THE NATURE CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

THE NATURE CONSERVANCY
INDEX
JUNE 30, 2024 AND 2023

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
The Nature Conservancy:

Opinion

We have audited the consolidated financial statements of The Nature Conservancy and its affiliates (The Conservancy), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Conservancy as of June 30, 2024, and the changes in its net assets and in the cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of The Conservancy as of and for the year ended June 30, 2023 were audited by another auditor, who expressed an unmodified opinion on those statements on December 20, 2023.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 Conservancy'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Conservancy'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.

KPMG LLP

Baltimore, Maryland
December 20, 2024

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023
Amounts in thousands

	2024	2023
Assets		
Cash and cash equivalents	$ 41,693	$ 73,323
Restricted cash and cash equivalents	60,077	85,814
Restricted short-term investments	86,261	36,359
Government grants and contracts receivable	92,123	39,455
Notes and other receivables, net	429,670	449,249
Deposits, prepaid expenses and other assets	47,523	42,142
Pledges receivable, net	271,869	215,167
Non-conservation lands	12,537	18,559
Investments	3,570,882	3,471,939
Right of use assets	32,958	38,058
Property and equipment, net	178,339	160,226
Conservation lands	2,486,519	2,456,087
Conservation easements	2,551,361	2,489,008
Total assets	**$ 9,861,812**	**$ 9,575,386**
Liabilities		
Accounts payable and accrued liabilities	$ 149,108	$ 146,901
Deferred revenue and refundable advances	243,265	185,058
Lease liabilities	37,646	43,327
Bonds and notes payable – recourse	677,947	777,008
Bonds and notes payable – non-recourse	364,000	364,000
Split interest arrangements	217,374	192,424
Total liabilities	**$ 1,689,340**	**$ 1,708,718**
Net Assets		
Without donor restrictions, including noncontrolling interests of $60,889 in 2024 and $62,215 in 2023	$ 6,331,568	$ 6,189,693
With donor restrictions	1,840,904	1,676,975
Total net assets	**$ 8,172,472**	**$ 7,866,668**
Total liabilities and net assets	**$ 9,861,812**	**$ 9,575,386**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
Amounts in thousands

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
Contribution Revenues			
Dues and contributions	$ 412,371	$ 532,370	$ 944,741
Contributed goods and services	42,380	-	42,380
Contributed land and easements for conservation	83,618	-	83,618
Contributed non-conservation land	17,384	1,350	18,734
Government grants and contracts	175,565	-	175,565
Total contribution revenues	**731,318**	**533,720**	**1,265,038**
Sales of conservation land and easements	90,116	-	90,116
Investment returns on operating activities	41,544	-	41,544
Other income	146,661	-	146,661
Total revenues	**1,009,639**	**533,720**	**1,543,359**
Allocation of endowment spending	63,965	24,702	88,667
Net assets released from restriction	431,073	(431,073)	-
Total revenues and reclassifications	**$ 1,504,677**	**$ 127,349**	**$ 1,632,026**
Expenses			
Conservation activities and actions	$ 957,620	$ -	$ 957,620
Book value of conservation land and easements sold	152,534	-	152,534
Total program expenses	**1,110,154**	-	**1,110,154**
General and administration	223,535	-	223,535
Fundraising and membership	189,429	-	189,429
Total expenses	**$ 1,523,118**	**$ -**	**$ 1,523,118**
Change in net assets from operating activities	**$ (18,441)**	**$ 127,349**	**$ 108,908**
Non-operating Activities			
Investment returns on endowments	$ 85,357	$ 38,810	$ 124,167
Investment returns on other non-operating activities	158,721	6,655	165,376
Allocation of endowment spending to operations	(63,965)	(24,702)	(88,667)
Reclassification of net assets	(15,817)	15,817	-
Foreign exchange losses	(2,654)	-	(2,654)
Distributions to noncontrolling interests	(1,326)	-	(1,326)
Change in net assets from non-operating activities	**$ 160,316**	**$ 36,580**	**$ 196,896**
Total change in net assets	**$ 141,875**	**$ 163,929**	**$ 305,804**
Beginning net assets	6,189,693	1,676,975	7,866,668
Ending net assets	**$ 6,331,568**	**$ 1,840,904**	**$ 8,172,472**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
Amounts in thousands

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
Contribution Revenues			
Dues and contributions	$ 384,776	$ 397,908	$ 782,684
Contributed goods and services	56,099	-	56,099
Contributed land and easements for conservation	40,673	-	40,673
Contributed non-conservation land	15,433	20,783	36,216
Government grants and contracts	138,987	-	138,987
Total contribution revenues	**635,968**	**418,691**	**1,054,659**
Sales of conservation land and easements	37,593	-	37,593
Investment returns on operating activities	33,361	-	33,361
Other income	136,748	-	136,748
Total revenues	**843,670**	**418,691**	**1,262,361**
Allocation of endowment spending	83,640	-	83,640
Net assets released from restriction	344,506	(344,506)	-
Total revenues and reclassifications	**$ 1,271,816**	**$ 74,185**	**$ 1,346,001**
Expenses			
Conservation activities and actions	$ 816,931	$ -	$ 816,931
Book value of conservation land and easements sold	66,718	-	66,718
Total program expenses	**883,649**	**-**	**883,649**
General and administration	214,602	-	214,602
Fundraising and membership	176,058	-	176,058
Total expenses	**$ 1,274,309**	**$ -**	**$ 1,274,309**
Change in net assets from operating activities	**$ (2,493)**	**$ 74,185**	**$ 71,692**
Non-operating Activities			
Investment returns on endowments	$ 100,853	$ 51,516	$ 152,369
Investment returns on other non-operating activities	109,292	7,611	116,903
Allocation of endowment spending to operations	(83,640)	-	(83,640)
Reclassification of net assets	(1,482)	1,482	-
Gain on swap agreements	4,603	-	4,603
Foreign exchange losses	(1,357)	(31)	(1,388)
Distributions to noncontrolling interests	(370)	-	(370)
Change in net assets from non-operating activities	**$ 127,899**	**$ 60,578**	**$ 188,477**
Total change in net assets	**$ 125,406**	**$ 134,763**	**$ 260,169**
Beginning net assets	6,064,287	1,542,212	7,606,499
Ending net assets	**$ 6,189,693**	**$ 1,676,975**	**$ 7,866,668**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
Amounts in thousands

	Conservation Programs	General and Administration	Fundraising and Membership	Total Expenses
Salaries and benefits	$ 399,711	$ 135,633	$ 105,229	$ 640,573
Professional services	194,007	21,697	36,588	252,292
Grants and subawards	134,449	158	19	134,626
Travel	26,435	3,689	3,271	33,395
Publication, printing, and postage	9,125	290	29,259	38,674
Supplies and equipment	36,844	13,338	3,873	54,055
Depreciation and amortization	13,052	1,618	-	14,670
Interest	34,531	3,500	16	38,047
Occupancy	3,109	11,912	241	15,262
Contributed goods and services non-cash expenses	25,235	11,099	5,852	42,186
All other	81,122	20,601	5,081	106,804
	957,620	**223,535**	**189,429**	**1,370,584**
Book value of conservation land and easements sold	152,534	-	-	152,534
Total expenses	**$ 1,110,154**	**$ 223,535**	**$ 189,429**	**$ 1,523,118**

