THE NATURE CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT AUDITORS

YEARS ENDED JUNE 30, 2022 AND 2021

THE NATURE CONSERVANCY
INDEX
JUNE 30, 2022 AND 2021

Report of Independent Auditors

To the Board of Directors of The Nature Conservancy

Opinion

We have audited the accompanying consolidated financial statements of The Nature Conservancy and its affiliates ("The Conservancy"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, including the related notes (collectively referred to as 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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.

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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with US 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 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.

PricewaterhouseCoopers LLP

Washington, DC
December 19, 2022

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021
Amounts in thousands

	2022	2021
Assets		
Cash and cash equivalents	$ 71,815	$ 116,054
Restricted cash and cash equivalents	61,220	47,675
Restricted short-term investments	35,432	35,578
Government grants and contracts receivable	33,052	20,754
Notes and other receivables, net	432,553	77,164
Deposits, prepaid expenses and other assets	36,137	93,058
Pledges receivable, net	226,835	233,861
Securities pledged under securities lending agreement	61,186	61,265
Non-conservation lands	12,758	10,712
Investments	3,370,373	3,360,086
Right of use assets	38,711	42,337
Property and equipment, net	151,184	151,504
Conservation lands	2,357,203	2,171,166
Conservation easements	2,454,771	2,415,002
Total assets	**$ 9,343,230**	**$ 8,836,216**
Liabilities		
Accounts payable and accrued liabilities	$ 143,324	$ 144,021
Payable under securities lending agreement	61,186	61,265
Deferred revenue and refundable advances	169,477	164,700
Lease liabilities	44,771	48,594
Bonds and notes payable – recourse	742,730	305,522
Bonds and notes payable – non-recourse	364,000	-
Split interest arrangements	211,243	222,853
Total liabilities	**$ 1,736,731**	**$ 946,955**
Net Assets		
Without donor restrictions, including noncontrolling interests of $62,585 in 2022 and $67,205 in 2021	$ 6,064,287	$ 6,251,576
With donor restrictions	1,542,212	1,637,685
Total net assets	**$ 7,606,499**	**$ 7,889,261**
Total liabilities and net assets	**$ 9,343,230**	**$ 8,836,216**

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

The Nature Conservancy
Consolidated Statement of Activities
Year Ended June 30, 2022
Amounts in thousands

Operating Activities	Without Donor Restrictions	With Donor Restrictions	Total
Contribution Revenues			
Dues and contributions	$ 338,892	$ 433,193	$ 772,085
Contributed goods and services	44,735	-	44,735
Contributed land and easements for conservation	45,724	-	45,724
Contributed non-conservation land	6,876	2,818	9,694
Government grants and contracts	126,320	-	126,320
Total contribution revenues	**562,547**	**436,011**	**998,558**
Sales of conservation land and easements	41,241	-	41,241
Investment returns on operating activities	(25,386)	-	(25,386)
Other income	99,954	-	99,954
Total revenues	**678,356**	**436,011**	**1,114,367**
Allocation of endowment spending	69,138	-	69,138
Net assets released from restriction	411,472	(411,472)	-
Total revenues and reclassifications	**$ 1,158,966**	**$ 24,539**	**$ 1,183,505**
Expenses			
Conservation activities and actions	$ 663,885	$ -	$ 663,885
Book value of conservation land and easements	58,269	-	58,269
Total program expenses	**722,154**	**-**	**722,154**
General and administration	182,336	-	182,336
Fundraising and membership	150,164	-	150,164
Total expenses	**$ 1,054,654**	**$ -**	**$ 1,054,654**
Change in net assets from operating activities	**$ 104,312**	**$ 24,539**	**$ 128,851**
Non-operating Activities			
Investment returns on endowments	$ (107,330)	$ (75,206)	$ (182,536)
Investment returns on other non-operating activities	(115,533)	(43,884)	(159,417)
Allocation of endowment spending to operations	(69,138)	-	(69,138)
Reclassification of net assets	787	(787)	-
Gain on swap agreements	9,211	-	9,211
Foreign exchange gains (losses)	(4,978)	(135)	(5,113)
Distributions to noncontrolling interests	(4,620)	-	(4,620)
Change in net assets from non-operating activities	**$ (291,601)**	**$ (120,012)**	**$ (411,613)**
Total change in net assets	**$ (187,289)**	**$ (95,473)**	**$ (282,762)**
Beginning net assets	6,251,576	1,637,685	7,889,261
Ending net assets	**$ 6,064,287**	**$ 1,542,212**	**$ 7,606,499**

