THE NATURE CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2025 AND 2024

THE NATURE CONSERVANCY
INDEX
JUNE 30, 2025 AND 2024

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 statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits 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 audits. 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 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 19, 2025

THE NATURE CONSERVANCY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2025 AND 2024

Amounts in thousands

	2025	2024
Assets		
Cash and cash equivalents	$ 60,903	$ 41,693
Restricted cash and cash equivalents	101,471	60,077
Restricted short-term investments	144,788	86,261
Government grants and contracts receivable	86,503	92,123
Notes and other receivables, net	427,281	429,670
Deposits, prepaid expenses, and other assets	87,006	47,523
Pledges receivable, net	240,756	271,869
Non-conservation lands	25,672	12,537
Investments	3,787,381	3,570,882
Right of use assets	35,469	32,958
Property and equipment, net	184,570	178,339
Conservation lands	2,573,098	2,486,519
Conservation easements	2,605,069	2,551,361
Total assets	**$ 10,359,967**	**$ 9,861,812**
Liabilities		
Accounts payable and accrued liabilities	$ 167,651	$ 149,108
Deferred revenue and refundable advances	260,208	243,265
Lease liabilities	38,993	37,646
Bonds and notes payable – recourse	696,223	677,947
Bonds and notes payable – non-recourse	364,000	364,000
Split interest arrangements payable	230,687	217,374
Total liabilities	**$ 1,757,762**	**$ 1,689,340**
Net Assets		
Without donor restrictions, including noncontrolling interests of $59,357 in 2025 and $60,889 in 2024	$ 6,628,211	$ 6,331,568
With donor restrictions	1,973,994	1,840,904
Total net assets	**$ 8,602,205**	**$ 8,172,472**
Total liabilities and net assets	**$ 10,359,967**	**$ 9,861,812**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
Amounts in thousands

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues			
Dues and contributions	$ 465,855	$ 596,289	$ 1,062,144
Contributed goods and services	31,542	-	31,542
Contributed land and easements for conservation	48,124	-	48,124
Contributed non-conservation land	13,604	11,723	25,327
Government grants and contracts	232,643	-	232,643
Total contribution revenues	**791,768**	**608,012**	**1,399,780**
Sales of conservation land and easements	91,545	-	91,545
Investment returns on operating activities	49,019	-	49,019
Other income	159,249	-	159,249
Total revenues	**1,091,581**	**608,012**	**1,699,593**
Allocation of endowment spending	80,118	23,889	104,007
Net assets released from restriction	553,439	(553,439)	-
Total revenues and releases	**$ 1,725,138**	**$ 78,462**	**$ 1,803,600**
Expenses			
Conservation activities and actions	$ 1,070,325	$ -	$ 1,070,325
Book value of conservation land and easements	113,627	-	113,627
Total program expenses	**1,183,952**	**-**	**1,183,952**
General and administration	222,133	-	222,133
Fundraising and membership	195,256	-	195,256
Total expenses	**$ 1,601,341**	**$ -**	**$ 1,601,341**
Change in net assets from operating activities	**$ 123,797**	**$ 78,462**	**$ 202,259**
Non-operating Activities			
Investment returns on endowments	$ 125,783	$ 62,793	$ 188,576
Investment returns on other non-operating activities	131,124	14,842	145,966
Allocation of endowment spending to operations	(80,118)	(23,889)	(104,007)
Reclassification of net assets	(907)	907	-
Foreign exchange losses	(1,504)	(25)	(1,529)
Distributions to noncontrolling interests	(1,532)	-	(1,532)
Change in net assets from non-operating activities	**$ 172,846**	**$ 54,628**	**$ 227,474**
Total change in net assets	**$ 296,643**	**$ 133,090**	**$ 429,733**
Beginning net assets	6,331,568	1,840,904	8,172,472
Ending net assets	**$ 6,628,211**	**$ 1,973,994**	**$ 8,602,205**

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 releases	**$ 1,504,677**	**$ 127,349**	**$ 1,632,026**
Expenses			
Conservation activities and actions	$ 957,620	$ -	$ 957,620
Book value of conservation land and easements	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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025
Amounts in thousands