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
Amounts in thousands

	Conservation Programs	General and Administration	Fundraising and Membership	Total Expenses
Salaries and benefits	$ 337,911	$ 121,013	$ 94,746	$ 553,670
Professional services	174,379	17,747	27,730	219,856
Grants and subawards	100,613	5,750	9	106,372
Travel	21,459	3,887	2,950	28,296
Publication, printing, and postage	9,455	303	36,135	45,893
Supplies and equipment	31,864	10,205	4,332	46,401
Depreciation and amortization	12,915	1,942	-	14,857
Interest	21,176	11,628	-	32,804
Occupancy	3,405	11,421	294	15,120
Contributed goods and services non-cash expenses	39,038	11,426	5,636	56,100
All other	64,716	19,280	4,226	88,222
	816,931	**214,602**	**176,058**	**1,207,591**
Book value of conservation land and easements sold	66,718	-	-	66,718
Total expenses	**$ 883,649**	**$ 214,602**	**$ 176,058**	**$ 1,274,309**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023
Amounts in thousands

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ 305,804	$ 260,169
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities		
Depreciation and amortization	14,670	14,857
Contributed conservation land and easements	(83,618)	(40,673)
Losses on disposition of conservation lands and easements	62,417	29,124
Proceeds from sale of conservation land and easements	90,116	37,593
Purchases of conservation land and easements	(161,700)	(159,165)
Change in value of split interest arrangements	(39,541)	(16,964)
Change in value of swap agreements	-	4,603
Contributed securities	(34,578)	(33,217)
Proceeds from sale of contributed securities	34,503	34,875
Contributed non-conservation land and contributed funds to be held for long term purposes	(34,881)	(29,836)
Net gain on investments	(257,607)	(288,870)
Changes in assets and liabilities		
Notes and other receivables	(53,227)	(24,264)
Pledges receivable, net	(56,702)	11,668
Deposits, prepaid expenses and other assets	(5,381)	(6,005)
Non-conservation lands	28,302	13,389
Right of use assets	5,100	653
Accounts payable and accrued liabilities	12,353	(1,026)
Deferred revenue and refundable advances	58,207	15,581
Split interest arrangements payable	24,950	(18,819)
Lease liabilities	(5,681)	(1,444)
Other changes	(1,040)	(194)
Net cash and cash equivalents used in operating activities	**(97,534)**	**(197,965)**
Cash Flows from Investing Activities		
Proceeds from notes collections	20,259	16,263
Issuance of notes receivable	(122)	(2,264)
Proceeds from sale of endowment, capital, and other investments	2,435,084	1,544,183
Purchases of endowment, capital, and other investments	(2,287,476)	(1,357,166)
Purchases of property and equipment	(34,373)	(24,948)
Net cash and cash equivalents provided by investing activities	**133,372**	**176,068**
Cash Flows from Financing Activities		
Proceeds from contribution for long term purpose	12,602	10,646
Purchases of split interest investments	(27,169)	(32,860)
Proceeds from split interest arrangements	27,939	34,120
Repayments of current revolving and long-term debt	(564,153)	(321,527)
Proceeds from issuance of current revolving and long-term debt	457,576	357,620
Net cash and cash equivalents (used in) provided by financing activities	**(93,205)**	**47,999**
Net (decrease) increase in cash, cash equivalents, and restricted cash	**(57,367)**	**26,102**
Cash, cash equivalents, and restricted cash at beginning of year	159,137	133,035
Cash, cash equivalents, and restricted cash at end of year	**$ 101,770**	**$ 159,137**
Supplemental data		
Cash paid for interest	$ 35,514	$ 32,336

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

Note 1. Significant Accounting Policies

Nature of Organization and Activities

The Nature Conservancy ("The Conservancy") is a global conservation organization. The mission of The Conservancy is to conserve the lands and waters on which all life depends. The Conservancy conducts its activities throughout the United States, Canada, Latin America, the Caribbean, Europe, Africa, Asia, and the Pacific.

The Conservancy's primary sources of revenue are contributions from the public (including gifts of land), government grants, investment income, and sales of conservation land and easements to government agencies or other conservation buyers. These resources are used to help solve critical challenges by significantly improving the health of globally important natural systems that enhance the lives of people around the world. Working with partners–including Indigenous communities, governments, investors, and lenders–The Conservancy pursues solutions that protect and restore natural systems, identify the economic value of nature, and secure financing and investments that extend the impact of philanthropic support to benefit people and nature.

Basis of Accounting

The consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements and accompanying notes include the accounts of all The Conservancy's business units and affiliates, both domestic and international, including those which are separately incorporated, receive gifts, and perform conservation activities in the name of The Conservancy. Business units are individual reporting segments managing organizational functions or regional conservation work in all states in the United States and globally. Consolidated affiliates controlled by The Conservancy include approximately 23 non-profit and 24 for-profit entities globally that enhance The Conservancy's ability to expand the reach of conservation activities and demonstrate the value of conservation investments. When The Conservancy owns less than a 100% interest in a consolidated entity, it reflects the third-party noncontrolling interests separately in net assets without donor restrictions on the consolidated statements of financial position. All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities,* The Conservancy presents information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions–resources that are not subject to donor-imposed stipulations, including revenues from membership dues, government grants and contracts, investment income (other than the unappropriated and purpose restricted portion of donor-restricted endowment investment income), and other inflows of assets over which the Board of Directors of The Conservancy ("Board") has discretionary control. The Board may designate a portion of net assets for a specific purpose. If there is no donor-imposed stipulation, these funds are classified as net assets without donor restrictions. The Conservancy includes all expenses in this class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restrictions.

Net assets with donor restrictions–resources that are subject to donor-imposed stipulations that are more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity, b) the environment in which it operates, and c) the purposes specified in its articles of incorporation or bylaws or comparable documents. This classification includes contributions whose use by The Conservancy is limited by donor-imposed stipulations that either expire by passage of time–such as pledges receivable–or can be fulfilled by actions of The Conservancy–such as usage for land acquisition, specific programs toward meeting The Conservancy's 2030 goals including certain overhead and indirect costs, or for appropriation from donor-restricted endowment investment income.

When stipulated time restrictions end or purpose restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported on the consolidated statements of activities as net assets released from restrictions.

Also included in this classification are contributions whose use by The Conservancy is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of The Conservancy, such that the principal must be maintained permanently by The Conservancy. Contributions for the donor-restricted endowment fund as well as amounts contributed to create a permanent revolving fund for land preservation are classified as net assets with donor restrictions. This internal revolving fund is used to finance capital projects, and donations to this fund are to be maintained in perpetuity for only this purpose. The Conservancy is no longer accepting new donations to the revolving fund for land preservation and has implemented an internal revolving fund that is funded by internally designated unrestricted and temporarily restricted funds that otherwise would not be effectively deployed in the near term. This new fund is used to finance conservation projects.

Measure of Operations

The Conservancy's measure of operations as presented in the consolidated statements of activities includes revenues from membership dues and contributions (including donor-restricted contributions to endowments), grants and contracts, transfers of conservation land and easements, allocation of endowment spending for operations, and other revenues that are not specified as non-operating below. Operating expenses (including the book value of conservation land and easements sold or donated to the government and others) are reported on the consolidated statements of activities by functional classification. Operating results also include the reclassification of net assets with donor restrictions to net assets without donor restrictions for which purpose or time restrictions have been met.

The Conservancy's non-operating activity within the consolidated statements of activities includes investment returns and other activities related to endowments (other than annual appropriation for spending), changes in value of split interest arrangements and donor-advised funds, changes in value of derivative instruments, foreign currency remeasurement, and other infrequent transactions.

Foreign Currency

The functional currency of The Conservancy is the US dollar. Gains and losses resulting from remeasurement of foreign currencies into US dollars are recognized in other operating income in the consolidated statements of activities. Where transactions of foreign affiliates are recorded in local currency, assets and liabilities are translated into US dollars at the exchange rate in effect at the dates of the consolidated statements of financial position.

