The Conservation Fund, a Nonprofit Corporation and Affiliates

Consolidated Financial Report
December 31, 2024

Contents

Independent Auditor's Report

Board of Directors
The Conservation Fund, a Nonprofit Corporation

Opinion
We have audited the consolidated financial statements of The Conservation Fund, a Nonprofit Corporation and Affiliates (the Fund), which comprise the consolidated statement of financial position as of December 31, 2024, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2024, and the changes in their net assets and their 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). 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 Fund 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.

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 Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund'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.

Report on Summarized Comparative Information

We have previously audited the Fund's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
April 25, 2025

The Conservation Fund, a Nonprofit Corporation and Affiliates

Consolidated Statement of Financial Position
December 31, 2024
(With Comparative Totals for 2023)
(In Thousands)

	2024	2023
Assets		
Cash and cash equivalents	**$ 83,797**	$ 58,773
Restricted cash and cash equivalents	**81,741**	71,316
Investments	**54,600**	51,181
Receivables	**3,563**	6,473
Promises to give, net	**10,132**	16,092
Notes receivable	**6,551**	20,388
Other assets	**3,652**	5,242
Property and equipment, net	**3,440**	2,556
Operating lease right of use assets	**4,631**	5,384
Conservation land	**726,806**	694,838
Total assets	**$ 978,913**	$ 932,243
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 25,070**	$ 26,253
Deferred revenue and refundable advances	**106,951**	91,364
Amounts due to other nonprofit organizations and government agencies	**5,540**	8,785
Operating lease liabilities, net	**7,236**	5,841
Bonds and notes payable, net	**304,236**	284,843
Total liabilities	**449,033**	417,086
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions:		
The Fund	**268,019**	273,150
Noncontrolling interests	**6,567**	6,755
	274,586	279,905
With donor restrictions	**255,294**	235,252
Total net assets	**529,880**	515,157
Total liabilities and net assets	**$ 978,913**	$ 932,243

See notes to consolidated financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2024
(With Comparative Totals for 2023)
(In Thousands)

	2024			2023
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Real estate programs:				
Support and revenue				
Contributions and grants	**$ 14,066**	**$ 59,739**	**$ 73,805**	$ 80,080
Contributed professional services	**1**	**-**	**1**	2
Land contributed for conservation	**30,095**	**-**	**30,095**	5,285
Contract income	**14,896**	**-**	**14,896**	17,012
Investment and other program income	**10,941**	**-**	**10,941**	11,782
Sales of conservation land to others	**215,127**	**-**	**215,127**	185,689
Net assets released from restrictions	**39,935**	**(39,935)**	**-**	-
	325,061	**19,804**	**344,865**	299,850
Non-real estate programs:				
Support and revenue				
Contributions and grants	**9,413**	**10,191**	**19,604**	15,417
Contributed professional services	**38**	**-**	**38**	2,011
Contract income	**624**	**-**	**624**	1,774
Investment and other program income	**7,863**	**-**	**7,863**	9,101
Net assets released from restrictions	**9,953**	**(9,953)**	**-**	-
	27,891	**238**	**28,129**	28,303
Total support and revenue	**352,952**	**20,042**	**372,994**	328,153
Expenses:				
Program services:				
Real estate programs	**332,905**	**-**	**332,905**	293,091
Non-real estate programs	**11,701**	**-**	**11,701**	13,005
Total program services	**344,606**	**-**	**344,606**	306,096
Supporting services:				
Management and general	**6,903**	**-**	**6,903**	6,737
Fundraising	**6,386**	**-**	**6,386**	4,798
Total supporting services	**13,289**	**-**	**13,289**	11,535
Total expenses	**357,895**	**-**	**357,895**	317,631
Change in net assets	**(4,943)**	**20,042**	**15,099**	10,522
Net assets, beginning of year	**279,905**	**235,252**	**515,157**	503,775
Capital contributions by noncontrolling interests	**47**	**-**	**47**	2,141
Distributions to noncontrolling interests	**(423)**	**-**	**(423)**	(1,281)
Net assets, end of year	**$ 274,586**	**$ 255,294**	**$ 529,880**	$ 515,157

