NatureServe

Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

June 30, 2023 and 2022

NatureServe

Financial Statements
June 30, 2023 and 2022

Contents

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NatureServe

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NatureServe ("the Organization"), which comprise the statement of financial position as of June 30, 2023; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization for the year ended June 30 2022, were audited by other auditors whose report, dated February 10, 2023, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases,* and all subsequent ASUs that modified ASC 842. The Organization has applied the modified retrospective method to adopt this standard during the year ended June 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary and 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

ROGERS
& COMPANY

***Other Reporting Required by* Government Auditing Standards**

In accordance with *Government Auditing Standards,* we have also issued our report dated January 25, 2024 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Rogers + Company PLLC

Vienna, Virginia
January 25, 2024

NatureServe

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 1,034,687	$ 163,208
Investments	3,091,533	4,679,075
Federal government grants receivable	522,036	298,886
Federal contracts receivable	443,596	106,246
Grants and contributions receivable, net	529,664	291,837
Non-federal contracts receivable	862,316	1,102,658
Accounts receivable	21,598	3,038
Prepaid expenses	90,218	78,647
Property and equipment, net	106,482	137,772
Right-of-use asset – operating lease	2,098,444	-
Deposits	57,410	57,410
Total assets	$ 8,857,984	$ 6,918,777
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 925,417	$ 913,627
Refundable advances	592,789	236,929
Deferred revenue	500,023	1,259,000
Line of credit	800,000	500,000
Deferred rent	-	374,999
Lease liability – operating lease	2,260,236	-
Deposits	4,061	5,000
Total liabilities	5,082,526	3,289,555
Net Assets		
Without donor restrictions:		
Undesignated	(536,075)	(1,437,902)
Board-designated quasi-endowment funds	2,542,469	1,972,284
Total without donor restrictions	2,006,394	534,382
With donor restrictions:		
Purpose restricted	50,000	330,628
Time restricted for future periods	1,170,000	57,421
Endowments	549,064	2,706,791
Total with donor restrictions	1,769,064	3,094,840
Total net assets	3,775,458	3,629,222
Total liabilities and net assets	$ 8,857,984	$ 6,918,777

NatureServe

Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Federal government grants	$ 2,308,055	$ -	$ 2,308,055
Federal contracts	999,740	-	999,740
Grants and contributions	2,502,223	1,650,000	4,152,223
In-kind contributions	2,051,936	-	2,051,936
Non-federal contracts	297,611	-	297,611
Software support and services	1,780,907	-	1,780,907
Rental revenue	40,482	-	40,482
Member dues	63,000	-	63,000
Data requests, products, and services	213,398	-	213,398
Investment return, net	421,185	(50,727)	370,458
Transfer of donor-restricted funds released by donors to Board-designated quasi-endowment funds	2,107,000	(2,107,000)	-
Net assets released from restrictions	818,049	(818,049)	-
Total revenue and support	13,603,586	(1,325,776)	12,277,810
Expenses			
Program services	9,193,532	-	9,193,532
Supporting services:			
General and administrative	2,423,103	-	2,423,103
Fundraising	514,939	-	514,939
Total supporting services	2,938,042	-	2,938,042
Total expenses	12,131,574	-	12,131,574
Change in Net Assets	1,472,012	(1,325,776)	146,236
Net Assets, beginning of year	534,382	3,094,840	3,629,222
Net Assets, end of year	$ 2,006,394	$ 1,769,064	$ 3,775,458

