The Conservation Fund, a Nonprofit Corporation and Affiliates

Combined Financial Report
December 31, 2019

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
The Conservation Fund, a Nonprofit Corporation

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Conservation Fund, a Nonprofit Corporation and Affiliates (the Fund), which comprise the combined statement of financial position as of December 31, 2019, the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, 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. 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 The Conservation Fund, a Nonprofit Corporation and Affiliates as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

McLean, Virginia
April 27, 2020

The Conservation Fund, a Nonprofit Corporation and Affiliates

Combined Statement of Financial Position
December 31, 2019
(In Thousands)

Assets		
Cash and cash equivalents	$	109,616
Restricted cash and cash equivalents		125,437
Investments		64,326
Receivables		7,486
Notes receivable, net		71,450
Promises to give, net		3,391
Other assets		2,332
Property and equipment, net		2,299
Conservation land		638,257
Total assets	$	1,024,594
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$	12,046
Line of credit		500
Deferred revenue and refundable advances		159,605
Amounts due to other nonprofit organizations and government agencies		57,853
Secured borrowings, participations		2,815
Bonds and notes payable, net		293,152
Total liabilities		525,971
Commitments and contingencies (Note 9 and 10)		
Net assets:		
Without donor restrictions		249,226
With donor restrictions		249,397
Total net assets		498,623
Total liabilities and net assets	$	1,024,594

See notes to combined financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Combined Statement of Activities
Year Ended December 31, 2019
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Real estate activities:			
Support and revenue			
Contributions and grants	$ 10,517	$ 25,034	$ 35,551
Land contributed for conservation	3,074	-	3,074
Contract income	4,809	-	4,809
Investment and other program income	19,441	-	19,441
Sales of conservation land to others	118,621	-	118,621
Net assets released from restrictions	31,267	(31,267)	-
	187,729	(6,233)	181,496
Non-real estate activities:			
Support and revenue			
Contributions and grants	7,380	13,138	20,518
Contract income	8,711	-	8,711
Investment and other program income	16,752	24	16,776
Net assets released from restrictions	9,377	(9,377)	-
	42,220	3,785	46,005
Total support and revenue	229,949	(2,448)	227,501
Expenses:			
Program services:			
Real estate programs	188,941	-	188,941
Non-real estate programs	24,242	-	24,242
Total program services	213,183	-	213,183
Supporting services:			
Management and general	5,315	-	5,315
Fundraising	3,614	-	3,614
Total supporting services	8,929	-	8,929
Total expenses	222,112	-	222,112
Change in net assets	7,837	(2,448)	5,389
Net assets, beginning of year	241,389	251,845	493,234
Net assets, end of year	$ 249,226	$ 249,397	$ 498,623

See notes to combined financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Combined Statement of Functional Expenses
Year Ended December 31, 2019
(In Thousands)

	Program Services			Supporting Services		
	Real Estate Programs	Non-Real Estate Programs	Total Program Services	Management and General	Fundraising	Total
Personnel and fringe benefits	$ 14,303	$ 6,515	$ 20,818	$ 3,157	$ 2,184	$ 26,159
Contractual services	6,908	2,347	9,255	1,356	734	11,345
Grants	17,433	11,110	28,543	-	-	28,543
Postage, printing and photo	266	124	390	54	97	541
Equipment, supplies and depreciation	610	415	1,025	163	129	1,317
Occupancy	1,247	542	1,789	180	133	2,102
Insurance	363	142	505	67	37	609
Taxes	1,886	2	1,888	-	-	1,888
Travel	916	430	1,346	154	125	1,625
Interest	5,022	811	5,833	-	-	5,833
Accelerated notes payable discount	1,206	-	1,206	-	-	1,206
Conservation land carrying costs	4,125	112	4,237	40	29	4,306
Other	1,135	1,692	2,827	144	146	3,117
Book value of conservation land donated	12,103	-	12,103	-	-	12,103
Provision for conservation easements	4,311	-	4,311	-	-	4,311
Book value of conservation land sold	117,107	-	117,107	-	-	117,107
Total expenses	$ 188,941	$ 24,242	$ 213,183	$ 5,315	$ 3,614	$ 222,112

See notes to combined financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Combined Statement of Cash Flows
Year Ended December 31, 2019
(In Thousands)

