2017, were approximately $995,000. Conservation Legacy monitors the creditworthiness of these financial institutions and has not experienced any losses on its cash.

9. Pension Plan

Conservation Legacy has established a defined contribution plan (the Plan) under section 403(b) of the Internal Revenue Code (the IRC). Employees are eligible to participate in the Plan immediately upon hire. Under the terms of the Plan, participants may voluntarily elect to have a portion of their compensation deferred and contributed to the Plan. Conservation Legacy matches up to 3% of annual gross wages for all eligible employees who elect to participate. All eligible employees may participate on their date of hire. Participants are fully vested in all plan benefits. Retirement plan expense for 2017 was $59,994.

10. Income Taxes

Conservation Legacy qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. There is no accrual for income tax expense, as Conservation Legacy had no unrelated business income for the year ended December 31, 2017.

Conservation Legacy has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. Conservation Legacy has evaluated its uncertainty in income taxes for the year ended December 31, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2014 through 2016 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Conservation Legacy files tax returns. It is Conservation Legacy’s policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

11. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Conservation Legacy's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Continued

12. Reclassification

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

13. Subsequent Events

In preparing these financial statements, Conservation Legacy has evaluated events and transactions for potential recognition or disclosure through August 1, 2018, the date the financial statements were available to be issued. Except for the office space lease agreement extension disclosed in Note 8, there were no events that required recognition or disclosure in these financial statements.

Raffa

Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Conservation Legacy

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 Conservation Legacy, which comprise the statement of financial position as of December 31, 2017, 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 August 1, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conservation Legacy'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

Continued

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
August 1, 2018

Raffa

Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Conservation Legacy

Report on Compliance for Each Major Federal Program

We have audited Conservation Legacy'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 Conservation Legacy's major federal programs for the year ended December 31, 2017. Conservation Legacy'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 Conservation Legacy'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* (the 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 Conservation Legacy'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 Conservation Legacy's compliance.

Opinion on Each Major Federal Program

In our opinion, Conservation Legacy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2017.

Continued

Report on Internal Control Over Compliance

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

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
August 1, 2018

CONSERVATION LEGACY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR				
National Park Service				
Rivers, Trails and Conservation Assistance NPS Fellowship Program	15.921	N/A	$ -	$ 922,699
Conservation Activities by Youth Service Organizations	15.931	N/A	59,305	5,153,238
Pass-Through from Geological Society of America Conservation Activities by Youth Service Organizations	15.931	P13AC00336	-	115,586
Total for CFDA 15.931			59,305	5,268,824
Natural Resource Stewardship National Capital Region	15.944	N/A	-	13,025
Conservation, Protection, Outreach and Education NPS Fellowship Program	15.954	N/A	-	430,586
Bureau of Land Management				
Cultural Resource Management, Colorado	15.224	N/A	-	7,200
Recreation Resource Management	15.225	N/A	-	779,079
National Fire Plan – Wildland Urban Interface Community Fire Assistance, Arizona	15.228	N/A	-	246,990
Invasive and Noxious Plant Management, Colorado	15.230	N/A	-	61,808
Fish, Wildlife and Plant Conservation	15.231	N/A	-	662,767
Pass-Through from Fish, Wildlife and Plant Conservation CYCA – Internship Program	15.231	N/A	-	74,372
Total for CFDA 15.231			-	737,139
Pass-Through from CYCA – Internship Program Management Initiatives	15.239	N/A	-	297,958
National Fire Plan – Rural Fire Assistance, Arizona	15.242	N/A	-	150,000
Pass-Through from CYCA – Vets Green Corps Youth Conservation Opportunities on Public Lands	15.243	N/A	-	235,375
Secretary's Office				
21st Century Conservation Corp	15.154	N/A	-	358,559
Bureau of Indian Affairs				
Water Resources on Indian Lands	15.037	N/A	-	487,542
Environmental Management Indian	15.041	N/A	-	34,400

Continued

CONSERVATION LEGACY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR (continued)				
Office of Surface Mining				
OSMRE AmeriCorps Program	15.254	N/A	$ -	$ 526,597
Bureau of Reclamation				
Youth Conservation Program	15.546	N/A	-	123,647
United States Fish and Wildlife Service				
Youth Engagement, Education and Employment	15.676	N/A	-	90,928
U.S. Geological Survey				
Research and Data Acquisition	15.808	N/A	-	42,760
Total U.S. Department of the Interior			59,305	10,815,116
U.S. DEPARTMENT OF AGRICULTURE				
Forest Service Contract and Agreements	10.xxx	N/A	-	3,132,355
Pass-through from National Forest Foundation				
National Forest Foundation	10.682	UJ-302-AI-212	-	87,800
Pass-Through from National Fish and Wildlife Foundation				
National Fish and Wildlife Foundation	10.683	55238	-	46,185
Grants for Agricultural Research	10.200	N/A	-	31,115
Total U.S. Department of Agriculture			-	3,297,455
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Americorps				
Pass-Through from The Corps Network – OYSI				
Americorps Program	94.006	16NDHDC0040012	-	738,267
Pass-Through from Arizona Office of Governor				
Americorps Program	94.006	15FXHAZ0010002	-	221,848
Total for CFDA 94.006			-	960,115
Volunteers in Service to America (VISTA)				
VISTA Program Grant	94.013	N/A	-	893,823
Disaster Preparedness				
Disaster Projects	94.020	N/A	-	403,408
Total Corporation for National and Community Service			-	2,257,346
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 59,305	$ 16,369,917

CONSERVATION LEGACY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

Cost Principles

Federal expenditures were recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Conservation Legacy has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as Conservation Legacy already has a negotiated indirect cost rate with the federal government.

2. Reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Activities

Expenditures per schedule of expenditures of federal awards	$ 16,369,917
Plus: Non-federal grants and contracts	3,652,002
Plus: Fixed fee contracts	1,478,403
Grants and Contracts Revenue per the Statement of Activities	$ 21,500,322

CONSERVATION LEGACY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	X	Unmodified	____	Qualified
	____	Adverse	____	Disclaimer
Internal control over financial reporting:				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	X	Unmodified	____	Qualified
	____	Adverse	____	Disclaimer
Internal control over major program(s):				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified?	____	Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?	____	Yes	X	No

Identification of Major Program(s):

CFDA Numbers	Program Titles
15.931	Conservation Activities by Youth Service Organizations
15.225	Recreation Resource Management
15.228	National Fire Plan – Interface Community Fire Assistance

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

Auditee qualified as a low-risk auditee? X Yes ____ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.