NatureServe

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Federal government grants	$ 1,676,841	$ -	$ 1,676,841
Federal contracts	1,080,882	-	1,080,882
Non-federal government grants	76,707	-	76,707
Grants and contributions	2,000,882	204,164	2,205,046
In-kind contributions	1,712,405	-	1,712,405
Non-federal contracts	315,007	-	315,007
Software support and services	1,654,240	-	1,654,240
Rental revenue	198,306	-	198,306
Member dues	57,000	-	57,000
Data requests, products, and services	84,261	-	84,261
Investment return, net	(233,379)	(350,775)	(584,154)
Other revenue	31,011	-	31,011
Net assets released from restrictions	598,845	(598,845)	-
Total revenue and support	9,253,008	(745,456)	8,507,552
Expenses			
Program services	8,128,196	-	8,128,196
Supporting services:			
General and administrative	2,716,097	-	2,716,097
Fundraising	421,873	-	421,873
Total supporting services	3,137,970	-	3,137,970
Total expenses	11,266,166	-	11,266,166
Change in Net Assets	(2,013,158)	(745,456)	(2,758,614)
Net Assets, beginning of year	2,547,540	3,840,296	6,387,836
Net Assets, end of year	$ 534,382	$ 3,094,840	$ 3,629,222

NatureServe

Statement of Functional Expenses
For the Year Ended June 30, 2023

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ 5,118,714	$ 1,692,267	$ 456,974	$ 2,149,241	$ 7,267,955
Rent	145,532	34,801	12,655	47,456	192,988
Subagreements	737,584	1,665	7,069	8,734	746,318
Internet, computer, and data expenses	562,415	50,189	-	50,189	612,604
Depreciation and amortization	-	31,290	-	31,290	31,290
Travel	145,210	19,359	10,854	30,213	175,423
In-kind expenses	2,049,953	1,984	-	1,984	2,051,937
Meetings and conferences	6,670	19,465	-	19,465	26,135
Professional fees	347,426	270,657	24,922	295,579	643,005
Equipment, rental, repairs, and maintenance	449	12,393	-	12,393	12,842
Telephone	24,260	-	-	-	24,260
Insurance	-	41,258	-	41,258	41,258
Dues and subscriptions	44,270	13,643	-	13,643	57,913
Printing	2,364	16,386	1,270	17,656	20,020
Office expenses	1,040	28,742	346	29,088	30,128
Payroll fees	-	90,276	-	90,276	90,276
Interest	4	36,652	-	36,652	36,656
Postage and delivery	6,271	3,696	849	4,545	10,816
Taxes, licenses, and permits	-	26,454	-	26,454	26,454
Bank fees	-	28,496	-	28,496	28,496
Miscellaneous	1,370	1,754	-	1,754	3,124
Advertising – recruiting	-	1,676	-	1,676	1,676
Total Expenses	$ 9,193,532	$ 2,423,103	$ 514,939	$ 2,938,042	$ 12,131,574

NatureServe

Statement of Functional Expenses
For the Year Ended June 30, 2022

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ 4,784,117	$ 1,688,089	$ 178,737	$ 1,866,826	$ 6,650,943
In-kind licensing fees	1,712,405	-	-	-	1,712,405
Professional fees	190,476	175,767	202,715	378,482	568,958
Subagreements	420,344	-	-	-	420,344
Rent	370,330	164,976	25,837	190,813	561,143
Internet, computer, and data expenses	181,024	385,189	3,615	388,804	569,828
Travel	398,078	5,705	4,710	10,415	408,493
Depreciation and amortization	-	39,375	-	39,375	39,375
Insurance	-	35,584	-	35,584	35,584
Payroll fees	-	94,013	-	94,013	94,013
Telephone	3,327	15,853	-	15,853	19,180
Office expense	9,185	8,479	53	8,532	17,717
Dues and subscriptions	27,447	11,927	4,382	16,309	43,756
Printing	9,315	8,136	544	8,680	17,995
Meetings and conferences	18,633	13,044	-	13,044	31,677
Equipment, rental, repairs, and maintenance	-	11,220	-	11,220	11,220
Advertising – recruiting	-	2,897	-	2,897	2,897
Miscellaneous	2,189	2,291	-	2,291	4,480
Bank fees	766	10,462	174	10,636	11,402
Taxes, licenses, and permits	-	22,057	-	22,057	22,057
Interest expenses	-	20,233	-	20,233	20,233
Postage and delivery	560	800	1,106	1,906	2,466
Total Expenses	$ 8,128,196	$ 2,716,097	$ 421,873	$ 3,137,970	$ 11,266,166

See accompanying notes.