Cash flows from operating activities:		
Change in net assets	$	5,389
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		241
Amortization of debt issuance costs		19
Provision for losses on notes receivable and bad debt write-offs		(1,012)
Contributions restricted for long-term purposes		(272)
Contributions from implied interest discount, net		(3,689)
Donated conservation land to Organization		(3,074)
Donated conservation land from Organization		8,221
Losses on disposition of land, easements and others		4,311
Accelerated notes payable discount		1,206
Deferred rent		(24)
Net realized and unrealized (gains) losses on investments		(1,386)
(Increase) decrease in operating activities:		
Receivables		(1,445)
Promises to give		(2,973)
Other assets		(1,935)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		2,543
Deferred revenue and refundable advances		99
Amounts due to other nonprofit organizations and government agencies		5,580
Additional cash provided by (used in) conservation land projects:		
Proceeds from disposition of conservation land held		118,741
Acquisition of conservation land projects		(214,570)
Net cash used in operating activities		(84,030)
Cash flows from investing activities:		
Purchases of property and equipment		(38)
Purchases of investments		(77,386)
Proceeds from sale of investments		86,082
Issuance of notes receivable		(21,263)
Repayments of principal on notes receivable		35,468
Net cash provided by investing activities		22,863
Cash flows from financing activities:		
Proceeds from long-term debt		203,230
Repayment of long-term debt		(51,550)
Debt issuance costs		(862)
Advances on secured borrowings, participations		833
Repayments on secured borrowings, participations		(216)
Contributions restricted for long-term purposes		272
Net cash provided by financing activities		151,707
Net increase in cash and cash equivalents		90,540
Cash and cash equivalents, and restricted cash:		
Beginning of year		144,513
End of year	$	235,053
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	3,173

See notes to combined financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Organization: The Conservation Fund, a Nonprofit Corporation (TCF), Sustainable Conservation Inc. (SCI), and Natural Capital Investment Fund, Inc. (NCIFund) (hereafter collectively referred to as the Fund) are dedicated to protecting land throughout the United States not just for the sake of its environmental value, but also for its value to the economy and the community.

The Fund's mission statement is as follows: The Fund, working with public, private and nonprofit partners, protects America's legacy of land and water resources through land acquisition, sustainable community and economic development and leadership training, emphasizing the integration of economic and environmental goals.

The Fund's activities include the following two program areas:

Real estate activities: One of two focus areas for the organization, this program area raises and deploys capital for conservation transactions, ensuring the permanent conservation of land across the U.S. It encompasses all real estate activity in four business areas:

- Conservation Acquisitions – interim ownership of conservation properties
- Working Forest Fund – interim ownership and operation of key forests
- Conservation Loans – bridge loans for land trusts and others to acquire conservation land and complete other projects
- Mitigation Solutions – land-related projects to mitigate for impacts on natural resources

The activities of SCI also fall entirely within this programmatic category.

Non-real estate activities: This program area focuses on technical assistance, community support and economic development. It supports green infrastructure planning, community-based conservation programs, conservation leadership training and network building.

The Fund's non-real estate activities also include NCIFund's lending and strategic initiatives programs.

- ***Lending program:*** NCIFund is a specialized, niche lender for start-up and early stage small businesses in underserved markets. The primary goal of its loan programs is to create or retain full-time private sector jobs. NCIFund provides microloans in amounts from $1 to $50 and business loans sized from $50 to $750. NCIFund is approved as a United States Department of Agriculture (USDA) Business & Industry Guaranteed Lender, giving it the ability to participate in transactions up to $2,500.

  NCIFund's business clients are predominantly located in economically distressed rural communities and are unable to access capital from traditional sources. Target sectors include, but are not limited to: environmental services, local food system infrastructure, heritage and recreation-based tourism, value-added agriculture, renewable energy, energy efficiency, recycling, water conservation and treatment, secondary forest products, natural medicines, green building, critical community services, and technologies that support the sustainable use of natural resources.

  NCIFund pursues Triple Bottom Line (TBL) small business development as a means to responsibly create wealth in distressed communities. Small and mid-sized businesses can demonstrate the viability of utilizing natural assets responsibly, while offering opportunities in low income communities to build wealth through the creation of living wage jobs with benefits and skill building opportunities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

- ***Strategic initiatives program:*** NCIFund's strategic initiatives use targeted funding and partnerships with small business-related or sector-specific community partners to devote added resources to particular sectors or constituencies within NCIFund's stated mission. These initiatives frequently combine NCIFund's loan capital with a) targeted business advisory services and/or b) grant funding from partners in order to ensure borrower success and "buy down" the cost of critical infrastructure or services for the constituencies NCIFund seeks to serve.