See notes to consolidated financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2024
(With Comparative Totals for 2023)
(In Thousands)

	2024						
	Program Services			Supporting Services			
	Real Estate Programs	Non-Real Estate Programs	Total Program Services	Management and General	Fundraising	Total	2023 Total
Personnel and fringe benefits	$ 20,421	$ 4,564	$ 24,985	$ 5,001	$ 4,579	$ 34,565	$ 32,360
Contractual services	11,477	341	11,818	611	426	12,855	5,767
Grants	15,904	4,883	20,787	-	-	20,787	45,027
Postage, printing and photo	586	114	700	112	361	1,173	721
Equipment, supplies and depreciation	1,263	1,016	2,279	381	295	2,955	1,939
Occupancy	2,321	271	2,592	197	188	2,977	3,064
Insurance	624	132	756	126	116	998	803
Real estate taxes	2,522	-	2,522	-	-	2,522	2,576
Travel	911	159	1,070	239	229	1,538	1,346
Interest	9,787	-	9,787	-	-	9,787	9,612
Accelerated notes payable discount		-	-	-	-	-	165
Acquisition costs	4,681	54	4,735	52	48	4,835	5,465
Other	5,069	167	5,236	184	144	5,564	7,234
Book value of conservation land donated out	32,004	-	32,004	-	-	32,004	9,610
Provision for conservation easements	29,288	-	29,288	-	-	29,288	4,975
Book value of conservation land sold	196,047	-	196,047	-	-	196,047	186,967
Total expenses	$ 332,905	$ 11,701	$ 344,606	$ 6,903	$ 6,386	$ 357,895	$ 317,631

See notes to consolidated financial statements.

The Conservation Fund, a Nonprofit Corporation and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2024
(With Comparative Totals for 2023)
(In Thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 15,099	$ 10,522
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	375	258
Amortization of debt issuance costs	74	74
Provision for credit losses on notes receivable and bad debt write-offs	(744)	(148)
Contributions from implied interest discount, net	393	362
Donated conservation land to Organization	(30,095)	(5,285)
Donated conservation land from Organization	32,004	7,867
Losses on disposition of land, easements and others	17,344	4,975
Losses on disposition of property and equipment	-	44
Accelerated notes payable discount	-	165
Change in operating leases	2,148	(148)
Net realized and unrealized gains on investments	(1,730)	(2,245)
(Increase) decrease in operating activities:		
Receivables	2,910	(2,417)
Promises to give	5,960	(12,515)
Other assets	1,590	(165)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,183)	16,664
Deferred revenue and refundable advances	15,587	(2,951)
Amounts due to other nonprofit organizations and government agencies	(3,245)	(13,728)
Additional cash provided by (used in) conservation land projects:		
Proceeds from disposition of conservation land held	215,127	185,776
Acquisition of conservation land projects	(266,348)	(233,194)
Net cash provided by (used in) operating activities	5,266	(46,089)
Cash flows from investing activities:		
Purchases of property and equipment	(1,259)	(969)
Purchases of investments	(4,257)	(2,434)
Proceeds from sale of investments	2,568	1,475
Issuance of notes receivable	(6,041)	(5,868)
Repayments of principal on notes receivable	20,622	9,185
Net cash provided by investing activities	11,633	1,389
Cash flows from financing activities:		
Capital contributions received from noncontrolling interests	47	2,141
Distributions to noncontrolling interests	(423)	(1,281)
Proceeds from long-term debt	34,500	45,100
Repayment of long-term debt	(15,574)	(47,141)
Net cash provided by (used in) financing activities	18,550	(1,181)
Net increase (decrease) in cash and cash equivalents	35,449	(45,881)
Cash and cash equivalents, and restricted cash:		
Beginning	130,089	175,970
Ending	$ 165,538	$ 130,089
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 5,329	$ 5,443

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Conservation Fund, a Nonprofit Corporation (TCF) and Affiliates (hereafter collectively referred to as the Fund) are dedicated to protecting land throughout the United States (U.S.), 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: We are in the business of conservation, creating innovative solutions that drive nature-based action for climate protection, sustainable economies and vibrant communities.