NatureServe

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 146,236	$ (2,758,614)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (gain) loss on investments	(254,030)	695,891
Change in present value discount on multi-year grants and contributions receivable	7,157	-
Depreciation and amortization	31,290	39,375
Amortization on right-of-use asset – operating lease	261,844	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Federal government grants receivable	(223,150)	204,793
Federal contracts receivable	(337,350)	-
Grants and contributions receivable	(244,984)	-
Non-federal contracts receivable	240,342	-
Accounts receivable	(18,560)	-
Prepaid expenses	(11,571)	42,789
Right-of-use asset – operating lease	(2,360,288)	-
Deposits	-	34,933
Increase (decrease) in:		
Accounts payable and accrued expenses	11,790	12,758
Refundable advances	355,860	21,219
Deferred revenue	(758,977)	-
Deferred rent	(374,999)	(132,507)
Lease liability – operating lease	2,260,236	-
Deposits	(939)	(19,167)
Net cash used in operating activities	(1,270,093)	(1,858,530)
Cash Flows from Investing Activities		
Purchases of investments	(1,861,762)	(300,771)
Proceeds from sales of investments	1,745,225	2,102,615
Short-term investments, net	1,958,109	-
Purchases of property and equipment	-	(34,686)
Net cash provided by investing activities	1,841,572	1,767,158
Cash Flows from Financing Activities		
Proceeds from line of credit	800,000	200,000
Principal payments on line of credit	(500,000)	(100,000)
Net cash provided by financing activities	300,000	100,000
Net Increase in Cash and Cash Equivalents	871,479	8,628
Cash and Cash Equivalents, beginning of year	163,208	154,580
Cash and Cash Equivalents, end of year	$ 1,034,687	$ 163,208
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	$ 34,349	$ 19,951
Cash paid for taxes	$ 12,628	$ 14,376

See accompanying notes.

1. Nature of Operations

NatureServe ("the Organization"), a nonprofit organization incorporated in Virginia, leverages the power of science, data, and technology to guide biodiversity conservation and stewardship. In partnership with the Network of Natural Heritage Programs and Conservation Data Centers, the Organization works to manage and distribute authoritative information critical to the conservation of the world's biological diversity. The Organization provides the scientific knowledge that supports informed decisions. Together with the Organization's network of over 60 programs, the Organization collects decision-quality data about imperiled species and entire ecosystems, transforms that data into knowledge products and visualizations, and provides meaning through expert analyses and support to guide decision-making, implement action, and enhance conservation outcomes.

2. Summary of Significant Accounting Policies

<u>Basis of Accounting and Presentation</u>

The financial statements of the Organization are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts. The Organization's Board of Directors has segregated amounts received without donor restrictions from various donors into a Board-designated quasi-endowment fund, and has implemented an investment policy that includes an annual discretionary transfer of amounts to undesignated net assets to support operations. Undesignated deficit amounts are supplemented by Board-designated quasi-endowment fund amounts. Total net assets without donor restrictions remain positive at June 30, 2023 and 2022.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, including money market funds not held for long-term investment purposes, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held for investment.

Investments

Investments are recorded at fair value based on quoted market prices. All interest and dividends, and realized and unrealized gains and losses, net of investment fees, are reported as a component of net investment return in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

Government Grants Receivable

Government grants receivable consist of amounts to be reimbursed to the Organization for expenses incurred under agreements with government agencies. All receivable amounts are due in one year, and recorded at net realizable value. The Organization uses the allowance method to account for amounts that are considered to be uncollectible, based on prior years' experience and management's current estimates of potentially uncollectible accounts. At June 30, 2023 and 2022, no allowance for doubtful government grants receivable is recorded, as management believes that all amounts are fully collectible.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to the Organization. Grants and contributions receivable are reflected at either net realizable value, or at net present value based on projected cash flows. Amounts promised in more than one year are discounted using a risk-free treasury rate of 3.81% at June 30, 2023. All receivable amounts are due in less than one year at June 30, 2022. The Organization uses the allowance method to determine uncollectible receivables.