A summary of the Fund's significant accounting policies follows:

Principles of combination: The accompanying combined financial statements include all of the accounts of TCF, SCI and NCIFund. All intercompany accounts and transactions have been eliminated in the combined financial statements.

Basis of accounting: The accompanying combined financial statements of the Fund have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The accompanying combined financial statements presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, the Fund is required to report information regarding its financial position and activities under two classes of net assets:

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. The governing board of the Fund may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction was restricted has been fulfilled or both. Net assets with donor restrictions also include contributions to its revolving funds with donor-imposed stipulations. These net assets are used to finance conservation projects.

Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor contributions to be used for loan capital are recorded by NCIFund in its Loan Capital Revolving Fund as perpetual in nature. The funds are used to provide financing capital to qualifying businesses. The Loan Capital Revolving Fund is replenished as the loan principal is repaid. In the event that a note receivable funded by contributions that are perpetual in nature, becomes uncollectible, NCIFund writes off the uncollectible amount (loss) against the net assets.

Cash and cash equivalents: The Fund classifies cash and all short-term, highly liquid debt instruments to be cash equivalents, including money market funds with original maturities of 90 days or less.

Cash and cash equivalents – restricted: Restricted cash and cash equivalents consist of funds held for mitigation projects, which the Fund is contractually obligated to deploy into approved projects, which offset impacts to natural resources caused by the construction and operation of energy and infrastructure projects.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In order to secure its obligations in existing loan agreements, NCIFund is required to maintain certain bank accounts and balances, wherein the proceeds of the loans shall be held in separate custodial accounts established at a mutually acceptable financial institution. This requirement includes two federal programs, two financial institution lenders and one private lender.

Additionally, in order to meet certain private lenders' requirements for loans receivable, NCIFund records cash equivalents as collateral. The cash equivalents are held at cost and have short-term maturities.

Financial risk: Financial instruments that potentially subject the Fund to concentrations of credit risk consist of cash, cash equivalents, and short-term investments. All cash, cash equivalents and short-term investments are held with high credit quality financial institutions. The Fund has not experienced any losses in such accounts. Management believes there is no significant concentration of credit risk.

Cash and cash equivalents consist of amounts in institutional money market funds and total $1,652 at December 31, 2019. The Fund maintains its cash in various operating bank deposit accounts, which, at times, may exceed federally insured limits. The interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250. The Fund has not experienced any losses in such accounts. The Fund believes it is not exposed to any significant financial risk on cash.

The Fund invests in a professionally managed portfolio that primarily contains various fixed income securities, including a collective investment trust fund, municipal bonds, corporate bonds, asset-backed securities, fixed income mutual funds and a small allocation to equity mutual funds and common stock. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the combined financial statements.

Investments: The Fund's investments with readily determinable fair values are reflected at their fair values in the combined statement of financial position. Interest, dividends, and net gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions. Interest on funds held for mitigation contracts is deferred until recognized under terms of the contract.

TCF holds less than a 6% interest as a limited partner in a real estate partnership. In accordance with the FASB ASC for nonmarketable securities, TCF accounts for the investment at cost less any impairment as TCF neither controls nor can exercise significant influence over the investee's operating and financial policies. The initial investment was $1,000 and decreased by distributions of $355 received in prior years, for a net cost basis of $645 at December 31, 2019.

NCIFund holds investments in the U.S. Endowment Fuel Project. NCIFund provided two investments totaling $100, which are held at cost, to finance fuel stations in logging communities in South Carolina for the members of a certain cooperative. NCIFund earns minimal revenues on fuel sold.

NCIFund has a certificate of deposit with a financial institution in the amount of $200 as of December 31, 2019, as a requirement to hold during the duration of the $500 line of credit (see Note 9) financing provided.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Receivables and promises to give: Unconditional promises to give are recognized as support in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at their net present realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using interest rates applicable to the years in which promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Receivables also include allowable costs in excess of amounts collected on federal and state grants. Such recoverable costs are billable when expenditures are incurred. Receivables and promises to give due in less than one year are reported at their outstanding balance. Receivables and promises to give due beyond one year are carried at present value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering the prior history of the donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful promises at December 31, 2019.

Notes receivable and allowance for possible losses: TCF provides loans to various land trusts and other entities for the acquisition of conservation lands and easements and completion of other projects. NCIFund makes small business loans to customers. These loans are made in West Virginia, North Carolina and the Appalachian and rural areas of Maryland, Ohio, Kentucky, Tennessee, Virginia, South Carolina and Georgia. The ability of NCIFund's debtors to honor their contracts is dependent upon general economic conditions in the respective area.