Fair Value

The Conservancy's financial assets and liabilities are generally measured at fair value and are classified in the fair value hierarchy based on the lowest level of input that is significant to the valuation. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of The Conservancy. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 is based upon quoted or published prices in active markets for identical assets and liabilities. Market price data is generally obtained from exchange or deal markets.

Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and on model-based valuation techniques, for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The Conservancy applies the practical expedient guidance contained in FASB ASC-820-10, *Fair Value Measurement and Disclosure*, to determine the fair value for some of its investments at the net asset value (NAV) reported by the fund managers. The guidance permits the use of NAV without adjustment under certain circumstances, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2024 and 2023, The Conservancy had no plans to sell investments at amounts different from NAV. Investments measured at NAV as a practical expedient are not classified in the fair value hierarchy.

Most investments are carried at estimated fair value using the valuation hierarchy framework and NAV. Certain equity investments without readily determinable fair value presented using the measurement alternative in ASC 320 *Investments–Debt Securities* are valued using the initial investment in the underlying investment adjusted for impairment and observable price changes.

Contributions

Unconditional donor promises to give cash and other assets are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by The Conservancy. The promises are reported as dues and contributions with donor restrictions if received with donor stipulations that sufficiently limit the use of the donated assets.

At times, The Conservancy receives funds as an agent for donor-specified third-party beneficiaries. Such receipts are recorded in deferred revenue and refundable advances in the consolidated statements of financial position until the assets are remitted to the beneficiaries.

The Conservancy recognizes contributed goods and contributed professional services from third parties as revenue and as expense or assets at the fair value of those goods and services when received. During the years ended June 30, 2024 and 2023, contributed goods totaled $18,490,000 and $14,021,000, respectively, and contributed services totaled $23,890,000 and $42,078,000, respectively, in the accompanying consolidated statements of activities. Contributed goods consisted primarily of donated software used in conservation and marketing work. At times, The Conservancy receives donated assets that are to be sold by The Conservancy for fundraising purposes. Such assets are sold as soon as reasonably practicable. Contributed services consisted primarily of services by professional legal and consulting firms advising The Conservancy on various administrative and mission-related matters. Estimated fair value of contributed services reported in the financial statements is based on the current rates for similar services.

Government grants and contracts are primarily considered to be contribution transactions, the majority of which are cost-reimbursable grants. The Conservancy has elected the “simultaneous release” accounting policy option such that grants received and used within the same period are reported in net assets without donor restrictions. Revenue, including approved indirect cost recovery, is recognized when allowable costs have been incurred. The Conservancy’s costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or consolidated changes in net assets of The Conservancy.

Expense Allocation

Operating expenses are allocated to separate program and support categories as defined below. The book values of conservation land and easements sold or donated by The Conservancy are recognized as program expenses on the consolidated statements of activities. See Note 13 Conservation Land and Easements.

The Conservancy accounts for its program and support services expenditures in the following categories:

Conservation Programs–expenditures related to the broad spectrum of activities and actions critical to advancing The Conservancy's mission. Expenditures related to understanding, monitoring, maintaining, restoring, and managing natural areas owned by The Conservancy and others are included, as well as expenditures for developing and enhancing The Conservancy's ability to gather and share ecological information and to assess and evaluate threats to natural systems. In addition, this area includes expenditures to mitigate, prevent, or slow the effects of these threats, including investments in the institutional development of global conservation organizations. Expenditures related to improving public land management and supporting the development of sound global policies, including participating in conferences and events that help establish a common vision for conservation worldwide are included, as well as expenditures associated with community outreach and education of key stakeholders and land users in areas where The Conservancy's conservation programs reside.

General and Administration–expenditures related to building and maintaining an efficient business infrastructure, including those related to corporate governance, to support and advance the programmatic conservation objectives of The Conservancy.

Fundraising and Membership–expenditures related to fundraising strategies that provide the revenue stream for both operations and capital needs to further the accomplishment of The Conservancy's mission and objectives, and expenditures related to the acquisition and retention of The Conservancy's members primarily through the use of a direct-mail program.

The consolidated statements of functional expenses display expenses related to the underlying operations by natural classification. Expenses are allocated directly to program and support services for each functional expense category. Certain expenses are attributable to more than one functional expense category and require allocation on a reasonable basis that is consistently applied. Salaries and other compensation that constitute direct conduct or supervision of program or support functions are allocated on the basis of estimates of time and effort, and employee benefits are allocated proportionately to salaries. Depreciation and amortization are allocated to the functional categories in which the underlying assets are used. Interest expense on external debt is allocated to the functional categories which have benefitted from the proceeds of the external debt.

Income Taxes

The Conservancy has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified The Conservancy as other than a private foundation. The Conservancy pays income tax on its unrelated business taxable income. Taxable income is primarily generated by income from alternative investments in partnerships held by related entities. The Conservancy takes no tax positions that it considers to be uncertain.

Use of Estimates

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

Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Retirement Plans

The Conservancy's employees are eligible after one month of service to participate in The Nature Conservancy Savings and Retirement Plan (the "Plan"), in which employees can make voluntary, tax-deferred contributions within specified limits. The Plan was established under the provision of Internal Revenue Code Section 401(k) and has received a favorable determination as to its tax status from the Internal Revenue Service. Certain employees are also eligible to participate in a non-qualified deferred compensation plan created pursuant to the Internal Revenue Code Section 457(b). The Conservancy's contributions to the plans were $27,903,000 and $24,485,000 for the years ended June 30, 2024 and 2023, respectively.

Subsequent Events

All subsequent events were evaluated through December 20, 2024, which is the date the financial statements were issued.

Contingencies

The Conservancy is a party to various litigation arising out of the normal conduct of its operations. In the opinion of management, the ultimate resolution of these matters will not materially affect the financial position, change in net assets, or cash flows of The Conservancy.

Related Party Transactions

The Conservancy recorded $6,538,000 and $2,968,000 in contribution revenues from current and former Board members during the years ended June 30, 2024 and 2023, respectively, and $3,400,000 and $102,000 as pledges receivable from current and former Board members as of June 30, 2024 and 2023, respectively, in the accompanying consolidated statements of financial position. The Conservancy has an unsecured zero-interest loan payable in full in 2026 to a current Board member reflected in notes payable in the accompanying consolidated statements of financial position. The loan balance as of June 30, 2024 and 2023 was $8,000,000 and $10,000,000, respectively. $2,000,000 was forgiven by the Board member and is included in contribution revenues for the year ended June 30, 2024.

The Conservancy has a conditional pledge of $10,000,000 as of June 30, 2024 from a current Board member which is not reflected in the accompanying consolidated financial statements.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (fiscal year 2024). The Conservancy adopted this standard as of July 1, 2023 and noted no material impact on its consolidated financial statements.

Note 2. Liquidity

Financial assets and liquidity resources available within one year for general expenditure such as operating expenses, scheduled principal payments on debt, and land acquisition are as follows as of June 30 (in thousands):

	2024	2023
Cash and cash equivalents	$ 41,693	$ 73,323
Government grants and contracts receivable	92,123	39,455
Current notes and other receivables for operations	42,257	56,140
Pledge payments available for operations	191,226	125,026
Working capital investments	313,733	289,544
Board approved appropriation for endowment spending	71,488	76,486
Total financial assets available within one year	**$ 752,520**	**$ 659,974**
Additional liquidity resources:		
Bank line of credit	$ 52,000	$ 17,000
Private foundation line of credit	-	634
Total financial assets and liquidity resources available within one year	**$ 804,520**	**$ 677,608**

The Conservancy's endowment funds consist of donor-restricted and Board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and therefore is not available for general expenditure. Although The Conservancy does not intend to spend from its Board-designated endowment funds other than amounts appropriated for general expenditure as part of the annual budget process as described in the schedule above, the total $1,030,375,000 and $996,071,000 of unrestricted Board-designated net assets as of June 30, 2024 and 2023, respectively, could be made available with Board or designee approval.