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

Real estate programs: 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 United States. It encompasses real estate activity in the following business areas:

- Conservation Acquisitions—interim ownership of conservation properties, as well as bridge loans and expertise for land trusts and others to acquire conservation land and complete other projects
- Working Lands—interim ownership and operation of key forests and agricultural properties
- Mitigation Solutions—land-related projects to mitigate for impacts on natural, cultural, and historic resources

Non-real estate programs: 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.

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

Principles of consolidation: The accompanying consolidated financial statements include TCF and all of its affiliates where TCF has control and economic interest. When the Fund is a noncontrolling partner, but has substantive rights to significantly influence certain partnerships, it reflects such noncontrolling interests separately in net assets without donor restrictions. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Basis of presentation: The accompanying consolidated financial statement 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.

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

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.

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, cultural and historic resources caused by the construction and operation of energy and infrastructure projects.

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 include amounts in institutional money market funds, which total $4,771 at December 31, 2024. 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, mutual funds and a small allocation to 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 consolidated financial statements.

Investments: The Fund's investments with readily determinable fair values are reflected at their fair values in the consolidated statement of financial position. Interest, dividends and net gains or losses on investments are reported in the consolidated 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 a 20% membership interest in Lupine Forest LLC (LF). LF is a limited liability company (LLC) formed in August 2021 to engage in the business of acquiring, owning and conserving certain real estate in the states of Oregon and Washington. TCF serves as the manager of LF, subject to the provisions of the LLC agreement. The other member of LF, which holds an 80% membership interest, has substantive rights under the LLC agreement, including the right to approve or disapprove various actions and can remove TCF as the manager without cause. Therefore, in accordance with FASB ASC 958-810-25, TCF has accounted for its investment in LF using the equity method of accounting given its significant influence over the operations of LF. At December 31, 2024, TCF's interest in LF was $19,474.

(In Thousands)

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

TCF holds a 50% membership interest in Hobart Stream LLC (HS). HS is a limited liability company (LLC) formed in April 2024 to engage in the business of acquiring, owning and conserving certain real estate in the state of Maine. TCF serves as the manager of HS, subject to the provisions of the LLC agreement. The other member of HS, which holds a 50% membership interest, has substantive rights under the LLC agreement, including the right to approve or disapprove various actions and can remove TCF as the manager without cause. Therefore, in accordance with FASB ASC 958-810-25, TCF has accounted for its investment in HS using the equity method of accounting given its significant influence over the operations of HS. At December 31, 2024, TCF's interest in HS was $2,441.

Condensed financial information of LF and HS as of and for the year ended December 31, 2024, is as follows:

	LF	HS
Current assets	$ 1,958	$ 43
Land	95,689	4,851
Total assets	$ 97,647	$ 4,894
Current liabilities	$ 278	$ 13
Member's equity	97,369	4,881
Total liabilities and member's equity	$ 97,647	$ 4,894
Revenues	$ 4,979	$ 2
Expenses	6,482	52
Net loss	$ (1,503)	$ (50)

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 Fund uses a 3% discount rate. 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 and a receivable recorded when the underlying expenditures are recognized. 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 periodic 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 to give at December 31, 2024.

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

Notes receivable and allowance for credit losses: The Fund provides loans to various land trusts and other entities for the acquisition of conservation lands and easements and completion of other projects. Notes receivable are carried at unpaid principal balances less an allowance for credit losses. The allowance for credit losses is the Fund's best estimate of the amount of probable credit losses in the Fund's existing notes receivable and is 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. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in management and general expenses. The Fund has recorded an allowance for credit losses of $348 as of December 31, 2024, for conservation loans.

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, which are 12 to 30 years for buildings and improvements; and 3 to 10 years for furniture, equipment and vehicles. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives.

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 donor 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 consolidated 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 consolidated 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. During the year ended December 31, 2024, the Fund did not recognize impairment on conservation land held for resale.

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 $5,540 at December 31, 2024.

Bonds and notes payable: Under certain circumstances, the Fund uses debt to supplement the cost of the acquisition of conservation lands and easements. Most debt is in the form of bonds and notes payable from foundations. 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.