	Conservation Programs	General and Administration	Fundraising and Membership	Total Expenses
Salaries and benefits	$ 436,410	$ 146,832	$ 113,896	$ 697,138
Professional services	204,555	15,835	40,541	260,931
Grants and subawards	169,231	49	61	169,341
Travel	26,484	3,427	3,217	33,128
Publication, printing, and postage	10,498	264	28,171	38,933
Supplies and equipment	34,353	14,906	3,220	52,479
Depreciation and amortization	15,118	1,905	10	17,033
Interest	34,163	2,216	-	36,379
Occupancy	10,355	10,929	115	21,399
Contributed goods and services non-cash expenses	11,680	13,139	675	25,494
All other	117,478	12,631	5,350	135,459
	1,070,325	**222,133**	**195,256**	**1,487,714**
Book value of conservation land and easements	113,627	-	-	113,627
Total expenses	**$ 1,183,952**	**$ 222,133**	**$ 195,256**	**$ 1,601,341**

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	152,534	-	-	152,534
Total expenses	**$ 1,110,154**	**$ 223,535**	**$ 189,429**	**$ 1,523,118**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024
Amounts in thousands

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	$ 429,733	$ 305,804
Adjustments to reconcile change in net assets to net cash		
and cash equivalents used in operating activities		
Depreciation and amortization	17,033	14,670
Contributed conservation land and easements	(48,124)	(83,618)
Losses on disposition of conservation lands and easements	22,082	62,417
Proceeds from sale of conservation land and easements	91,545	90,116
Purchases of conservation land and easements	(205,790)	(161,700)
Change in value of split interest arrangements	(29,704)	(39,541)
Contributed securities	(78,937)	(34,578)
Proceeds from sale of contributed securities	78,670	34,503
Contributed non-conservation land and contributed funds to be held for long-term purposes	(42,068)	(34,881)
Net gain on investments	(377,971)	(257,607)
Changes in assets and liabilities		
Notes and other receivables	(13,986)	(53,227)
Pledges receivable, net	31,113	(56,702)
Deposits, prepaid expenses, and other assets	(39,483)	(5,381)
Non-conservation lands	14,003	28,302
Right of use assets	(2,511)	5,100
Accounts payable and accrued liabilities	18,543	12,353
Deferred revenue and refundable advances	16,943	58,207
Split interest arrangements payable	13,313	24,950
Lease liabilities	1,347	(5,681)
Other changes	8,317	(1,040)
Net cash and cash equivalents used in operating activities	**(95,932)**	**(97,534)**
Cash Flows from Investing Activities		
Proceeds from notes collections	22,143	20,259
Issuance of notes receivable	(148)	(122)
Proceeds from sale of endowment, capital, and other investments	2,628,542	2,435,084
Purchases of endowment, capital, and other investments	(2,495,625)	(2,287,476)
Purchases of property and equipment	(30,988)	(34,373)
Net cash and cash equivalents provided by investing activities	**123,924**	**133,372**
Cash Flows from Financing Activities		
Proceeds from contribution for long term purpose	14,929	12,602
Proceeds from split interest arrangements	-	770
Repayments of current revolving and long-term debt	(382,457)	(564,153)
Proceeds from issuance of current revolving and long-term debt	400,140	457,576
Net cash and cash equivalents provided by (used in) financing activities	**32,612**	**(93,205)**
Net increase (decrease) in cash, cash equivalents, and restricted cash	**60,604**	**(57,367)**
Cash, cash equivalents, and restricted cash at beginning of year	101,770	159,137
Cash, cash equivalents, and restricted cash at end of year	**$ 162,374**	**$ 101,770**
Supplemental data		
Cash paid for interest	$ 36,706	$ 35,514

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. The Conservancy's global conservation program strategies are focused on achieving ambitious 2030 goals. The Conservancy's global priorities and related pathways are:

Tackle climate change

- Clean energy transition-accelerating the renewable energy transition for a clean, green, and equitable energy future and driving policy to decarbonize critical sectors.
- Natural climate solutions-protecting, managing, and restoring ecosystems to maximize the mitigation potential from nature.
- Adaptation-supporting communities in building greater resilience as they adapt to a changing climate.

Protect ocean, land, and fresh water

- Transformative management and protection-supporting strong national policy commitments and mobilizing the funding needed to protect 30% of the world's land, freshwater and marine habitats.
- Nature bonds program-helping nations meet their climate and conservation goals by refinancing sovereign debt to unlock funds for conservation and climate action.
- Enduring Earth-protecting 600 million hectares through a global partnership that leverages collaboratively designed, locally led and sustainably financed projects.