The Conservancy's cash flows have seasonal variations due to a concentration of contributions received at calendar year end, and financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. To help manage seasonal cash flows or meet unanticipated liquidity needs, The Conservancy maintains a $100,000,000 line of credit with a bank that can be drawn upon as needed. The balance outstanding as of June 30, 2024 and 2023 was $48,000,000 and $83,000,000, respectively. As of June 30, 2023, The Conservancy held a $20,000,000 line of credit with a private foundation with an outstanding balance of $19,366,000. This line of credit matured, and the balance was paid down in December of 2023.

Note 3. Cash and Cash Equivalents

Cash represents working capital held in bank accounts in high quality financial institutions in the United States and 38 other countries. The cash in most non-U.S. accounts is uninsured but is limited per country to amounts that–in the opinion of management–are not material to the financial statements. Cash equivalents represent short-term, highly liquid investments with maturities of three months or less when purchased that do not have donor-imposed restrictions that limit their use to long-term investment, such as endowment funds.

Financial instruments that potentially subject The Conservancy to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of June 30, 2024 and 2023, The Conservancy had $95,358,000 and $97,869,000, respectively, in excess of the FDIC insured limit.

The balances of cash and cash equivalents and restricted cash and cash equivalents reported within the statements of financial position sum to the total amount of cash, cash equivalents, and restricted cash at end of year as reported on the consolidated statements of cash flows. These amounts are as follows as of June 30 (in thousands):

	2024	2023
Cash and cash equivalents	$ 41,693	$ 73,323
Restricted cash and cash equivalents	60,077	85,814
Total cash, cash equivalents, and restricted cash	**$ 101,770**	**$ 159,137**

Note 4. Restricted Cash and Cash Equivalents and Restricted Short-Term Investments

Restricted cash and cash equivalents and restricted short-term investments represent monies segregated to meet requirements of specific conservation project agreements. Restricted short-term investments are considered Level 1 investments.

Restricted cash and cash equivalents and restricted short-term investments consist of the following as of June 30 (in thousands):

	2024	2023
Cash held in trust for mitigation agreements	$ 60,077	$ 85,814
Total restricted cash and cash equivalents	**$ 60,077**	**$ 85,814**
Certificates of deposit and U.S. Government treasury investments held in trust for mitigation agreements	$ 79,203	$ 30,109
Certificates of deposit to satisfy reserve requirements under charitable gift annuity agreement	250	250
Highly liquid bond and fixed term cash instruments under collateral arrangements	6,808	6,000
Total restricted short-term investments	**$ 86,261**	**$ 36,359**

Note 5. Government Grants and Contracts Receivable

The Conservancy receives grants and contracts from federal, state, and local agencies to be used for specific programs or land purchases. The excess of reimbursable expenditures over cash receipts is included in government grants receivable, and any excess of cash receipts over reimbursable expenditures is included in deferred revenue and refundable advances. Government receivables are expected to be realized within one year.

Unspent advances from government grants and contracts including both exchange and contribution transactions of $24,571,000 and $19,230,000 as of June 30, 2024 and 2023, respectively, are reflected within deferred revenue and refundable advances on the consolidated statements of financial position.

The Conservancy had $686,515,000 and $497,388,000 in conditional government grants and contracts as of June 30, 2024 and 2023, respectively, which are not reflected in the consolidated statements of activities.

Note 6. Notes and Other Receivables

Notes and other receivables consist of the following as of June 30 (in thousands):

	2024	2023
Notes receivable, net allowance for credit losses and accrued interest	$ 382,252	$ 390,644
Advances to federal, state, and local grant subaward recipients	6,526	5,115
Bequests receivable	11,781	16,600
Other receivables	29,111	36,890
Total notes and other receivables	**$ 429,670**	**$ 449,249**

The Conservancy's consolidated affiliate, Belize Blue Investment Company, LLC ("BzBIC"), which is a wholly owned subsidiary of Blue Investments for Nature Inc. ("BIN"), a wholly owned subsidiary of The Conservancy, holds a note receivable from the country of Belize totaling $364,000,000 as of June 30, 2024 and 2023. The note has an interest rate ranging from 3.55% to 6.04% from October 2022 through maturity in October 2040. Interest payments are due semi-annually in April and October. Principal payments will be due semi-annually in April and October, beginning April of 2032. The payment terms of this note receivable are aligned with the terms of a related loan payable as described in Note 15 under The Conservancy's Blue Bonds for Ocean Conservation Program. This note receivable is subject to an insurance policy issued by the United States government that mitigates the risk of default and future credit losses.

The Conservancy is a named irrevocable beneficiary under various wills, trusts, and non-probate gifts. Bequest receivables are recognized for significant incoming gifts which have matured and are known but for which The Conservancy has not yet received the funds.

Notes receivable are expected to be realized in the following periods (in thousands):

	2024	2023
Less than one year	$ 1,965	$ 3,250
One to five years	3,905	5,242
More than five years	372,553	379,797
	378,423	**388,289**
Plus: Accrued interest receivable	3,829	2,355
Total notes receivable and accrued interest	**$ 382,252**	**$ 390,644**

Advances to federal, state, and local grant subaward recipients, bequests receivable, and other receivables are expected to be realized within one year.

Management regularly assesses the adequacy of the allowance for credit losses by performing evaluations of accounts receivable and notes receivable, including factors such as the financial state of borrowers, expected economic conditions, and the existence of any guarantees. Balances are written off when deemed uncollectable.

Note 7. Deposits, Prepaid Expenses, and Other Assets

Deposits, prepaid expenses, and other assets consist of the following as of June 30 (in thousands):

	2024	2023
Deposits on conservation land and easements	$ 1,997	$ 1,087
Prepaid expenses	12,770	11,997
Other assets	32,756	29,058
Total deposits, prepaids and other assets	**$ 47,523**	**$ 42,142**

Note 8. Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at a risk-adjusted rate as of the consolidated statement of financial position date, and accordingly are categorized as Level 3 assets. The primary unobservable input used in the fair value measurement of The Conservancy's pledges receivable is the discount rate. Significant fluctuations in the discount rate could result in a material change. The discount rate used in the present value technique to determine fair value of pledges receivable is based on the U.S. Prime rate and is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. In addition, management evaluates payment history and market conditions to estimate allowances for doubtful pledges.

Changes in the fair value of pledges receivable are reported in the consolidated statements of activities as contribution revenue except for changes in the allowance which are reported as program expenses at each subsequent reporting date. Net pledge activity resulted in a $56,702,000 increase and an $11,668,000 decrease in pledges receivable reflected in the accompanying statements of financial position as of June 30, 2024 and 2023, respectively. 2024 and 2023 activities comprised of new pledges of $291,324,000 and $184,930,00, pledge payments of $226,409,000 and $191,917,000, and net increases in pledge discount and allowance of $8,213,000 and $4,681,000, respectively.