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable (continued)

The Organization's policy is to write-off uncollectible receivables when management determines they will not be collected based on experience, as well as management's analysis of specific receivables, including such factors as prior collection history, type of receivable, and nature of fundraising activity. At June 30, 2023 and 2022, no allowance was recorded as management believes that all grants and contributions receivable are fully collectible.

Contracts Receivable

The Organization's contracts receivable are all due in less than one year and are recorded at net realizable value. The Organization writes off contracts receivable when they become uncollectible. When necessary, an allowance for uncollectible contracts receivable is determined based on management's best estimate of the outstanding uncollectible amounts. No allowance for doubtful contracts receivable is recorded, as management believes that all receivables are fully collectible at June 30, 2023 and 2022.

Accounts Receivable

Accounts receivable are all due in less than one year, and are recorded at net realizable value as of June 30, 2023 and 2022. No allowance for doubtful amounts is recorded as management believes that all receivables are fully collectible.

Property and Equipment

Property and equipment acquisitions with a cost in excess of $5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to 10 years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the remaining lease term or the useful life of the improvement. Repairs and maintenance costs are expensed as incurred.

Operating Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, which represent the Organization's right to use an underlying asset for the lease term, and lease obligations represent the Organization's obligation to make lease payments arising from the lease.

2. Summary of Significant Accounting Policies (continued)

Operating Leases (continued)

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

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, the Organization has agreements with federal and other government agencies. The agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Organization before the governmental agencies will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Amounts from conditional contributions that have been received prior to grant expense are recorded as refundable advances in the accompanying statements of financial position, until the conditions have been met. At June 30, 2023 and 2022, refundable advances totaled $592,789 and $236,929, respectively.

In-kind contributions consist of donated professional services from an enterprise license agreement for topographical mapping and other programmatic professional services. These services are recorded at fair value at the time of the donation. During the years ended June 30, 2023 and 2022, the fair value of in-kind contributions totaled $2,051,936 and $1,712,405, respectively, and are reflected in the accompanying statements of activities.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

The Organization receives revenue under contractual agreements with both government and non-government sources for program related activities. These agreements are fulfilled through performance obligations and milestones that the Organization must meet in order to earn revenue, and are treated as exchange transactions. The agreements are based on a set transaction price (set by the contracting entity) and not a function of direct and indirect costs incurred by the Organization. Amounts received in advance of fulfilling the performance obligations are included in deferred revenue in the accompanying statements of financial position until earned.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Revenue from software support and services represent revenue from cloud-based service arrangements that allow for the use of a hosted software product or service over a contractually determined period of time without taking possession of software. Revenue from software support and services is accounted for as subscriptions with billings recorded as unearned revenue, and recognized as revenue ratably over the coverage period beginning on the date the service is made available to customers. Revenue from services arrangements that are provided on a consumption basis is recognized commensurate with the customer utilization of such resources. Amounts received in advance of fulfilling the service arrangements are included in deferred revenue in the accompanying statements of financial position until earned in the amounts of $301,668 and $1,108,571 at June 30, 2023 and 2022, respectively.

Revenue from data requests, products, and services include revenue earned from data and map products maintained by the NatureServe Network, as well as services available to clients to assist them in obtaining and interpreting the biological and ecological data needed to meet regulatory, planning, or natural resource management objects. Revenue is recognized at the time services are rendered. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position until earned. There was no deferred revenue at June 30, 2023 and 2022.

Member dues are recognized ratably over the applicable membership period, which primarily runs on a fiscal year basis. Dues received that are paid in advance that are applicable to the following year are recorded as deferred revenue in the accompanying statements of financial position. At June 30, 2023 and 2022, deferred member dues totaled $198,355 and $150,429, respectively.

Rental revenue is recognized from subtenants leasing office space from the Organization. Revenue from these subleases is recognized when the services are provided and performance obligations are met.