Notes receivable are carried at unpaid principal balances less an allowance for loan losses and deferred loan origination fees. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate unless the loan is in default. Direct origination fees, net of direct costs, are deferred and amortized using the effective interest method over the respective lives of the related loan and are recorded as an adjustment to fee income on loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

NCIFund small business loans are considered past due if the required principal and interest payments have not been received 30 days from the date such payments were due. If it otherwise appears doubtful that the loan will be repaid or if the cash flow of the business can only support a principal payment, management may place the loan on nonaccrual status. Generally, loans on non-accrual status are 90 days or more past due and are moving toward foreclosure/liquidation. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Management provides for estimates of possible losses through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loans, the borrower's ability to repay, and current economic conditions.

The evaluation of the allowance is inherently subjective, and it is reasonably possible that a change in the estimate would occur in the near term, as additional information becomes available. The Fund has recorded an allowance of $4,149 as of December 31, 2019 for conservation and small business loans.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Impaired loans: A loan is considered impaired when, based on current information and events, it is probable that NCIFund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement and the loan has a high probability of moving into foreclosure/liquidation. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan or lease and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a case-by-case basis using the fair value of the collateral, if the loan is collateral dependent, the present value of expected future cash flows discounted at the loans effective interest rate or the loan's observable market price.

Property and equipment: Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of the donation, less accumulated depreciation. The Fund capitalizes all property and equipment purchased with a cost of $25 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment consist primarily of a research laboratory facility placed in service in 1999, which is being depreciated over 30 years.

Conservation land: Conservation land consists principally of real estate and conservation easements. Conservation land is real estate with ecological, historical, or cultural values, which the Fund is working with partners to conserve. Conservation land includes purchased and donated properties and conservation easements, which are held for eventual resale or donation to government agencies or other organizations or individuals who will become permanent conservation owners.

Purchased conservation land is recorded at acquisition cost. Conservation land received by donation is recorded at its estimated fair value at the date of the donation. Such donations are reported as net assets without donor restrictions, unless the donor has restricted the donated conservation land to a specific purpose. Conservation land donated with explicit restrictions regarding its use is reported as net assets with restrictions. Costs incurred in carrying parcels of real estate, such as taxes and maintenance, are expensed as incurred. Conservation land parcels determined to have no ecological value may be sold to support land conservation efforts. To ensure the Fund's commitment to conservation, real estate with ecological value is held or transferred, including by sale, to appropriate conservation partners. When conservation land is transferred, the proceeds are included as part of total support and revenue and are shown as sales of conservation lands to others on the combined statement of activities; the carrying value of the land and transaction costs incurred with the transfer are shown as program service expenses.

Conservation easements represent restrictions on the use, subdivision and/or development of certain parcels. Gifts of conservation easements are recognized as revenue and program expenses in equal amounts upon acquisition based on the estimated fair value of the easement at the date of the donation of the easement. Purchased easements are recognized as a program expense upon acquisition based on the acquisition cost of the easement. The estimated value of easements is not reported on the combined statement of financial position. The Fund believes that conservation easements play an important role in enabling the Fund to achieve its charitable purpose of land and water conservation through the preservation of the natural values of land.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Fund reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell. The Fund had no impairments of long-lived assets during the year ended December 31, 2019.

Amounts due to other nonprofit organizations and government agencies: Amounts due to other nonprofit organizations and government agencies are a result of agreements or commitments the Fund has with respect to certain real estate parcels it holds. These principally reflect cases where the Fund has entered into cooperative agreements to carry out conservation land projects with other organizations, which will result in the eventual transfer of the land parcels. These arrangements and commitments totaled $57,853 at December 31, 2019.

Bonds and notes payable: Under certain circumstances, the Fund uses debt to supplement the cost of the acquisition of conservation lands and easements and for financing for natural resource-based businesses. Most debt is in the form of bonds and notes payable from foundations, financial institutions and various government agencies. The Fund records a discount and contribution revenue when note interest rates are considered below-market and amortizes the discount to interest expense over the term of the related notes. Legal and accounting costs, as well as other expenses associated with debt issuance, are being amortized on the effective interest method over the term of the debt acquired. Unamortized debt issuance costs are reported with bonds and notes payable.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from NCIFund, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor and (3) the transferor does not maintain effective control over the transferred assets through either: (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

NCIFund sells participation loans to third parties that do not meet the criteria to be accounted for as sales as NCIFund has not surrendered control of the participation loans sold. As a result the participation loans are accounted for as secured borrowings, whereby NCIFund records cash received from the transferee and records a liability to repay the cash to the transferee. The transferees have no recourse to NCIFund for failure of the underlying borrowers to pay amounts contractually due. The outstanding balance of participation loans sold accounted for as secured borrowings is $2,815 as of December 31, 2019.