Unconditional pledges are expected to be received in the following periods (in thousands):

	2024	2023
Less than one year	$ 192,512	$ 126,599
One to five years	106,259	110,553
More than five years	4,464	1,168
	303,235	**238,320**
Less: Discount of 8.50% in 2024 and 8.25% in 2023	(19,270)	(13,656)
Less: Allowance for doubtful accounts	(12,096)	(9,497)
Total pledges receivable, net	**$ 271,869**	**$ 215,167**

Unconditional pledges receivable had the following donor-imposed restrictions as of June 30 (in thousands):

	2024	2023
Conservation programs and activities	$ 229,522	$ 192,940
Conservation land and easement acquisition and stewardship	24,487	17,765
Endowment	1,907	1,880
Other operating activities	15,953	2,582
Total pledges receivable, net	**$ 271,869**	**$ 215,167**

In addition, as of June 30, 2024 and 2023, The Conservancy had received promises to give that are conditioned upon the occurrence of specified future and uncertain events, such as The Conservancy raising matching gifts or acquiring certain conservation lands. Conditional promises to give are recognized as contribution revenue when the donor-imposed conditions are substantially met.

Conditional pledges had the following conditions as of June 30 (in thousands):

	2024	2023
Raised matching funds	$ 39,126	$ 25,117
Land acquisition	34,945	11,888
Completion of conservation projects	19,801	36,957
Other	11,213	10,612
Total conditional pledges	**$ 105,085**	**$ 84,574**

Note 9. Repurchase Agreements

The Conservancy may enter into repurchase agreements with selected commercial banks and broker-dealers, under which The Conservancy acquires securities as collateral (debt obligation) subject to an obligation of the counterparty to repurchase and The Conservancy to resell the securities (obligation) at an agreed upon time and price. The Conservancy, through the custodian or a tri-party custodian, receives delivery of the underlying securities collateralizing repurchase agreements. The Conservancy requires the custodian to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian's vault, all securities held as collateral for repurchase agreements. The Conservancy and the counterparties are permitted to sell, re-pledge, or use the collateral associated with the transaction. It is The Conservancy's policy that the market value of the collateral be at least equal to 100% of the repurchase price in the case of a repurchase agreement of one-day duration and 102% of the repurchase price in the case of all other repurchase agreements. Upon an event of default under the terms of the repurchase agreements, both parties have the right to set-off. If the seller defaults or enters into an insolvency proceeding, realization of the collateral by The Conservancy may be delayed, limited, or wholly denied.

As of June 30, 2024 and 2023, The Conservancy had investments in repurchase agreements with total gross values of $0 and $62,141,000, respectively, which are included as part of investments in the consolidated statements of financial position. The market value of the collateral is 102% of the face value of the repurchase agreements.

Note 10. Non-Conservation Lands

Real property with little or no ecological value acquired through contributions or in an exchange of conservation land is sold to provide funds for The Conservancy's conservation work. These assets are recorded at fair value in the consolidated statements of activities in the period received. During the years ended June 30, 2024 and 2023, contributed non-conservation lands as reflected in the accompanying consolidated statements of activities totaled $18,734,000 and $36,216,000, respectively. Fair value is generally determined by appraisal at the time of acquisition. The input to the fair value estimate is classified in Level 3 of the fair value hierarchy. The value of non-conservation lands is reduced to the net realizable value at fiscal year-end, and the change in value is reported in the consolidated statements of activities.

Changes in the fair value of non-conservation lands were as follows for the years ended June 30 (in thousands):

	2024	2023
Fair value beginning of year	$ 18,559	$ 12,758
Additions	22,279	19,190
Sales	(25,683)	(13,259)
Realized loss	(2,619)	(130)
Fair value end of year	**$ 12,537**	**$ 18,559**

Note 11. Investments

The Conservancy's investments are held in three distinct categories:

Capital fund–excess working capital and funds held primarily for the future acquisition of conservation land, easements, and for funding other conservation projects.

Endowment fund–funds held as long-term capital to generate income for The Conservancy's operations.

Split interest arrangements–funds and other assets held in trust by The Conservancy under agreements that include other beneficiaries or by third-party trustees representing The Conservancy's beneficial interests.

The overall investment objective of The Conservancy is to invest its assets in a prudent manner to preserve and grow the purchasing power of these funds so that they are available to support The Conservancy's global operations and conservation projects. The Conservancy manages investment activities in accordance with established policies and with oversight from the Board's Investment Committee. The amount of endowment income provided each year for operations is established by the Finance Committee through its adoption of an annual endowment spending rate and spending rate base. The spending rate for the years ended June 30, 2024 and 2023 was 5.75% of the average fair market value of the previous 36 months. As of July 1, 2024, the spending rate changed to 5.25% of the average fair market value of the previous 36 months.

The Conservancy recognizes that risk must be assumed to achieve its stated long-term investment objectives. Therefore, asset allocations and ranges are necessarily diverse and consider liquidity needs. The Conservancy has considered its ability to withstand short and intermediate term variability and concluded that the portfolio can tolerate some interim fluctuations in market values and rates of return in order to achieve its objectives. However, The Conservancy realizes that market performance varies and that the portfolio's investment objectives may not be achievable during short-term periods.

The Conservancy has chosen not to manage its underlying assets directly, but to utilize independent investment managers. To maintain prudent diversification and to manage risk, The Conservancy's portfolio is divided among 100 to 120 separate managers. The Conservancy's excess cash is invested in highly liquid cash and money market mutual funds with high quality institutions.

Pursuant to its investment policy, The Conservancy's investments cannot have more than 10% of their assets at market value in securities of any one issuer, be they short-term or long-term, other than the U.S. Government and its agencies. As of June 30, 2024 and 2023, the largest exposures in the Capital and Endowment Fund long term investments are 7% and 4%, respectively, in a single issuer.

Investments are presented in the fair value hierarchy and consist of the following as of June 30 (in thousands):

June 30, 2024	Level 1	Level 2	Level 3	NAV	Total
Capital and endowment investments					
Short-term investments	$ 71,897	$ 918	$ -	$ -	$ 72,815
Fixed income	70,222	205,498	-	-	275,720
Exchange traded stock	119,569	-	-	-	119,569
Exchange traded funds	44,677	-	-	-	44,677
Comingled equity and fixed income funds	-	-	-	992,751	992,751
Hedge funds	-	-	-	922,767	922,767
Private equity investments	-	-	-	570,460	570,460
Private debt investments	-	-	-	545	545
Private real estate and natural resources funds	-	-	-	115,110	115,110
Total capital and endowment investments	**$306,365**	**$206,416**	**$ -**	**$ 2,601,633**	**$ 3,114,414**
Split interest arrangements					
Split interest trusteed					
Mutual funds	$ 322,275	$ -	$ -	$ -	$ 322,275
Real estate	-	-	29,854	-	29,854
U.S. treasuries	8,824	-	-	-	8,824
Short-term investments	5,704	-	-	-	5,704
Split interest, non-trusteed	-	-	31,907	-	31,907
Total split interest arrangements	**$336,803**	**$ -**	**$ 61,761**	**$ -**	**$ 398,564**
Total investments measured at fair value or using NAV as a practical expedient					**$ 3,512,978**