Foreign Currency Transactions

The Organization conducts transactions as part of its programmatic and operational activities in various countries from time-to-time, and accordingly, transacts in the local currency of these countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Any resulting gains or losses are reflected in the accompanying statements of activities as foreign currency exchange gains or losses.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expenses

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2023 and 2022 were $1,676 and $2,897, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases.* The update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for the Organization's fiscal year ended June 30, 2023. The Organization adopted ASC 842 during the year ended June 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments.* This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for the Organization beginning in fiscal year 2024. Management is evaluating the potential impact of this update on the Organization’s financial statements.

Reclassifications

Certain amounts in the fiscal year 2022 financial statements have been reclassified to conform to the fiscal year 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 25, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover its general expenditures. Management periodically reviews the Organization’s liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating needs are invested in liquid investment securities. The Organization also has an available line of credit in the amount of $2,000,000, from which it can draw upon to cover its expenditures.

3. Liquidity and Availability (continued)

Excluded from liquidity are amounts set aside in the Organization's Board-designated quasi-endowment funds and its donor-restricted endowment funds.

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at June 30:

	2023	2022
Cash and cash equivalents	$ 1,034,687	$ 163,208
Investments	3,091,533	4,679,075
Federal government grants receivable	522,036	298,886
Federal contracts receivable	443,596	106,246
Grants and contributions receivable – due in less than one year	341,821	291,837
Non-federal contracts receivable	862,316	1,102,658
Accounts receivable	21,598	3,038
Total financial assets	6,317,587	6,644,948
Less: Board-designated quasi-endowment funds	(2,542,469)	(1,972,284)
Less: donor-restricted endowment funds	(549,064)	(2,706,791)
Total available for general expenditures	$ 3,226,054	$ 1,965,873

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and some of these values exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments, to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 362,498	$ -	$ -	$ 362,498
Fixed income funds:				
Intermediate core bond	366,502	-	-	366,502
Ultrashort bond	249,169	-	-	249,169
Bank loan	217,947	-	-	217,947
High yield bond	60,968	-	-	60,968
Public equity funds:				
U.S. equity	1,245,294	-	-	1,245,294
Foreign large growth	87,727	-	-	87,727
Foreign large blend	261,145	-	-	261,145
Foreign large value	92,832	-	-	92,832
Global real estate	22,070	-	-	22,070
Tactical allocation	125,381	-	-	125,381
Total investments	$ 3,091,533	$ -	$ -	$ 3,091,533

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Public equity funds	$ 2,470,560	$ -	$ -	$ 2,470,560
Fixed income funds	1,438,302	-	-	1,438,302
Mixed allocation mutual	201,697	-	-	201,697
Money market funds	568,516	-	-	568,516
Total investments	$ 4,679,075	$ -	$ -	$ 4,679,075

Net investment return consists of the following for the years ended June 30:

	2023	2022
Interest and dividends	$ 139,182	$ 148,123
Realized gain	243,546	28,487
Unrealized gain (loss)	10,484	(724,378)
Less: investment fees	(22,754)	(36,386)
Total investment return, net	$ 370,458	$ (584,154)

6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at June 30:

	2023	2022
Due in less than one year	$ 341,821	$ 291,837
Due in one to five years	195,000	-
Total grants and contributions receivable	536,821	291,837
Less: present value discount on multi-year grants and contributions receivable	(7,157)	-
Grants and contributions receivable, net	$ 529,664	$ 291,837

7. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Software	$ 758,850	$ 758,850
Equipment	446,428	446,428
Furniture and fixtures	116,998	116,998
Leasehold improvements	57,227	57,227
Total property and equipment	1,379,503	1,379,503
Less: accumulated depreciation and amortization	(1,273,021)	(1,241,731)
Property and equipment, net	$ 106,482	$ 137,772

8. Line of Credit

The Organization maintains a line of credit with a financial institution, which is secured by all of the Organization's assets (cash, receivables, and equipment), and has a maximum borrowing potential of $2,000,000. The line bears interest at the bank's prime lending rate, which was 8.25% and 7.5% as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the outstanding balance on the line of credit was $800,000 and $500,000, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Purpose restricted	$ 50,000	$ 330,628
Time restricted	1,170,000	57,421
Donor-restricted endowment funds:		
Endowment corpus	549,064	1,990,655
Unappropriated earnings on endowment funds	-	716,136
Total net assets with donor restrictions	$ 1,769,064	$ 3,094,840