Revenue recognition: The Fund receives funding for its programs and acquisition of conservation land from federal and state grants and from corporations and foundations in the form of land acquisition or operating grants. Support and revenue from federal and state awards is recognized at the time expenses allowable under the award are incurred, since such awards can be terminated by the grantor, or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For this reason, the Fund's federal and state awards are considered conditional, and so referred to as "conditional grants".

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Unconditional contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated securities and conservation land and easements are recorded as support at their estimated fair values at the date of the donation. Such donations are reported as net assets without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restrictions.

Contributions and grant support are recognized when the conditions of the contribution or grant are substantially met. Any grant funds received in advance are recorded as refundable advances. Revenue from contracts is recognized as the service is completed. Mitigation capital funds and grant funds of $159,605 received but not yet earned are recorded as deferred revenue and refundable advances in the combined statement of financial position as of December 31, 2019.

NCIFund's primary revenues come from interest and fees earned on loans originated in connection with the execution of loans to third parties. These revenues are without donor restrictions and are an integral part of the funding of NCIFund operations. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Functional expense: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses, such as occupancy costs, travel, insurance and other office expenses that support programs are allocated to the programs based on full-time employee salaries and a percentage of time worked on program-specific duties.

Income taxes: TCF and NCIFund are nonprofit corporations generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and are publicly supported organizations under Section 509(a)(1). SCI is a nonprofit corporation exempt from income taxes under Section 501(c)(3) and is a wholly owned subsidiary and a supporting organization to TCF under Section 509(a)(3) of the IRC. In addition, TCF, SCI and NCIFund qualify for charitable contribution deductions and have been classified as organizations that are not considered private foundations. Income which is not related to exempt purposes, less applicable donations, is subject to federal and state income taxes. TCF, SCI and NCIFund had net no unrelated business income for the year ended December 31, 2019.

Management evaluated the Fund's tax positions and concluded that the Fund had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Fund files income tax returns in the U.S. federal jurisdiction. Generally, the Fund is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for the years before 2016.

Use of estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the allowance for loan losses. Actual results could materially differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Nonprofit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than nonprofits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Fund is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where the Fund is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted.

The adoption of this guidance shifts accounting for revenue recognition for most government grants from an exchange transaction model to the contribution accounting model, resulting in most federal grants being accounted for as donor-restricted conditional contributions. The Fund recognizes grants received and used within the same period as net assets without donor restrictions, consistent with the previous presentation of grants and contributions on the combined statement of activities. As most federal and state grants are awarded on a cost reimbursable basis, contribution revenue is triggered by incurring reimbursable costs and timing of revenue recognition is not materially impacted by this amendment. For transactions where the Fund is a resource provider, expense recognition is deferred for conditional arrangements and immediate for unconditional arrangements. The Fund adopted this ASU during 2019. As a result of adopting this standard, this guidance is applied on a modified prospective basis, meaning there is no cumulative-effect adjustment reflected in the opening balance of net assets. There was no material impact to the combined financial statements as a result of adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. The Fund adopted this ASU during 2019. As a result of adopting this standard using the retrospective application with practical expedients elected, no prior year amounts were reclassified to conform to the presentation requirements. There was no material impact to the combined financial statements as a result of adoption.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Fund adopted this ASU during 2019, which allows an election to measure certain equity securities at cost, with adjustments for impairment and observable price changes. Impairment of securities accounted for under this election is evaluated through a new one-step model. As a result of adopting this standard, this guidance is applied by means of a no cumulative-effect adjustment reflected in the opening balance of net assets. There was no material impact to the financial statements as a result of adoption.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the combined statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. The new standard is effective for annual reporting periods beginning after December 15, 2020.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A modified retrospective transition approach is required for lessees for capital 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. The Fund is currently evaluating the impact of the pending adoption of the new standard on the combined financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance-sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2022. The Fund is currently evaluating the impact of adopting this new guidance on its combined financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 is not expected to have a material impact on the Fund's combined financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued to clarify and improve areas of guidance related to recently issued financial instrument standards on credit losses, hedging, recognition and measurement. The amendments in the guidance contain several effective dates and are effective for Fund as of January 1, 2020, through January 1, 2023. The Fund is currently evaluating the effect that this guidance will have on its combined financial statements.