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

The Nature Conservancy
Consolidated Statement of Activities
Year Ended June 30, 2021
Amounts in thousands

Operating Activities	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Contribution Revenues			
Dues and contributions	$ 328,430	$ 479,891	$ 808,321
Contributed goods and services	34,695	-	34,695
Contributed land and easements for conservation	34,791	-	34,791
Contributed non-conservation land	5,201	1,113	6,314
Government grants and contracts	104,790	-	104,790
Total contribution revenues	**507,907**	**481,004**	**988,911**
Sales of conservation land and easements	62,279	-	62,279
Investment returns on operating activities	44,876	-	44,876
Other income	99,351	4,151	103,502
Total revenues	**714,413**	**485,155**	**1,199,568**
Allocation of endowment spending	65,624	-	65,624
Net assets released from restriction	394,221	(394,221)	-
Total revenues and reclassifications	**$ 1,174,258**	**$ 90,934**	**$ 1,265,192**
Expenses			
Conservation activities and actions	$ 546,505	$ -	$ 546,505
Book value of conservation land and easements	73,722	-	73,722
Total program expenses	**620,227**	**-**	**620,227**
General and administration	160,199	-	160,199
Fundraising and membership	122,519	-	122,519
Total expenses	**$ 902,945**	**$ -**	**$ 902,945**
Change in net assets from operating activities	**$ 271,313**	**$ 90,934**	**$ 362,247**
Non-operating Activities			
Investment returns on endowments	$ 221,375	$ 118,194	$ 339,569
Investment returns on other non-operating activities	175,891	54,653	230,544
Allocation of endowment spending to operations	(65,624)	-	(65,624)
Reclassification of net assets	(994)	994	-
Gain on swap agreements	28,388	-	28,388
Foreign exchange gains (losses)	2,181	65	2,246
Contributions from noncontrolling interests	25,350	-	25,350
Change in net assets from non-operating activities	**$ 386,567**	**$ 173,906**	**$ 560,473**
Total change in net assets	**$ 657,880**	**$ 264,840**	**$ 922,720**
Beginning net assets	5,593,696	1,372,845	6,966,541
Ending net assets	**$ 6,251,576**	**$ 1,637,685**	**$ 7,889,261**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
Amounts in thousands

	Conservation Programs	General and Administration	Fundraising and Membership	Total Expenses
Salaries and benefits	$ 288,109	$ 102,956	$ 86,248	$ 477,313
Professional services	135,434	13,848	16,456	165,738
Grants and subawards	104,804	50	89	104,943
Travel	8,661	1,198	1,228	11,087
Publication, printing, and postage	6,538	331	34,342	41,211
Supplies and equipment	20,870	7,963	3,717	32,550
Depreciation and amortization	9,877	1,908	-	11,785
Interest	15,749	1,332	-	17,081
Occupancy	2,040	11,452	150	13,642
Contributed goods and services non-cash expenses	22,313	15,493	4,789	42,595
All other	49,490	25,805	3,145	78,440
	663,885	**182,336**	**150,164**	**996,385**
Book value of donated conservation land and easements	58,269	-	-	58,269
Total expenses	**$ 722,154**	**$ 182,336**	**$ 150,164**	**$ 1,054,654**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
Amounts in thousands

	Conservation Programs	General and Administration	Fundraising and Membership	Total Expenses
Salaries and benefits	$ 253,205	$ 103,202	$ 74,599	$ 431,006
Professional services	113,342	9,488	11,186	134,016
Grants and subawards	64,206	251	-	64,457
Travel	1,580	106	175	1,861
Publication, printing, and postage	5,510	299	27,953	33,762
Supplies and equipment	18,942	7,462	2,938	29,342
Depreciation and amortization	7,843	2,568	-	10,411
Interest	28,091	1,710	-	29,801
Occupancy	1,799	11,766	92	13,657
Contributed goods and services non-cash expenses	14,244	17,125	3,326	34,695
All other	37,743	6,222	2,250	46,215
	546,505	**160,199**	**122,519**	**829,223**
Book value of donated conservation land and easements	73,722	-	-	73,722
Total expenses	**$ 620,227**	**$ 160,199**	**$ 122,519**	**$ 902,945**