June 30, 2023	Level 1	Level 2	Level 3	NAV	Total
Capital and endowment investments					
Short-term investments	$ 12,358	$ 909	$ -	$ -	$ 13,267
Repurchase agreements	-	62,141	-	-	62,141
Fixed income	18,074	287,605	-	71,712	377,391
Exchange traded stock	72,817	-	-	-	72,817
Exchange traded funds	44,993	-	-	-	44,993
Comingled equity and fixed income funds	-	-	-	944,702	944,702
Hedge funds	-	-	-	914,402	914,402
Private equity investments	-	-	-	491,506	491,506
Private debt investments	-	-	-	76	76
Private real estate funds	-	-	-	121,012	121,012
Total capital and endowment investments	**$148,242**	**$350,655**	**$ -**	**$ 2,543,410**	**$ 3,042,307**
Split interest arrangements					
Split interest trusteed					
U.S. agency bonds	$ 2	$ -	$ -	$ -	$ 2
Mutual funds	137,055	-	-	-	137,055
Real estate	-	-	29,944	-	29,944
U.S. treasuries	9,438	-	-	-	9,438
Short-term investments	29,969	-	-	-	29,969
Exchange traded funds	112,248	-	-	-	112,248
Commingled equity funds	-	-	-	4,746	4,746
Split interest, non-trusteed	-	-	36,391	-	36,391
Total split interest arrangements	**$ 288,712**	**$ -**	**$66,335**	**$ 4,746**	**$ 359,793**
Total investments measured at fair value or using NAV as a practical expedient					**$ 3,402,100**

Of the $3,570,882,000 and $3,471,939,000 total investments in the accompanying consolidated statements of financial position as of June 30, 2024 and 2023, respectively, net investments not measured at fair value or reflected in the table above are as follows (in thousands):

	2024	2023
Equity method investment	$ 22,109	$ 22,126
Equity investment valued using the measurement alternative in ASC 320	4,508	12,419
Net investment receivables/payables and other	31,287	35,294
Total investments not measured at fair value	**$ 57,904**	**$ 69,839**

The Conservancy's investment funds are valued by the following valuation techniques: equity securities and exchange traded funds are typically valued at the last sale price or official closing price on the exchange or principal market where the security trades; debt obligations are valued based on the evaluated price provided by an independent pricing vendor or broker-dealer; real estate investment properties are valued based on results from an independent appraisal and a professional third-party market valuation; future contracts are typically valued at the last traded price on the exchange on which they trade. The value of certain alternative investments not included in the fair value hierarchy represents the ownership interest in the NAV of the respective partnership. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The Conservancy has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value.

Investments valued using NAV as a practical expedient consist of the following as of June 30 (in thousands):

June 30, 2024 **Category of Investments**	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Domestic equity funds	$ 371,666	$ 35,000	Monthly, quarterly	30-60 days
Global equity funds	325,032	-	Weekly, monthly, quarterly, annually	5 business days, 7 days, 30 days, 120 days
International equity funds	268,844	-	Monthly, quarterly, semi-annually	60 days, 90 days
Fixed income funds	27,754	2,000	Daily, quarterly	1 day, 90 days
Hedge funds	922,767	6,750	Quarterly, annually	60-120 days
Private equity funds	570,460	444,500	N/A	N/A
Real estate and natural resources funds	115,110	42,290	N/A	N/A
Total investments valued using NAV	**$ 2,601,633**	**$ 530,540**		

June 30, 2023		**Unfunded**	**Redemption**	**Redemption**
Category of Investments	**Fair Value**	**Commitments**	**Frequency**	**Notice Period**
Domestic equity funds	$ 364,699	$ 25,000	Monthly, quarterly	30 days, 45 days, 60 days, 90 days
Global equity funds	336,122	-	Weekly, monthly, quarterly, annually	5 business days, 7 days, 30 days, 120 days
International equity funds	235,565	-	Monthly, quarterly, semi-annually	60 days, 90 days, 180 days
Fixed income funds	71,712	4,000	Quarterly	90 days
Hedge funds	914,402	9,750	Quarterly, annually	60-120 days
Private equity funds	491,506	357,171	N/A	N/A
Real estate funds	121,012	28,281	N/A	N/A
Commingled equity funds	11,923	-	N/A	N/A
Commingled bond funds	1,215	-	N/A	N/A
Total investments valued using NAV	**$ 2,548,156**	**$ 424,202**		

Otherwise redeemable investments valued using NAV are typically subject to lock-up periods and rates that may vary from quarterly to 5 years or longer based on contractual agreement, and there are no otherwise significant restrictions on the ability to sell investments in this portfolio.

The Conservancy's investment policy allows for the use of derivatives by investment managers and at the portfolio-level to assist in managing asset allocation and exposures. These derivative exposures are exchange-traded and are reported in the fair value of the overall portfolio within Level 1. The use of derivative instruments involves the risk of imperfect correlation in movement in the price of the instruments, interest rates, and the underlying hedged assets. As a result, The Conservancy may not achieve the anticipated benefits of hedging strategies. The Conservancy's derivative contracts held as of June 30, 2024 and 2023 are not accounted for as hedging instruments under GAAP.

Note 12. Property and Equipment

Property and equipment valued at $50,000 or more is capitalized. Purchased property and equipment is carried at cost, and donated property and equipment is recognized at fair value at the date of contribution. Depreciation and amortization are computed using the straight-line method for all depreciable assets over the estimated useful lives of the assets, ranging from 5 to 30 years for building and building improvements, 3 to 5 years for computer equipment and software, and 4 to 25 years for furniture, fixtures, and others. Costs associated with construction in progress are held until the asset is placed in service, at which point the asset is transferred to the applicable asset category and depreciated over its estimated useful life. Assets totaling $79,863,000 and $72,866,000 were fully depreciated as of June 30, 2024 and 2023, respectively. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Property and equipment consist of the following as of June 30 (in thousands):

	2024	2023
Land for operations	$ 8,016	$ 8,016
Construction in progress	18,552	12,272
Buildings and improvements	236,950	220,045
Computer equipment and software	44,180	44,180
Furniture, fixtures, and other	52,425	44,586
	360,123	**329,099**
Less: Accumulated depreciation and amortization	(181,784)	(168,873)
Total property and equipment, net	**$ 178,339**	**$ 160,226**

Note 13. Conservation Land and Easements

Conservation land is real property with significant ecological value. These properties are either managed in an effort to protect the natural biological diversity of the property or transferred to other organizations to manage in a similar fashion.

The Conservancy records land and land interests at cost if purchased or at fair value at the date of acquisition if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Upon sale or gift, the book value of the land or land interest is reported as a program expense and the related proceeds, if any, are reported as revenue in the consolidated statements of activities.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to The Conservancy–almost always in perpetuity–in order to protect the owned property as a significant natural area, as defined in federal tax regulations. These intangible assets may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original grantor.

The Conservancy has entered into contracts for the purchase of land that have not closed and other purchase commitments related to operations totaling $262,822,000 and $209,260,000 as of June 30, 2024 and 2023, respectively.

Note 14. Leases

The Conservancy has entered into both non-cancelable lessor and lessee commitments. The Conservancy determines if a contract contains a lease at the inception of a contract. A contract is determined to contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration. The Conservancy has elected the practical expedients to allow the lease and non-lease components not to be separated in the event the contract contains both and to not record leases with an initial term of 12 months or less on the consolidated statements of position.

Lessor commitments

The Conservancy’s lessor commitments primarily consist of operating leases for the use of its owned premises. Leases may include options to renew at the end of the lease term. Lease payments received under these commitments include fixed payments for the rental space as well as variable payments based on usage of services and escalating costs of building operations. Total lease income was $3,917,000 and $4,303,000 for the years ended June 30, 2024 and 2023, respectively.

Future fixed lease income under noncancelable operating leases is as follows as of June 30, 2024 (in thousands):

2025	$ 2,201
2026	1,861
2027	1,264
2028	1,058
2029	1,032
Thereafter	3,536
Total	**$ 10,952**

Lessee commitments

The Conservancy's lessee commitments predominantly consist of operating leases for office buildings and equipment. Right-of-use assets were $32,958,000 and $38,058,000, and lease liabilities were $37,646,000 and $43,327,000 as of June 30, 2024 and 2023, respectively. The weighted-average discount rate used to calculate the present value of future minimum lease payments was 3.98% for 2024 and 3.49% for 2023.