In May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments – Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. The Fund is currently evaluating the effect that this guidance will have on its combined financial statements.

(In Thousands)

Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by the Fund at December 31, 2019, consist of the following:

Cash	$	233,401
Money market funds		1,652
	$	235,053

Unrestricted cash and cash equivalents	$	109,616
Restricted cash and cash equivalents		125,437
	$	235,053

Restricted cash balances at December 31, 2019, are held for the following purposes:

Cash held for mitigation projects	$	122,887
Cash required to be segregated by lender		916
Revolving loan funds		1,350
Cash equivalents held as collateral		42
Cash held for loan loss reserves		242
	$	125,437

Note 3. Investments

Investments consisted of the following at December 31, 2019:

Mutual funds	$	43,526
Collective investment trust funds		13,196
Corporate bonds		3,833
Municipal bonds		2,165
Common stock		2
Investment in partnership		645
Asset-backed securities		658
Certificate of deposit - restricted		201
U.S. Endowment Fuel Project		100
	$	64,326

For the year ended December 31, 2019, investment income from cash, cash equivalents and investments totaled approximately $4,106 and consisted primarily of interest and dividend income.

Note 4. Fair Value Measurements

The Fund follows the Fair Value Measurement Topic of the FASB ASC, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the three following categories.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

(In Thousands)

Note 4. Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market funds, mutual funds and common stock are classified as Level 1 instruments as there are quoted market prices in active markets for identical assets.

The collective investment trust fund, asset-backed securities, municipal bonds, and corporate bonds receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted markets prices in active markets for identical assets. The value is determined using models and other valuation methodologies, which are corroborated by market data.

Investments in collective investment trust funds consist primarily of fixed income funds. The investment objective of the funds is to invest primarily in investment grade credit securities and mortgage-backed securities. The funds may invest in government securities to protect principal in adverse credit environments. The funds' securities are selected through an active investment and risk management approach. The fair values of these investments have been estimated using the net asset value per share of the investments. Redemption for this fund is available on a monthly basis with 72-hour required notice. The funds do not have unfunded commitments.

The following table sets forth by level, within the fair value hierarchy, the Fund's investments at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 1,652	$ -	$ -	$ 1,652
Collective investment trust funds	-	13,196	-	13,196
Corporate bonds	-	3,833	-	3,833
Municipal bonds	-	2,165	-	2,165
Equity mutual funds	1,284	-	-	1,284
Fixed income mutual funds	42,242	-	-	42,242
Common stock	2	-	-	2
Asset-backed securities	-	658	-	658
	$ 45,180	$ 19,852	$ -	$ 65,032

(In Thousands)

Note 4. Fair Value Measurements (Continued)

The table below reconciles fair value assets to the combined statement of financial position at December 31, 2019:

Cash and cash equivalents held at fair value	$	1,652
Investments held at fair value		63,380
	$	65,032

Investments held at fair value	$	63,380
Investments held at cost		946
	$	64,326

Note 5. Promises to Give

Unconditional promises to give at December 31, 2019, were $3,435, with $2,677 due within one year and $758 due within one to five years. At December 31, 2019, the Fund recorded a discount of $44 on long term promises to give.

In addition to the unconditional promises to give, TCF has conditional promises to give totaling $3,442 at December 31, 2019, which are conditioned on TCF purchasing certain parcels of land and has not been recorded in the combined financial statement. At December 31, 2019, NCIFund also had 10 conditional promises to give totaling $2,063.

Note 6. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2019, are as follows:

Buildings and leasehold improvements	$	3,788
Furniture and equipment		1,017
Vehicles		193
		4,998
Less accumulated depreciation		(2,699)
	$	2,299

Depreciation expense for the year ended December 31, 2019, was $241.

Note 7. Notes Receivable

Notes receivable consists primarily of loans made to various organizations carrying out projects and land acquisition transactions at December 31, 2019, as follows:

Notes receivable	$	75,628
Allowance for possible losses		(4,149)
Deferred loan costs		(29)
Notes receivable, net	$	71,450

At December 31, 2019, TCF had 34 notes receivable outstanding totaling $35,121. The notes carry remaining terms of less than one year to five years and carry interest rates of 0% to 7.0%.