Leases: The Fund determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Fund also considers whether its service arrangements include the right to control the use of an asset.

The Fund recognizes most leases on its consolidated statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statement of activities.

The Fund made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Fund made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

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

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Fund has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate and equipment asset classes. The nonlease components typically represent additional services transferred to the Fund, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Noncontrolling interests in consolidated subsidiaries: The noncontrolling interests represents the equity interests in White Pine Forest, LLC (WPF), which began operations during the year ended December 31, 2020 and Barnard Forest LLC (BF), which began operations during the year ended December 31, 2023. WPF is a limited liability company, in which TCF has a 75% membership interest and an unrelated nonprofit entity holds the remaining 25% membership interest. BF is a limited liability company, in which TCF has a 66.67% membership interest and an unrelated nonprofit entity holds the remaining 33.33% membership interest. TCF combines WPF and BF financial statements as TCF is presumed to control each entity as the majority member and manager of WPF and BF. A separate capital account is maintained for each member. The value of such account at any time shall be the sum of that member’s contributions to capital and the share of the profits of WPF and BF allocated to the account less all distributions made from the account and the share of the losses of WPF and BF allocated to the capital account. All items of income, gain, loss and deductions are allocated to the members’ capital accounts pro rata based on the membership agreement.

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.

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. Donor-restricted support that are initially conditional contributions are recognized as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions, when conditions are substantially met.

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.

The Fund records donated professional services at the respective fair values of the services received. The Fund received donated professional services totaling $39 during the year ended December 31, 2024, which were utilized for real estate and non-real estate programmatic activities.

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

The value of donated professional fees is based on current rates for similar services in a similar market. None of the donated professional services are restricted in use. The Fund did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

Contributions and grant support are recognized when 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 $106,951, received but not yet earned are recorded as deferred revenue and refundable advances in the consolidated statement of financial position as of December 31, 2024.

Functional expense: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated 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 is organized as a state of Maryland nonstock corporation generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization under Section 509(a)(1). Annually, TCF is required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, TCF qualifies for charitable contribution deductions and has been classified as an organization that is not considered a private foundation. Income, which is not related to exempt purposes, less applicable donations, is subject to federal and state income taxes. Additionally, TCF had no net unrelated business income for the year ended December 31, 2024, and, therefore, determined it is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management evaluated the Fund's tax positions and concluded that the Fund had taken no uncertain tax positions that require adjustment to the consolidated 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 2021.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior period information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Subsequent events: The Fund has evaluated subsequent events through April 25, 2025, the date on which the consolidated financial statements were available to be issued. See Note 17 for a discussion of a subsequent event.

(In Thousands)

Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by the Fund at December 31, 2024, consist of the following:

Cash	$	160,767
Money market funds		4,771
	$	165,538
Unrestricted cash and cash equivalents	$	83,797
Restricted cash and cash equivalents held for mitigation projects		81,741
	$	165,538

Note 3. Investments

Investments consisted of the following at December 31, 2024:

Investments in Lupine Forest LLC and Hobart Stream LLC	$	21,915
Collective investment trust funds		13,310
Mutual funds		12,714
Corporate bonds		4,257
Municipal bonds		2,040
Asset-backed securities		36
International fixed income		66
Government bonds		63
Common stock		199
	$	54,600

For the year ended December 31, 2024, investment gain, net of fees, from cash, cash equivalents and investments totaled approximately $5,681, and consisted primarily of interest and dividend income and unrealized gains on investments.

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: Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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.

(In Thousands)

Note 4. Fair Value Measurements (Continued)

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 asset-backed securities, municipal bonds, international fixed income, government 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, 2024:

	Total	Level 1	Level 2	Level 3
Cash equivalents and investments:				
Money market funds	$ 4,771	$ 4,771	$ -	$ -
Corporate bonds	4,257	-	4,257	-
Municipal bonds	2,040	-	2,040	-
International fixed income	66	-	66	-
Mutual funds	12,714	12,714	-	-
Common stock	199	199	-	-
Government bonds	63	-	63	-
Asset-backed securities	36	-	36	-
	24,146	17,684	6,462	-
Collective investment trust funds (a)	13,310	-	-	-
	$ 37,456	$ 17,684	$ 6,462	$ -

(a) In accordance with the Fair Value Measurement Topic, certain investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy.