10. Commitments and Contingencies

Government Grants

Funds received from government agencies are subject to audit under the provisions of the agreements. The ultimate determination of amounts received under the agreements is based upon the allowance of costs reported to and accepted by the oversight agency. Until the grant is closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

Service Organization

The Organization contracts with TriNet as its professional employer organization. TriNet is the employer of record for tax, benefits, and insurance purposes for the Organization's employees. This co-employment relationship allows the Organization to maintain direct control of the day-to-day activities of employees, while TriNet assumes the administrative functions of human resources and absorbs many employer-related liabilities.

Operating Leases and Subleases

The Organization leases office space for its operations under an operating lease agreement in Arlington, Virginia. The lease commenced in May 2019, and is scheduled to expire in July 2030. The lease terms included rent abatement incentives, and require monthly rental payments over the term of the lease with scheduled annual increases of 2.5%. Through June 30, 2022, the difference between actual rental payments and straight-line basis rent was recorded as deferred rent liability in the accompanying statements of financial position under ASC 840.

The Organization also leased office space under two operating lease agreements in Boulder, Colorado. One lease expired in September 2022, and was not renewed. The other operating lease commenced in November 2020, and is scheduled to expire in January 2024. The lease terms included rent abatement incentives, and require monthly rental payments over the term of the lease with scheduled annual increases of 4%. Future minimum lease payments for the year ending June 30, 2024 total $18,844.

10. Commitments and Contingencies (continued)

Operating Leases and Subleases (continued)

Rent expense for the years ended June 30, 2023 and 2022 totaled $192,988 and $561,143, respectively.

The Organization subleases its office space in Colorado to two tenants under short-term operating lease arrangements. One tenant's sublease commenced in February 2023, and is scheduled to expire in January 2024. The sublease requires monthly rental payments, including an escalated rental payment for the second half of the lease term. The other tenant's sublease commenced in April 2023, and is scheduled to expire in January 2024. This sublease requires fixed monthly payments. Future cash flows to be received from the subleases for the year ending June 30, 2024 total $19,175.

Supplemental qualitative information related to the office leases is as follows:

Lease cost:	
Operating lease cost	$ 331,839
Sublease income	(40,482)
Total lease cost	$ 291,357
Cash paid for amounts included in the measurement of lease liability – operating cash flows	$ 320,563
ROU asset obtained in exchange for lease obligations	$ 2,360,287
Weighted-average remaining lease term (in years)	7.08
Weighted-average discount rate	2.92%

10. Commitments and Contingencies (continued)

Operating Leases and Subleases (continued)

Maturities of the lease liability under the Organization's office leases are as follows for the years ending June 30:

2024	$	328,577
2025		336,791
2026		345,211
2027		353,841
2028		362,687
Thereafter		785,215
Total minimum lease payments		2,512,322
Less: discount to present value at 2.92%		(252,086)
Present value of operating lease liability	$	2,260,236

11. Endowments

The Organization's funds were established for the purpose of protecting and growing the assets of the Organization for the future. The Organization's endowment has been funded by donor-restricted contributions that are required to be retained permanently by explicit donor stipulation, and also funds designated by the Board of Directors as Board-designated quasi-endowment funds. Investment return generated from the endowment funds can be used for general and programmatic operations of the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

11. Endowments (continued)

Interpretation of Relevant Law (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

Return Objectives, Risk Parameters, and Strategies

The Organization's investment policy provides for a strategy of long-term growth of the funds. Under this policy, funds are invested with the goal of maximizing total returns, avoiding unnecessary risk, and generating income to support the spending policy. The Organization employs a diversified asset allocation that currently places greater emphasis on growth and with a higher tolerance for limited liquidity. The Organization uses professional fund managers for advice in managing the funds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The payout rate from the Organization's endowment funds should provide a stable, predictable level of spending for the endowed purposes, and should achieve a proper balance between present and future needs. The amount available for payout each fiscal year will be up to a maximum of 5% of the average market value of the endowment on December 31st of the current fiscal year, and the end of each quarter of the three years immediately preceding that date. The amount available for payout in each fiscal year shall not exceed the actual value of any income, dividend, interest, and capital appreciation, both realized and unrealized, in excess of the administrative fee.