(In Thousands)

Note 7. Notes Receivable (Continued)

At December 31, 2019, NCIFund had 239 notes receivable outstanding totaling $40,506. The notes, except eight totaling $178 that are unsecured, are secured by the underlying assets financed, such as real estate, equipment and inventory. The notes carry remaining terms of less than one year to 22 years and carry interest rates of 0.5% to 8.0%. The loans are generally payable in monthly or quarterly installments of either interest-only (non-amortizing) or principal and interest (amortizing) over the term of each loan.

Management uses internally assigned risk ratings as indicators of credit quality. Each note's risk rating is assigned at origination and updated at least annually and more frequently if circumstances warrant a change in risk rating. NCIFund uses a loan grading system that follows its loan policy. In evaluating the credit risk of NCIFund's loan portfolio, management has developed an internal credit risk rating system based on a variety of risk factors that they believe represent leading indicators of credit quality. NCIFund's internal credit risk rating are categorized as one through seven, with the lowest credit risk rating representing the highest quality financing receivables.

Accrued interest receivable amounted to $931 at December 31, 2019, and is included in receivables on the combined statement of financial position.

For the year ended December 31, 2019, interest income from these notes was $3,993.

Note 8. Bonds and Notes Payable

Bonds and notes payable consist of the following at December 31, 2019:

Bonds and notes	$	307,668
Amounts representing implied interest		(13,673)
Unamortized debt issuance costs		(843)
Total	$	293,152

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable. Implied interest discount was $13,673 at December 31, 2019.

On September 26, 2019, TCF and SCI issued, through a private placement with a financial institution, $150,000 10-year taxable green bonds (Working Forest Conservation Program), Series 2019, due December 15, 2029. The goal of TCF and SCI is to invest all proceeds into the Working Forest Fund projects to accelerate the scale and speed of their mission impact. Interest accrues from the date of issuance at a rate of 3.474%. Interest is payable June 15 and December 15 of each year, commencing December 15, 2019.

TCF has 18 notes payable to foundations totaling $111,323 and four other notes payable to other lenders totaling $16,033. The notes are unsecured, except two that are secured by deeds of trust, with stated interest rates between 0% and 2.30%. Maturity dates range from 2020 to 2029. All of TCF's notes payable were incurred to fund specific land acquisitions or loans to conservation partners, and the intended maturities generally align with management's expectation of when TCF expects to be repaid on those transactions.

(In Thousands)

Note 8. Bonds and Notes Payable (Continued)

TCF did not have any ratio-based or other financial covenants in the bond issue or any other material financing document. At December 31, 2019, TCF is in compliance with all material debt covenants.

NCIFund has thirty-two notes payable to foundations and financial institutions totaling $30,241 and four other notes payable to various government agencies totaling $3,716. The notes are unsecured, except six that are secured under an Intermediary Re-Lending Program totaling $2,602. The notes have stated interest rates between 0% and 4.15%. Maturity dates range from 2020 to 2033.

NCIFund is subject to a number of restrictive financial and non-financial covenants in its notes payable agreements, such as minimum net asset requirements, current liquidity ratios, loan performance ratios and other various leverage ratios. Audit financial statements are required to be submitted between 90 and 180 days depending on the lender. NCIFund did not meet the requirement to submit audited financial statements for those within 90 days of year end, however, it received waivers from those lenders.

Interest expense, including amortization of debt issuance costs, for the year ended December 31, 2019, was $5,833, of which $2,436 is attributable to the amortization of note payable discount.

Aggregate annual principal payments applicable to notes payable in future fiscal years is as follows:

Years ending December 31:		
2020	$	19,414
2021		14,937
2022		26,418
2023		29,397
2024		14,522
Thereafter		202,980
		307,668
Less amounts representing implied interest		(13,673)
Less amounts representing unamortized debt issuance costs		(843)
	$	293,152

Note 9. Revolving Lines of Credit

TCF and SCI have a revolving line of credit agreement with a financial institution for up to $35,000 to fund short-term working capital needs. The line of credit expires April 30, 2021. Outstanding draws on the line of credit bear interest at a variable rate, which was 2.36% at December 31, 2019. At December 31, 2019, there were no borrowings against this line of credit agreement.