Lease terms may contain renewal and extension options and early termination features. The weighted-average lease terms were 5.65 and 5.81 years as of June 30, 2024 and 2023, respectively.

Lease expenses consist of the following for the years ended June 30 (in thousands):

	2024	**2023**
Operating lease expense (cost resulting from lease payments)	$ 14,023	$ 13,401
Short-term lease expense	822	794
Variable lease expense	1,402	1,263
Less: Sublease income	(1,484)	(1,651)
Total lease expense	**$ 14,763**	**$ 13,807**

The total cash payments for operating leases were $16,664,000 and $16,095,000, and noncash additions to operating lease assets were $4,479,000 and $6,591,000 for the years ended June 30, 2024 and 2023, respectively.

Maturity analysis of future minimum lease payments for all operating leases are shown as follows as of June 30, 2024 (in thousands):

2025	$ 10,023
2026	7,995
2027	7,171
2028	5,174
2029	3,500
Thereafter	8,472
	42,335
Less: net present value adjustment	(4,689)
Present value of total minimum lease payments	**$ 37,646**

As of June 30, 2024, The Conservancy has two additional operating leases that had not yet commenced for office buildings with total estimated right-of-use assets of $2,084,000 and lease liabilities of $2,430,000 to be recognized upon the anticipated lease commencements in July and August 2024.

Note 15. Bonds and Notes Payable

Bonds and notes payable consist of the following as of June 30 (in thousands):

	Interest Rate	Maturity	2024	2023
Revenue Bonds				
Series 2019A, Taxable, Unsecured	4.50%	February 2049	$ 40,000	$ 40,000
Series 2019B, Taxable, Unsecured	6.72%	February 2024	-	62,000
Series 2021A, Taxable, Unsecured	0.63%-1.86%	July 2023-July 2033	99,973	109,878
Series 2022A Green Bonds,				
Taxable, Unsecured	3.96%	March 2052	350,000	350,000
Series 2022B, Taxable, Unsecured	2.45%-3.32%	March 2025-March 2033	62,000	62,000
Mortgages and loans	0%-6.24%	2023-2041	125,974	153,130
Bonds and notes payable - recourse			**677,947**	**777,008**
Notes payable - non-recourse	2.10%-4.47%	October 2040	**364,000**	**364,000**
Total bonds and notes payable			**$ 1,041,947**	**$ 1,141,008**

Debt is reported at carrying value. Certain of The Conservancy's debt agreements include covenants that require The Conservancy to meet various reporting and financial metrics. The most restrictive financial covenants include maintaining minimum bond ratings, minimum liquidity ratios, and limits on total debt. The Conservancy was in compliance with all financial debt covenants as of June 30, 2024 and 2023.

Recourse bonds and notes payable are those for which the lenders can hold The Conservancy liable if the bond or payable is defaulted upon.

In March 2022, The Conservancy issued Series 2022A Green Bonds ("Green Bonds") totaling $350,000,000. Proceeds from the Green Bonds issuance are used to fund eligible green projects that advance priorities for achieving sustainable development goals. Eligible green projects may include but are not limited to environmentally sustainable land use, biodiversity, water management, climate change adaptation, energy efficiency, and renewable energy.

In fiscal year 2022, a consolidated affiliate of The Conservancy entered into a transaction to purchase the debt of the country of Belize. The affiliate is Belize Blue Investment Company, LLC ("BzBIC"), which is a wholly owned subsidiary of Blue Investments for Nature Inc. ("BIN"), a wholly owned subsidiary of The Conservancy. The transaction involved BzBIC obtaining a funding facility from a financial institution. BzBIC then in turn loaned those funds to the country of Belize for use in cancelling certain outstanding debt obligations. As a result of this transaction, the country of Belize pledged to commit significantly more resources to marine protection.

As part of this transaction, BzBIC obtained a loan from a financial institution totaling $364,000,000 as of June 30, 2024 and 2023. The note has an interest rate ranging from 2.10% to 4.47% from October 2022 through maturity in October 2040. Interest payments are due semi-annually in April and October. Principal payments will be due semi-annually in April and October, beginning April of 2032. In accordance with the loan agreement, pledged collateral totaling $29,531,000 and $31,298,000 is reflected in investments on the consolidated statements of financial position as of June 30, 2024 and 2023, respectively. This note is categorized as non-recourse to The Conservancy because liability in the event of default is limited to BzBIC.

Additionally, BzBIC issued a note receivable to the country of Belize as described in Note 6 with payment terms aligned with the payment terms of the loan.

The following schedule of amounts due is based on the maturity dates per the debt agreements (in thousands):

2025	$ 81,215
2026	28,803
2027	41,653
2028	18,132
2029	19,039
Thereafter	853,105
Total bonds and notes payable	**$ 1,041,947**

Interest expense incurred on total bonds and notes payable for the years ended June 30, 2024 and 2023 was $36,974,000 and $32,550,000, respectively.

Note 16. Split Interest Arrangements

The Conservancy enters into split interest arrangements whereby donations are held in trust by The Conservancy or third-party trustees. Agreed-upon amounts or percentages of invested funds are payable to the donor or the donor's designee for a specified period of time or until the donor's death. In the case of retained life estates, the donor contributes real estate in which the donor or designee retains the life interest to use the property for a specified period or until the donor's death. Upon termination, The Conservancy may use the assets for operations or a restricted use specified by the donor. Total contributions received for split interest arrangements were $27,169,000 and $32,860,000 for the years ended June 30, 2024 and 2023, respectively.

The donated trust asset investments are recorded at fair value based on the latest available information and are included in investments following the fair value hierarchy. The marketable securities and exchange traded funds are priced using unadjusted market quotes. Debt obligations are valued based on the evaluated prices provided by an independent pricing vendor or broker-dealer. Alternative investments are valued based on NAV as a practical expedient, and real properties are valued by market-based appraisals. For split interest arrangements where The Conservancy is not the trustee, valuations are based on the values reported by third-party trustees. There is no market for these arrangements, and therefore, they are classified within Level 3. See Note 11 Investments for the fair value hierarchy of investments from split interest arrangements.

Changes in the fair value of split interest investments classified as Level 3 financial instruments are shown as follows for the years ended June 30 (in thousands):

	2024	2023
Fair value beginning of year	$ 66,335	$ 57,247
Purchases	1,703	1,740
Transfers-in	2,199	9,824
Sales	(3,819)	(2,675)
Realized loss	(173)	(311)
Unrealized (loss) gain	(4,484)	510
Fair value end of year	**$ 61,761**	**$ 66,335**

A liability for split interest obligations is recorded for the actuarially determined present value of the estimated future payments to be made to the beneficiaries or the donor's real estate usage under a retained life estate.

The Conservancy utilizes the 2012 Individual Annuity Reserving table to actuarially calculate the liability associated with the estimated donor interests under these arrangements. The Conservancy determines the discount rate to be used in the month the split interest arrangements are entered into with the donor and these rates have ranged from near 0% to 12%. The present value of the actuarially determined liability resulting from these gifts is recorded at the date of gift and adjusted annually thereafter to reflect fair value. The changes in value of split interest arrangements included in non-operating activities in the accompanying consolidated statements of activities were increases of $6,655,000 and $7,611,000 for the years ended June 30, 2024 and 2023, respectively.