Provide food and water

- Resilient fresh water-investing in watershed health by developing partnerships that quicken the pace and scale of conservation.
- Regenerative food-transitioning food systems from extractive and degrading to productive and restorative and eliminating habitat loss from key food supply chains.
- Thriving fisheries and aquaculture-addressing gaps to ensure sustainably managed fisheries for ecosystem and human benefit.

Basis of Accounting

The consolidated financial statements are presented on the accrual basis in accordance with U.S. generally accepted accounting principles ("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.

The Conservancy consolidates 23 non-profit and 25 for-profit controlled 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. Subsequent to year-end, The Conservancy acquired one new for-profit entity and took actions toward dissolving two other for-profit entities.

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.

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 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. 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 activities within the consolidated statements of activities include 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 transactions 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, 2025 and 2024, 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.

Programmatic Investments

The Conservancy makes certain strategic investments to further its charitable purpose. Those investments are made with a primary objective to achieve The Conservancy's programmatic mission and are valued at fair value, using the equity method, or the measurement alternative in ASC 320. Investments include land and private equity funds. As of June 30, 2025 and 2024, The Conservancy held 10 programmatic equity investments, and the related values included within investments in the accompanying consolidated statements of financial position totaled $61,606,000 and $56,465,000, respectively. The Conservancy also entered into a programmatic guarantee arrangement as described in Note 17.

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, 2025 and 2024, contributed goods totaled $16,147,000 and $18,490,000, respectively, and contributed services totaled $15,395,000 and $23,890,000, 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 12 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 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.

Cloud Computing Arrangements

The Conservancy enters cloud computing arrangements to access software hosted by third parties. For arrangements that are considered service contracts—software as a service (SaaS)—The Conservancy capitalizes certain implementation costs incurred during the application development stage including third-party consulting fees and internal payroll costs directly related to the configuration and customization of the cloud-based software. These capitalized costs are amortized on a straight-line basis over the term of the hosting arrangement which includes the non-cancellable period and any renewal options that are reasonably certain to be exercised. Such capitalized costs are recorded in deposits, prepaid expenses, and other assets in the consolidated statements of financial position. Costs incurred during the preliminary project stage and post-implementation stage, such as training and data conversion, are expensed as incurred.

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 debt-financed passive investment activity. The Conservancy takes no tax positions that it considers to be uncertain.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 $30,970,000 and $27,903,000 for the years ended June 30, 2025 and 2024, respectively.

Subsequent Events

All subsequent events were evaluated through December 19, 2025, which is the date the consolidated 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.

The Conservancy receives U.S. government grants in the ordinary course of business. Changes in the economic and fiscal policy priorities of the U.S. government can have a significant economic impact on entities, both directly and indirectly. Funds received are subject to audit and compliance with federal regulations. The Conservancy believes it has met the conditions to retain these funds, and no amounts are reserved for repayment as of June 30, 2025 and 2024 in the accompanying consolidated statements of financial position.

Related Party Transactions

The Conservancy recorded $21,332,000 and $6,538,000 in contribution revenues from current and former Board members during the years ended June 30, 2025 and 2024, respectively, and $8,798,000 and $3,400,000 as pledges receivable from current and former Board members as of June 30, 2025 and 2024, respectively. 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, 2025 and 2024 was $6,000,000 and $8,000,000, respectively. $2,000,000 was forgiven by the Board member each year and is included in contribution revenues for the years ended June 30, 2025 and 2024.

The Conservancy has conditional pledges of $9,650,000 and $10,000,000 as of June 30, 2025 and 2024, respectively from current Board members which are 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):

		2025		2024
Cash and cash equivalents	$	60,903	$	41,693
Government grants and contracts receivable		86,503		92,123
Current notes and other receivables for operations		43,024		42,257
Pledge payments available for operations		155,623		191,226
Working capital investments		343,129		313,733
Board approved appropriation for endowment spending		67,438		71,488
Total financial assets available within one year	**$**	**756,620**	**$**	**752,520**
Additional liquidity resources:				
Bank line of credit	$	28,000	$	52,000
Commerical paper program		200,000		-
Private foundation line of credit		3,000		-
Total financial assets and liquidity resources available within one year	**$**	**987,620**	**$**	**804,520**

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 $1,090,985,000 and $1,030,375,000 of unrestricted Board-designated net assets as of June 30, 2025 and 2024, 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, 2025 and 2024 was $72,000,000 and $48,000,000, respectively. In September 2025, the available credit limit on this line increased to $150,000,000. In fiscal year 2025, The Conservancy established a $200,000,000 taxable commercial paper program and a $5,000,000 line of credit with a private foundation both to support conservation initiative liquidity needs. There was no commercial paper balance outstanding, and the balance outstanding on the private foundation line of credit was $2,000,000 as of June 30, 2025.