(In Thousands)

Note 4. Fair Value Measurements (Continued)

The table below reconciles fair value assets to the consolidated statement of financial position at December 31, 2024:

Cash and cash equivalents held at fair value	$	4,771
Investments held at fair value		19,375
Investments held at net asset value		13,310
	$	37,456
Investments held at fair value	$	19,375
Investments held at net asset value		13,310
Equity method investments (Lupine Forest LLC & Hobart Stream LLC)		21,915
	$	54,600

Note 5. Promises to Give

Unconditional promises to give at December 31, 2024, were $10,244, with $8,294 due within one year and $1,950 due within one to five years. At December 31, 2024, the Fund recorded a discount of $112 on long-term promises to give.

In addition to the unconditional promises to give, the Fund has conditional promises to give totaling $26,166 at December 31, 2024, which are conditioned on the Fund purchasing certain parcels of land and which has not been recorded in the consolidated financial statements because the condition has not been met.

Note 6. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2024, are as follows:

Buildings and leasehold improvements	$	5,245
Furniture and equipment		1,084
Vehicles		429
		6,758
Less accumulated depreciation		(3,318)
	$	3,440

Depreciation expense for the year ended December 31, 2024, was $375.

Note 7. Notes Receivable

Notes receivable consists primarily of loans made to various organizations carrying out projects and land acquisition transactions at December 31, 2024, are as follows:

Notes receivable	$	6,899
Allowance for expected credit losses		(348)
Notes receivable, net	$	6,551

(In Thousands)

Note 7. Notes Receivable (Continued)

Below is a summary of the changes in TCF's allowance for credit losses for the year ended December 31, 2024:

Beginning balance	$	(1,092)
Provision for expected credit losses		729
Recoveries		15
Ending balance	$	(348)

At December 31, 2024, the Fund had seven notes receivable outstanding totaling $6,899. The notes carry remaining terms of less than one year to three years and carry interest rates of 0% to 6.8%.

Accrued interest receivable amounted to $75 at December 31, 2024, and is included in receivables on the consolidated statement of financial position.

For the year ended December 31, 2024, interest income from these notes was $688.

Note 8. Bonds and Notes Payable

Bonds and notes payable consist of the following at December 31, 2024:

	Original Amount Borrowed		Balance Remaining	
Bond and notes	$	360,996	$	317,919
Amounts representing implied interest				(13,317)
Unamortized debt issuance costs				(366)
Total			$	304,236

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 $13,317 at December 31, 2024.

In 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. 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.

Additionally, the Fund has 22 notes payable to foundations totaling $150,716 and six other notes payable to other lenders totaling $17,203. The notes are unsecured, except three that are secured by deeds of trust, with stated interest rates between 0% and 2.3%. Maturity dates range through 2031. All of the Fund'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 the Fund expects to be repaid on those transactions.

Interest expense, including amortization of debt issuance costs, for the year ended December 31, 2024, was $9,787, of which $4,314 is attributable to the amortization of note payable discount.

(In Thousands)

Note 8. Bonds and Notes Payable (Continued)

The Fund did not have any ratio-based financial covenants in the bond issue or any other material financing document.

Aggregate annual principal payments applicable to bonds and notes payable in future fiscal years are as follows:

Years ending December 31:		
2025	$	35,195
2026		33,579
2027		27,175
2028		25,176
2029		176,176
Thereafter		20,618
		317,919
Less amounts representing implied interest		(13,317)
Less amounts representing unamortized debt issuance costs		(366)
	$	304,236

Note 9. Line of Credit

The Fund has 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 May 31, 2025. Outstanding draws on the line of credit bear interest at a variable rate, which was 5.14% at December 31, 2024. At December 31, 2024, the Fund had no borrowings against this line of credit agreement.

Note 10. Commitments and Contingencies

Federal awards and contract programs: TCF participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, TCF'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.