In the event the endowment sustains unrealized losses resulting from decreases in market value, the Organization may continue to pay out income from dividends, interest, and realized gains earned each quarter. A decision to pay out additional funds beyond dividends and interest up to 5% in periods of market decline may be made by the Board of Directors if the decision is prudent, in the long-term interest of the Organization, and rationale is properly documented.

11. Endowments (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restrictions. There were no fund deficiencies at June 30, 2023 and 2022.

Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 2,542,469	$ -	$ 2,542,469
Donor-restricted endowment funds:			
Endowment corpus	-	549,064	549,064
Unappropriated earnings on endowment funds	-	-	-
Total endowment net assets	$ 2,542,469	$ 549,064	$ 3,091,533

Endowment net assets composition was as follows at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 1,972,284	$ -	$ 1,972,284
Donor-restricted endowment funds:			
Endowment corpus	-	1,990,655	1,990,655
Unappropriated earnings on endowment funds	-	716,136	716,136
Total endowment net assets	$ 1,972,284	$ 2,706,791	$ 4,679,075

11. Endowments (continued)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,972,284	$ 2,706,791	$ 4,679,075
Investment return, net:			
Interest and dividends, and investment fees	31,463	85,074	116,537
Realized gain	243,461	84	243,545
Unrealized gain (loss)	172,115	(135,885)	36,230
Total investment return, net	447,039	(50,727)	396,312
Transfer of donor-restricted funds released by donors to Board-designated quasi-endowment funds	2,107,000	(2,107,000)	-
Appropriation of endowment assets for expenditure	(1,983,854)	-	(1,983,854)
Endowment net assets, end of year	$ 2,542,469	$ 549,064	$ 3,091,533

11. Endowments (continued)

Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,994,200	$ 3,197,164	$ 7,191,364
Investment return, net:			
Interest and dividends, and investment fees	4,075	107,662	111,737
Realized gain	368,966	28,223	397,189
Unrealized loss	(606,420)	(486,660)	(1,093,080)
Total investment return, net	(233,379)	(350,775)	(584,154)
Appropriation of endowment assets for expenditure	(1,788,537)	(139,598)	(1,928,135)
Endowment net assets, end of year	$ 1,972,284	$ 2,706,791	$ 4,679,075

12. Retirement Plan

The Organization maintains a safe harbor 401(k) retirement plan, in which all full-time employees are immediately eligible to participate. The Organization matches up to 6% of the participant's eligible compensation. The Organization recorded contributions to the plan of $318,053 and $265,395 for the years ended June 30, 2023 and 2022, respectively.

13. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Organization's expenses are allocated utilizing the direct cost allocation method. Expenses that are allocated include salaries, benefits, payroll taxes, and other operating expenses, which are allocated on the basis of estimates of time and effort.

14. Income Taxes

The Organization is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the years ended June 30, 2023 and 2022, there was no significant unrelated business income and, accordingly, no federal or state income taxes have been recorded. Management has evaluated the Organization's tax positions and concluded that the Organization's financial statements do not include any uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED BY THE UNIFORM GUIDANCE

ROGERS & COMPANY

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

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 of
NatureServe

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 NatureServe ("the Organization"), which comprise the statement of financial position as of June 30, 2023; 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 January 25, 2024.