Note 3. Cash and Cash Equivalents

Cash represents working capital held in bank accounts in high quality financial institutions in the United States and 37 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, 2025 and 2024, The Conservancy had $109,788,000 and $95,358,000, 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):

	2025	2024
Cash and cash equivalents	$ 60,903	$ 41,693
Restricted cash and cash equivalents	101,471	60,077
Total cash, cash equivalents, and restricted cash	**$ 162,374**	**$ 101,770**

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):

	2025	2024
Cash held in trust for mitigation agreements	$ 72,547	$ 60,077
Cash held in trust for conditional grants issued	28,924	-
Total restricted cash and cash equivalents	**$ 101,471**	**$ 60,077**
Certificates of deposit and U.S. Government treasury investments held in trust for mitigation agreements	$ 81,038	$ 79,203
Money market funds and U.S. Government treasury investments held in trust for conservation agreements	55,633	-
Highly liquid bond and fixed term cash instruments under collateral arrangements	7,867	6,808
Certificates of deposit to satisfy reserve requirements under charitable gift annuity agreement	250	250
Total restricted short-term investments	**$ 144,788**	**$ 86,261**

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 incurred 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 $39,620,000 and $24,571,000 as of June 30, 2025 and 2024, respectively, are reflected within deferred revenue and refundable advances on the consolidated statements of financial position.

The Conservancy had $906,786,000 and $686,515,000 in conditional government grants and contracts as of June 30, 2025 and 2024, respectively, which are not recognized in the consolidated financial statements.

Note 6. Notes and Other Receivables

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

	2025	2024
Notes receivable, net allowance for credit losses and accrued interest	$ 379,997	$ 382,252
Bequests receivable	11,421	11,781
Advances to federal, state, and local grant subaward recipients	5,506	6,526
Other receivables	30,357	29,111
Total notes and other receivables	**$ 427,281**	**$ 429,670**

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, 2025 and 2024. The note has an interest rate ranging from 5.15% to 6.04% 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 14 under The Conservancy's Blue Bonds for Ocean Conservation Program. This note receivable is covered by 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):

	2025	2024
Less than one year	$ 1,846	$ 1,965
One to five years	2,310	3,905
More than five years	372,039	372,553
	376,195	**378,423**
Plus: Accrued interest receivable	3,802	3,829
Total notes receivable and accrued interest	**$ 379,997**	**$ 382,252**

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):

	2025	2024
Capitalized cloud computing implementation costs	$ 27,365	$ 839
Prepaid expenses	13,052	11,931
Deposits on conservation land and easements	9,506	1,997
Other assets	37,083	32,756
Total deposits, prepaids and other assets	**$ 87,006**	**$ 47,523**

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 expenses at each subsequent reporting date. Net pledge activity resulted in a $31,113,000 decrease and a $56,702,000 increase in pledges receivable reflected in the accompanying statements of financial position as of June 30, 2025 and 2024, respectively. 2025 and 2024 activities comprised of new pledges of $219,736,000 and $291,324,000, pledge payments of $263,529,000 and $226,409,000, and a net decrease of $12,680,000 and a net increase $8,213,000 in pledge discount and allowance, respectively.

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

	2025	2024
Less than one year	$ 156,600	$ 192,512
One to five years	99,226	106,259
More than five years	3,617	4,464
	259,443	**303,235**
Less: Discount of 7.5% in 2025 and 8.5% in 2024	(12,506)	(19,270)
Less: Allowance for doubtful accounts	(6,181)	(12,096)
Total pledges receivable, net	**$ 240,756**	**$ 271,869**

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

	2025	2024
Conservation programs and activities	$ 207,959	$ 229,522
Conservation land and easement acquisition and stewardship	18,448	24,487
Endowment	1,297	1,907
Other operating activities	13,052	15,953
Total pledges receivable, net	**$ 240,756**	**$ 271,869**

In addition, as of June 30, 2025 and 2024, 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):

	2025	2024
Raised matching funds	$ 25,823	$ 39,126
Land acquisition	84,066	34,945
Completion of conservation projects	14,155	19,801
Other	5,122	11,213
Total conditional pledges	**$ 129,166**	**$ 105,085**