NCIFund maintains a $150 revolving line of credit with a lending institution, to be drawn upon as needed, with a variable rate equal to 0.250 percentage points below The Wall Street Journal Prime Rate, which shall not be more than 7% or less than 3% as of calendar year end. Interest is payable quarterly. Interest is payable quarterly, with all unpaid principal and interest due at maturity on June 7, 2019. During 2019, NCIFund increased the available line of credit to $500 with an interest rate of 4% and extended the maturity to June 18, 2020. The total outstanding balance was $500 at December 31, 2019.

(In Thousands)

Note 10. Commitments and Contingencies

Operating leases: The Fund leases offices under various operating leases. Under terms of the respective lease agreements, The Fund has received rent abatements. The rent abatements received and escalating annual rent increases, in additional to landlord improvement allowances, are being recognized on a straight-line basis over the life of the lease agreements and reflected in the accompanying statement of financial position with accrued expenses.

The following schedule summarizes the future minimum lease commitments:

Years ending December 31:		
2020	$	1,101
2021		1,034
2022		1,024
2023		1,023
2024		909
Thereafter		589
	$	5,680

Total rent expense for the year ended December 31, 2019 was $1,240.

Federal awards and contract programs: TCF and NCIFund participate in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, TCF and NCIFund's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Off-balance-sheet risk: NCIFund is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the combined statement of activities.

NCIFund's exposure to credit loss is represented by the contractual amount of these commitments. NCIFund follows the same credit policies in making commitments as it does for on-balance-sheet instruments. At December 31, 2019, the following financial instruments were outstanding whose contract amounts represent credit risk:

Loan commitments approved but not disbursed	$	4,423

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by NCIFund, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and ultimately may not be drawn upon to the total extent to which NCIFund is committed.

(In Thousands)

Note 11. Retirement Plan

The Fund has a tax-deferred 403(b) retirement plan covering substantially all of its employees. Employer contributions are discretionary and based upon the eligible employees' annual salary. The contributions to the Fund's retirement plan for the year ended December 31, 2019, totaled $1,544.

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions are those net assets whose use by the Fund is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2019, donor restricted net assets consisted of the following:

Restricted for specific purpose:	
Amounts restricted for various real estate acquisitions, projects or operating programs	$ 138,902
Revolving net assets dedicated to providing temporary financing of land acquisitions in various regions of the country with any revolving fund loans required to be repaid	104,635
Loan capital	185
Provide support for business development to natural resource-based enterprises and provide incentives to businesses to engage in sound environmental practices	1,570
	245,292
Perpetual in nature:	
Restricted for specific purpose:	
Loan capital revolving fund	
Represents net assets dedicated to providing temporary financing to qualified businesses	4,105
Total net assets with donor restrictions	$ 249,397

Note 13. Board-Designated Net Assets

TCF has established the Conservation Easement Stewardship and Enforcement Fund and its Board of Directors designated $1,000 from its net assets without donor restrictions. The program addresses all aspects of conservation easement management.

(In Thousands)

Note 14. Liquidity and Availability of Financial Resources

The Fund regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Fund's financial assets available within one year of December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	$ 109,616
Restricted cash and cash equivalents	125,437
Investments	64,326
Promises to give	3,391
Receivables	7,486
Notes receivable, net	71,450
Total financial assets available	381,706
Less those not available for general expenditure within one year due to:	
Contractual or imposed restrictions:	
Restricted cash and cash equivalents	(125,437)
Board-designated net assets	(1,000)
Donor-restricted funds	(78,652)
Notes receivable, due after one year, net	(59,543)
Notes receivable due in next year restricted for federal relending program	(177)
Long-term investment – restricted	(202)
Long-term investment (U.S. Endowment Fuel Project)	(100)
Outstanding loan commitments, not disbursed	(4,423)
	(269,534)
Financial assets available to meet cash needs for general expenditures within one year	$ 112,172

The Fund is also supported by restricted programmatic funds that can be used to support programmatic and general expenditures. Because a donor's restriction requires funds to be used in a particular manner or in a future period, the Fund must maintain sufficient resources to meet those responsibilities.

The Fund has various sources of liquidity at its disposal, including cash and cash equivalents and investments. In addition, as a part of its liquidity management, the Fund invests cash in excess of daily requirements in short-term investments. The Fund assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations. In the event of an unanticipated liquidity need, the Fund could draw on its bank lines of credit (see Note 9).

Note 15. Subsequent Events

Management has evaluated subsequent events through April 27, 2020, which is the date the combined financial statements were available to be issued.

Note 15. Subsequent Events (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Fund operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Fund. The extent of the impact of COVID-19 on the Fund's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.