Split interest arrangements payable consist of the following as of June 30 (in thousands):

	2024	2023
Payable under charitable gift annuities	$ 99,837	$ 97,750
Payable under charitable remainder trusts	105,338	83,658
Payable under pooled income funds	1,450	1,527
Payable under retained life estates	10,749	9,489
Total split interest arrangements payable	**$ 217,374**	**$ 192,424**

Note 17. Net Assets

The Conservancy's net assets as of June 30 include the following (in thousands):

June 30, 2024	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Undesignated	$ 264,204	$ -	$ 264,204
Board-designated funds functioning as endowment	1,030,375	32,313	1,062,688
Land preservation and conservation impact funds	251,470	185,898	437,368
Land, easements, and capital funds	4,719,251	407,930	5,127,181
Restricted for specific purposes	-	521,681	521,681
Split interest arrangements	5,379	162,359	167,738
Donor-restricted endowment funds	-	530,723	530,723
Total net assets — controlling interests	**6,270,679**	**1,840,904**	**8,111,583**
Noncontrolling interests	60,889	-	60,889
Total net assets	**$ 6,331,568**	**$ 1,840,904**	**$ 8,172,472**

June 30, 2023	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Undesignated	$ 275,939	$ -	$ 275,939
Board-designated funds functioning as endowment	996,071	24,008	1,020,079
Land preservation and conservation impact funds	235,417	183,308	418,725
Land, easements, and capital funds	4,614,672	347,628	4,962,300
Restricted for specific purposes	-	476,076	476,076
Split interest arrangements	5,379	141,539	146,918
Contributed long-lived assets to create permanent endowments	-	560	560
Donor-restricted endowment funds	-	503,856	503,856
Total net assets — controlling interests	**6,127,478**	**1,676,975**	**7,804,453**
Noncontrolling interests	62,215	-	62,215
Total net assets	**$ 6,189,693**	**$ 1,676,975**	**$ 7,866,668**

The Board has approved management's interpretation of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the Council of the District of Columbia. UPMIFA requires the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Conservancy's endowment includes funds designated by the Board to function as endowment and donor-restricted endowment funds. Board-designated funds functioning as endowment are classified as net assets with or without donor restrictions based on the underlying net asset class of the funds at the time of designation. Over time, donor restrictions are met as appropriations, subject to the spending policy, are spent on the restricted purpose. Donor-restricted endowment funds with donor requirements that they be held in perpetuity include the original value of gifts donated and accumulations made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds that are not required to be held in perpetuity are classified in donor-restricted net assets until those amounts are appropriated for expenditure by The Conservancy in accordance with the spending policy stated in Note 11.

The Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund,
- The purpose of the institution and the endowment funds,
- General economic conditions,
- The possible effect of inflation or deflation,
- The expected total return from income and appreciation of investments,
- Other resources of the institution, and
- The investment policy of the institution.

Endowment funds are categorized as follows in net asset classes as of June 30 (in thousands):

June 30, 2024	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 530,723	$ 530,723
Board-designated funds functioning as endowment	1,030,375	32,313	1,062,688
Total endowment funds	**$ 1,030,375**	**$ 563,036**	**$ 1,593,411**

June 30, 2023	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 503,856	$ 503,856
Board-designated funds functioning as endowment	996,071	24,008	1,020,079
Total endowment funds	**$ 996,071**	**$ 527,864**	**$ 1,523,935**

Changes in endowment net assets are summarized as follows for the years ended June 30 (in thousands):

2024	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment funds beginning of year	$ 996,071	$ 527,864	$ 1,523,935
Investment returns on endowments, net	85,357	38,810	124,167
Contributions and pledge payments received	-	12,329	12,329
Matching fund to donor-restricted endowment	-	570	570
Transfers to create funds functioning as endowment	12,912	8,306	21,218
Allocation of endowment spending	(63,965)	(24,702)	(88,667)
Total endowment funds before reclassification	1,030,375	563,177	1,593,552
Reclassification and transfer of net assets	-	(141)	(141)
Total endowment funds	**$ 1,030,375**	**$ 563,036**	**$ 1,593,411**

2023	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment funds beginning of year	$ 977,998	$ 461,552	$ 1,439,550
Investment returns on endowments, net	103,926	51,515	155,441
Contributions and pledge payments received	(130)	10,388	10,258
Matching fund to donor-restricted endowment	-	760	760
Transfers to create funds functioning as endowment	875	(15)	860
Allocation of endowment spending	(61,141)	(22,499)	(83,640)
Total endowment funds before reclassification	1,021,528	501,701	1,523,229
Reclassification and transfer of net assets	(25,457)	26,163	706
Total endowment funds	**$ 996,071**	**$ 527,864**	**$ 1,523,935**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires The Conservancy to retain as principal in perpetuity. Deficiencies of this nature existed in three and eight donor-restricted endowment funds as of June 30, 2024 and 2023, respectively, which together had an original gift value of $2,035,000 and $3,145,000, current fair values of $1,954,000 and $2,920,000, and deficiencies of $81,000 and $225,000, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and authorized appropriation that was deemed prudent.

The Conservancy has a policy that permits spending from underwater endowment funds up to the Board-approved annual endowment spending rate in accordance with UPMIFA's prudence standard.

Note 18. Guarantee Liability

In September 2022, The Conservancy entered into a co-guarantee structure with the Inter-American Development Bank (IADB) that enabled the Government of Barbados (Barbados) to pay down certain of its existing debt with the proceeds from a new term loan issuance with more favorable financing terms. Barbados has agreed to direct a portion of the savings gained from this refinancing to marine conservation under The Conservancy's Blue Bonds for Ocean Conservation Program. The Conservancy and IADB act as co-guarantors of the payment risk on Barbados' $150,000,000 term loan, of which IADB guaranteed $100,000,000, and The Conservancy guaranteed $50,000,000. The maximum amount that The Conservancy could be required to pay under the guarantee was $50,000,000 as of June 30, 2024 and 2023. This amount decreases over time as Barbados makes payments on the loan and is expected to reach zero in 2030. As of June 30, 2024 and 2023, Barbados was up to date on required payments. The agreement is subject to a counter-guarantee agreement with Barbados, and The Conservancy has obtained reinsurance over the full guaranteed amount. As of June 30, 2024 and 2023, the fair value of the related guarantee liability was approximately $1,448,000 and $1,838,000, respectively, which is included in deferred revenue and refundable advances in the accompanying consolidated statements of financial position.

Note 19. Noncontrolling Interests

When The Conservancy owns less than a 100% interest in a consolidated entity, it reflects the third-party noncontrolling interests separately in net assets without donor restrictions on the consolidated statements of financial position.

Changes in consolidated net assets without donor restrictions are summarized as follows for the years ended June 30 (in thousands):

2024	**Controlling Interests**	**Noncontrolling Interests**	**Total**
Net assets without donor restrictions beginning of year	$ 6,127,478	$ 62,215	$ 6,189,693
Change in net assets from operating activities	(17,702)	(739)	(18,441)
Distributions to noncontrolling interests	-	(1,326)	(1,326)
Other changes in net assets from non-operating activities	160,903	739	161,642
Total net assets without donor restrictions	**$ 6,270,679**	**$ 60,889**	**$ 6,331,568**

2023	**Controlling Interests**	**Noncontrolling Interests**	**Total**
Net assets without donor restrictions beginning of year	$ 6,001,702	$ 62,585	$ 6,064,287
Change in net assets from operating activities	(1,710)	(783)	(2,493)
Distributions to noncontrolling interests	-	(370)	(370)
Other changes in net assets from non-operating activities	127,486	783	128,269
Total net assets without donor restrictions	**$ 6,127,478**	**$ 62,215**	**$ 6,189,693**