Note 9. 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, 2025 and 2024, contributed non-conservation land as reflected in the accompanying consolidated statements of activities totaled $25,327,000 and $18,734,000, 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):

	2025	2024
Fair value beginning of year	$ 12,537	$ 18,559
Additions	27,139	22,279
Sales	(14,966)	(25,683)
Realized gain (loss)	1,212	(2,619)
Unrealized loss	(249)	-
Fair value end of year	**$ 25,672**	**$ 12,537**

Note 10. 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, 2025 and 2024 was 5.25% and 5.75%, respectively, of the average fair market value of the previous 36 months. As of July 1, 2025, the spending rate changed to 5.00% 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 portfolio cannot have more than 10% of its assets at market value invested 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, 2025 and 2024, the largest exposures in the Capital and Endowment Fund long-term investments are within the 10% policy threshold.

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

June 30, 2025	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Capital and endowment investments					
Short-term investments	$ 58,499	$ -	$ -	$ -	$ 58,499
Fixed income	45,553	258,025	-	-	303,578
Exchange traded stock	129,609	-	-	-	129,609
Exchange traded funds	63,717	-	-	-	63,717
Comingled equity and fixed income funds	-	-	-	1,140,108	1,140,108
Hedge funds	-	-	-	773,968	773,968
Private equity investments	-	-	-	716,681	716,681
Private debt investments	-	-	-	728	728
Private real estate and natural resources funds	-	-	-	90,433	90,433
Total capital and endowment investments	**$ 297,378**	**$ 258,025**	**$ -**	**$ 2,721,918**	**$ 3,277,321**
Split interest arrangements					
Split interest trusteed					
Mutual funds	$ 360,786	$ -	$ -	$ -	$ 360,786
Real estate	-	-	28,274	-	28,274
U.S. treasuries	8,579	-	-	-	8,579
Short-term investments	3,690	-	-	-	3,690
Split interest, non-trusteed	-	-	33,286	-	33,286
Total split interest arrangements	**$ 373,055**	**$ -**	**$ 61,560**	**$ -**	**$ 434,615**
Total investments measured at fair value or using NAV as a practical expedient					**$ 3,711,936**

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**

Of the $3,787,381,000 and $3,570,882,000 total investments in the accompanying consolidated statements of financial position as of June 30, 2025 and 2024, respectively, net investments not measured at fair value or reflected in the table above are as follows (in thousands):

	2025	2024
Equity method investment	$ 22,034	$ 22,109
Equity investment valued using the measurement alternative in ASC 320	2,641	4,508
Net investment receivables/payables and other	50,770	31,287
Total investments not measured at fair value	**$ 75,445**	**$ 57,904**

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, 2025 **Category of Investments**	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Public equity funds	964,062	19,997	Semimonthly to annually	Up to 180 days
Fixed income funds	176,774	11,975	Quarterly	Up to 90 days
Hedge funds	773,968	-	Quarterly to annually	Up to 120 days
Private equity funds	716,681	461,218	N/A	N/A
Real estate and natural resources funds	90,433	41,455	N/A	N/A
Total investments valued using NAV	**$ 2,721,918**	**$ 534,645**		

June 30, 2024 **Category of Investments**	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Public equity funds	965,542	35,000	Weekly, monthly, quarterly, semi-annually, annually	5 business days-120 days
Fixed income funds	27,754	2,000	Daily, quarterly	1-90 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**		

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.

Note 11. 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 $93,778,000 and $79,863,000 were fully depreciated as of June 30, 2025 and 2024, 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):

	2025	**2024**
Land for operations	$ 8,016	$ 8,016
Construction in progress	19,915	18,552
Buildings and improvements	241,815	236,950
Computer equipment and software	45,521	44,180
Furniture, fixtures, and other	65,361	52,425
	380,628	**360,123**
Less: Accumulated depreciation and amortization	(196,058)	(181,784)
Total property and equipment, net	**$ 184,570**	**$ 178,339**

Note 12. 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 totaling $134,005,000 and $75,835,000 as of June 30, 2025 and 2024, respectively.

Note 13. 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 $3,377,000 and $3,917,000 for the years ended June 30, 2025 and 2024, respectively.