Loss contingency: TCF and an affiliate generate California Air Resources Board (ARB) offset credits (ARBOCs) and participate in California's Cap-and-Trade Program. During 2024, the affiliate became liable to replace certain ARBOCs that were reversed due to a change of reported carbon stocks. TCF has determined U.S. GAAP requires the recognition of a loss contingency related to this matter of approximately $6,576 as of and for the year ended December 31, 2024. Thus, this amount is reflected within contract income on the consolidated statement of activities and is included in accounts payable and accrued expenses on the consolidated statement of financial position.

Note 11. Leases

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.

(In Thousands)

Note 11. Leases (Continued)

Some leases include one or more options to renew, generally at the Fund's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either the Fund, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Fund will exercise that option. The Fund's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. For the year ended December 31, 2024, total operating lease cost was $973.

At December 31, 2024, the weighted-average remaining lease term for operating leases is 9.3 years. At December 31, 2024, the weighted-average discount rate for operating leases is 4.08%.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2024:

Cash paid (received) for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	$	542
Operating cash inflows—payments on lease incentives		(1,717)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2024:

Years ending December 31:		
2025	$	841
2026		1,042
2027		901
2028		724
2029		737
Thereafter		4,325
Total lease payments		8,570
Less imputed interest		(1,334)
Total present value of lease liabilities	$	7,236

Note 12. Retirement Plan

TCF 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 TCF's retirement plan for the year ended December 31, 2024, totaled $1,890.

(In Thousands)

Note 13. 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, 2024, donor restricted net assets consisted of the following:

Amounts restricted for various real estate acquisitions, projects or operating programs	$ 139,385
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	115,909
Total net assets with donor restrictions	$ 255,294

Note 14. Board-Designated Net Assets

TCF has established the Fee Management and Conservation Easement Stewardship and Enforcement Fund and its Board of Directors designated $1,000 from its net assets without donor restrictions. The program addresses stewardship of conservation easements as well as management and defense of all conservation real estate.

Note 15. 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 earn a return while preserving capital of its funds not required for annual operations. The Fund's financial assets available within one year of December 31, 2024, for general expenditures are as follows:

Cash and cash equivalents	$ 83,797
Restricted cash and cash equivalents	81,741
Investments	54,600
Receivables	3,563
Promises to give, net	10,132
Notes receivable, net	6,551
Total financial assets available	240,384
Less those not available for general expenditure within one year due to:	
Contractual or imposed restrictions:	
Restricted cash and cash equivalents	(81,741)
Board-designated net assets	(1,000)
Donor-restricted funds	(66,563)
Partnership agreements	(21,915)
Notes receivable, due after one year, net	(632)
	(171,851)
Financial assets available to meet cash needs for general expenditures within one year	$ 68,533

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.

(In Thousands)

Note 15. Liquidity and Availability of Financial Resources (Continued)

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 line of credit (see Note 9).

Note 16. Changes in Consolidated Net Assets Without Donor Restrictions

The schedule of changes in consolidated net assets without donor restrictions for the year ended December 31, 2024, related to the Fund and noncontrolling interest is as follows:

	The Organization	Noncontrolling Interests	Total
Net assets without donor restrictions:			
Balance, December 31, 2023	$ 273,150	$ 6,755	$ 279,905
Capital contributions by noncontrolling interests	-	47	47
Distributions to noncontrolling interests	-	(423)	(423)
Change in net assets without donor restrictions	(5,131)	188	(4,943)
Balance, December 31, 2024	$ 268,019	$ 6,567	$ 274,586

Note 17. Subsequent Event

Subsequent to year-end, President Trump signed several Executive Orders (EOs) that impact U.S. federal financial assistance programs. Federal agencies are required to review their programs to ensure compliance with the President's EOs and to determine if the funding being provided falls under any of the EOs. During the year ended December 31, 2024, the Fund recognized federal financial assistance totaling approximately $9,280. The Fund has experienced issues with the collectability of its receivables on two awards where payments are on hold, totaling $195 of year-end receivables. Two open awards have been paused, but the Fund has not experienced a termination of any existing federal grants or contracts as a result of the EOs. The Fund has not yet seen Federal funding impacts associated with land dispositions. As of the date of this report, the full impact of President Trump's EOs on the Fund’s financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on the Fund’s consolidated financial statements.