Report on Internal Control over Financial Reporting

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

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

ROGERS
& COMPANY

Report on Internal Control over Financial Reporting (continued)

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rogers + Company PLLC

Vienna, Virginia
January 25, 2024

ROGERS & COMPANY

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

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 of
NatureServe

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited NatureServe's ("the Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rogers + Company PLLC

Vienna, Virginia
January 25, 2024

NatureServe

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity	Agency or Pass-Through Grant Number	Assistance Listing Number	Subrecipient Awards	Total Federal Expenditures
Department of Defense:					
Research and Development Cluster					
Washington Headquarters Services	N/A	HQ00342020011	12.632	$ -	$ 208,963
Total Awards from Research and Development Cluster				-	208,963
Total Awards from Department of Defense				**-**	**208,963**
Department of Interior:					
Rare Plant Conservation on BLM Lands	N/A	L20AC00539	15.246	-	289,040
BLM Data Life Cycle Improvements	N/A	L20AC00537	15.246	-	447,401
CA Desert BLM Data Flow and Modeling	N/A	L21AC10399	15.246	-	185,659
Research Support for BLM Management of Pollinator Species	National Fish and Wildlife Foundation	0126.21.073611	15.246	-	102,310
Subtotal 15.246 Threatened and Endangered Species				-	1,024,410
Increasing Efficiency & Effectiveness of Special Status Species	N/A	L20AC00540	15.247	-	331,688
Subtotal 15.247 Wildlife Resource Management				-	331,688
Expanding Ecological Integrity Assessments and Climate Change Resilience of Natural Landscape Blocks in NCA Parks	N/A	P20AC00666	15.945	-	72,228
Cooperative Research and Training Programs	N/A	P21AC10503	15.945	-	9,046
Subtotal 15.945 National Park Service				-	81,274
Total Awards from National Park Service				**-**	**81,274**

(continued on next page)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity	Agency or Pass-Through Grant Number	Assistance Listing Number	Subrecipient Awards	Total Federal Expenditures
Department of Interior (continued):					
Fish and Wildlife Service:					
Support of listing and critical habitat designation for 45 species	N/A	F19AC00900	15.670	-	354,757
Development of a Regional Species of Greatest Conservation Need List of Plants for the Southeastern U.S.	Atlanta Botanical Gardens	F21AC03282-00	15.670	-	36,555
Natures Network-MoBI	Wildlife Management Institute	F20AC00356	15.670	-	46,166
Subtotal 15.670 Adaptive Science				-	437,478
Conservation Opportunity Area Tool 5-Year	Pennsylvania Game Commission	4000022682	15.634	-	113,099
Developing and Enhancing Tools to Obtain and Distribute Information about Nebraska's Species of Greatest Conservation Need	Nebraska Game and Parks Commission	F22AP00883-00	15.634	-	5,149
Subtotal 15.634 State Wildlife Grants				-	118,248
Total Awards from Fish and Wildlife Service				-	555,726
Developing a next-generation Climate Change Vulnerability Index	N/A	G23AC00143	15.820	-	41,621
Adaptation Strategies for Species and Ecosystems in the Southcentral U.S.	University of Oklahoma	G21AC10801	15.820	-	64,373
Subtotal 15.820 U.S. Geological Survey				-	105,994
Total Awards from Department of Interior				**-**	**2,099,092**
Total Expenditures of Federal Awards				**$ -**	**$ 2,308,055**

See accompanying notes to the schedule of expenditures of federal awards.

NatureServe

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under the programs of the federal government for the year ended June 30, 2023. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA 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 Organization records its expenditures of federal awards using the indirect cost and fringe benefit rate per the nonprofit rate agreement with the federal government, which was approved in accordance with the authority of the Uniform Guidance. In this manner, the Organization has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NatureServe

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

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

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

Identification of the major program:

Assistance Listing Number	Name of Federal Program or Cluster Title
15.246	Threatened and Endangered Species

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

NatureServe

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II – Findings – Financial Statement Audit

There were no financial statement findings reported during the fiscal year 2023 audit.

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

There were no findings or questioned costs over major federal awards reported during the fiscal year 2023 audit.

NatureServe

Corrective Action Plan
For the Year Ended June 30, 2023

There were no findings for the year ended June 30, 2023, and therefore, a corrective action plan was not needed.

NatureServe

Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no findings or questioned costs reported for the June 30, 2022 audit.