Future fixed lease income under noncancelable operating leases is as follows as of June 30, 2025 (in thousands):

2026	$ 2,309
2027	1,749
2028	1,546
2029	1,544
2030	1,447
Thereafter	4,481
Total	**$ 13,076**

Lessee commitments

The Conservancy's lessee commitments predominantly consist of operating leases for office buildings and equipment. Right-of-use assets were $35,469,000 and $32,958,000, and lease liabilities were $38,993,000 and $37,646,000 as of June 30, 2025 and 2024, respectively. The Conservancy applies a risk-adjusted rate based on the U.S. Treasury yield curve to discount lease payments. The weighted-average discount rates used to calculate the present value of future minimum lease payments were 4.97% and 3.98% for 2025 for 2024, respectively.

Lease terms may contain renewal and extension options and early termination features. The weighted-average lease terms were 5.71 and 5.65 years as of June 30, 2025 and 2024, respectively.

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

	2025	**2024**
Operating lease expense (cost resulting from lease payments)	$ 13,267	$ 14,023
Short-term lease expense	934	822
Variable lease expense	1,163	1,402
Less: Sublease income	(720)	(1,484)
Total lease expense	**$ 14,644**	**$ 14,763**

The total cash payments for operating leases were $15,863,000 and $16,664,000, and noncash additions to operating lease assets were $8,324,000 and $4,479,000 for the years ended June 30, 2025 and 2024, respectively.

Maturity analysis of future minimum lease payments for all operating leases are shown as follows as of June 30, 2025 (in thousands):

2026	$ 10,294
2027	9,302
2028	6,871
2029	4,943
2030	4,322
Thereafter	9,627
	45,359
Less: net present value adjustment	(6,366)
Present value of total minimum lease payments	**$ 38,993**

As of June 30, 2025, The Conservancy has one additional operating lease that had not yet commenced for an office building with estimated right-of-use asset of $178,000 and lease liability of $176,000 to be recognized upon the anticipated lease commencement in August 2025.

Note 14. Bonds and Notes Payable

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

	Interest Rate	Maturity	2025	2024
Revenue Bonds				
Series 2019A, Taxable, Unsecured	4.50%	February 2049	$ 40,000	$ 40,000
Series 2021A, Taxable, Unsecured	.79%-1.86%	July 2025-July 2033	90,008	99,973
Series 2022A Green Bonds, Taxable, Unsecured	3.96%	March 2052	350,000	350,000
Series 2022B, Taxable, Unsecured	2.67%-3.32%	March 2026-March 2033	55,825	62,000
Mortgages and loans	0%-5.30%	September 2025-May 2041	160,390	125,974
Bonds and notes payable - recourse			**696,223**	**677,947**
Notes payable - non-recourse	3.60%-4.47%	October 2040	**364,000**	**364,000**
Total bonds and notes payable			**$ 1,060,223**	**$ 1,041,947**

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, 2025 and 2024.

Bonds and Notes Payable - Recourse

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 May 2025, The Conservancy established a commercial paper program to provide short-term funding for conservation initiatives. Under this program, The Conservancy is authorized to issue notes not to exceed $200,000,000, for maturity periods up to 270 days, and with no more than $50,000,000 maturing within five consecutive business days. There was no balance outstanding as of June 30, 2025.

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.

Notes Payable - Non-recourse

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, 2025 and 2024. The note has an interest rate ranging from 3.60% to 4.47% 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 $33,072,000 and $29,531,000 is reflected in investments on the consolidated statements of financial position as of June 30, 2025 and 2024, 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):

2026	$ 112,146
2027	43,711
2028	26,165
2029	19,071
2030	19,904
Thereafter	839,226
Total bonds and notes payable	**$ 1,060,223**

Interest expense incurred on total bonds and notes payable for the years ended June 30, 2025 and 2024 was $35,220,000 and $36,974,000, respectively.

Note 15. 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 $51,352,000 and $27,169,000 for the years ended June 30, 2025 and 2024, 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. Contribution revenue is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and other beneficiaries. For split interest arrangements where The Conservancy is not the trustee, valuations are based on the future expected cash flows to which The Conservancy is entitled as reported by third-party trustees. There is no market for these arrangements, and therefore, they are classified within Level 3. See Note 10 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):

	2025	2024
Fair value beginning of year	$ 61,761	$ 66,335
Purchases and transfers in	1,193	3,902
Sales	(2,186)	(3,819)
Realized loss	(587)	(173)
Unrealized gain (loss)	1,379	(4,484)
Fair value end of year	**$ 61,560**	**$ 61,761**

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 present value of payments to beneficiaries is calculated at the date of gift and adjusted annually. For retained life estates, The Conservancy adjusts the liability using the discount rate as determined in the month the arrangements are entered into with the donor. For other split interest arrangements, The Conservancy adjusts the liability using a risk adjusted discount rate at each reporting date. The changes in value of split interest arrangements included in non-operating activities in the accompanying consolidated statements of activities were increases of $14,842,000 and $6,655,000 for the years ended June 30, 2025 and 2024, respectively.

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

	2025	2024
Payable under charitable gift annuities	$ 93,823	$ 99,837
Payable under charitable remainder trusts	122,196	105,338
Payable under pooled income funds	1,867	1,450
Payable under retained life estates	12,801	10,749
Total split interest arrangements payable	**$ 230,687**	**$ 217,374**

Note 16. Net Assets

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

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Conservation programs and operations	$ 207,195	$ 707,778	$ 914,973
Board-designated funds functioning as endowment	1,090,985	51,068	1,142,053
Land preservation and conservation impact funds	285,949	190,898	476,847
Land interests, real estate, and split interest arrangements	4,984,725	439,604	5,424,329
Donor-restricted endowment funds	-	584,646	584,646
Total net assets — controlling interests	**6,568,854**	**1,973,994**	**8,542,848**
Noncontrolling interests	59,357	-	59,357
Total net assets	**$ 6,628,211**	**$ 1,973,994**	**$ 8,602,205**

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Conservation programs and operations	$ 185,768	$ 877,360	$ 1,063,127
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 interests, real estate, and split-interest arrangements	4,803,066	214,610	5,017,676
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**

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 10.

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, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 584,646	$ 584,646
Board-designated funds functioning as endowment	1,090,985	51,068	1,142,053
Total endowment funds	**$ 1,090,985**	**$ 635,714**	**$ 1,726,699**

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**

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

2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds beginning of year	$ 1,030,375	$ 563,036	$ 1,593,411
Investment returns on endowments, net	125,782	62,793	188,575
Contributions and pledge payments received	(72)	14,904	14,832
Transfers to create funds functioning as endowment	15,018	18,755	33,773
Allocation of endowment spending	(80,118)	(23,889)	(104,007)
Total endowment funds before reclassification	1,090,985	635,599	1,726,584
Reclassification and transfer of net assets	-	115	115
Total endowment funds	**$ 1,090,985**	**$ 635,714**	**$ 1,726,699**

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**

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 two and three donor-restricted endowment funds as of June 30, 2025 and 2024, respectively, which together had an original gift value of $35,000 and $2,035,000, current fair values of $14,000 and $1,954,000, and deficiencies of $21,000 and $81,000, 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 17. 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, 2025 and 2024. This amount decreases over time as Barbados makes payments on the loan and is expected to reach zero in 2030. As of June 30, 2025 and 2024, 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, 2025 and 2024, the fair value of the related guarantee liability was approximately $1,046,000 and $1,448,000, respectively, which is included in deferred revenue and refundable advances in the accompanying consolidated statements of financial position.

Note 18. 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):

2025	**Controlling Interests**	**Noncontrolling Interests**	**Total**
Net assets without donor restrictions beginning of year	$ 6,270,679	$ 60,889	$ 6,331,568
Change in net assets from operating activities	124,360	(563)	123,797
Distributions to noncontrolling interests	-	(1,532)	(1,532)
Other changes in net assets from non-operating activities	173,815	563	174,378
Total net assets without donor restrictions	**$ 6,568,854**	**$ 59,357**	**$ 6,628,211**

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**

Note 19. Subsequent Event

Subsequent to year-end, The Conservancy entered into agreements with unrelated parties to purchase certain hydro-electric dams as part of a multi-year river restoration project. The Conservancy intends to assign the purchase agreements to a newly formed independent entity which will then acquire these dams with the intention that they be de-commissioned and ultimately removed to restore the ecology in the region. The Conservancy expects to fund a total of approximately $168,000,000 for the purchase of these dams, related transaction costs, and a capital reserve for the independent entity's operating costs. The Conservancy is committed to the multi-year river restoration from a conservation perspective and will remain involved in the project as a conservation advisor and partner. The de-commissioning and removal process is expected to take 8-10 years and may cost between $136,000,000 and $154,000,000. The exposure related to these costs will reside with the independent entity.