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

THE NATURE CONSERVANCY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021
Amounts in thousands

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	$ (282,762)	$ 922,720
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation and amortization	11,785	10,411
Contributed conservation land and easements	(45,724)	(34,791)
Losses on disposition of conservation lands and easements	17,028	11,588
Proceeds from sale of conservation land and easements	41,241	62,279
Purchases of conservation land and easements	(238,351)	(87,646)
Change in value of split interest investment	54,795	(73,858)
Change in value of swap agreements	9,211	28,388
Contributed securities	(42,032)	(181,129)
Proceeds from sale of contributed securities	40,761	195,831
Contributed non-conservation land and contributed funds to be held for long term purposes	(34,113)	(25,663)
Net (gain)/loss on investments	318,028	(562,710)
Changes in assets and liabilities		
Notes and other receivables	(3,292)	4,498
Pledges receivable, net	7,026	2,858
Deposits, prepaid expenses and other assets	56,921	(75,264)
Right of use assets	3,626	6,434
Accounts payable and accrued liabilities	(5,131)	8,727
Split interest arrangements payable	(11,610)	20,569
Lease liabilities	(3,823)	(6,152)
Non-conservation lands	7,539	7,777
Other changes	6,262	4,718
Net cash and cash equivalents provided by (used in) operating activities	**(92,615)**	**239,585**
Cash Flows from Investing Activities		
Proceeds from notes collections	11,199	3,758
Issuance of notes receivable	(365,043)	(10,955)
Proceeds from sale of endowment and capital investments	2,751,069	2,626,271
Purchases of endowment and capital investments	(3,137,874)	(2,767,146)
Purchases of property and equipment	(19,747)	(16,564)
Net cash and cash equivalents used in investing activities	**(760,396)**	**(164,635)**
Cash Flows from Financing Activities		
Proceeds from contribution for long term purpose	24,528	17,190
Purchases of split interest investments	(33,946)	(38,591)
Proceeds from split interest arrangements	30,482	32,764
Repayments of long-term debt	(26,866)	(176,031)
Proceeds from issuance of long-term debt	828,119	147,030
Net cash and cash equivalents provided by (used in) financing activities	**822,317**	**(17,639)**
Net increase (decrease) in cash, cash equivalents and restricted cash	**(30,694)**	**57,311**
Cash, cash equivalents and restricted cash at beginning of year	163,729	106,419
Cash, cash equivalents and restricted cash at end of year	**$ 133,035**	**$ 163,729**
Supplemental data		
Cash paid for interest	$ 10,431	$ 29,734

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 interests 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, and businesses–The Conservancy pursues solutions that protect and restore natural systems, use nature sustainably, and broaden support for conservation.

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 20 non-profit and 21 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 is a non-controlling partner but has substantive rights to significantly influence certain partnerships, it reflects such noncontrolling interests separately in net assets without donor restriction. 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 restriction–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 true endowment investment income), and other inflows of assets over which the Board of Directors of The Conservancy ("Board") has discretionary control. The Board or management may designate a portion of net assets for a specific purpose; however, these funds are classified as net assets without donor restriction. Noncontrolling interests in limited partnerships represent third-party limited partner ownership in partnerships for which The Conservancy serves as general partner. 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 restriction.

Net assets with donor restriction–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 true endowment investment income.

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

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 restriction. 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 a new 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 restriction to net assets without donor restriction for which purpose or time restriction has 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 as non-operating activities 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 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 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, 2022 and 2021, 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. As of June 30, 2022 and 2021, based on lack of observable price changes for identical or similar investments of the same issuer, no adjustments have been made.

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.

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, 2022 and 2021, contributed goods totaled $15,788,000 and $10,635,000, respectively, and contributed services totaled $28,947,000 and $24,060,000, 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 non-exchange 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 restriction. 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.

Revenues from exchange transactions with government agencies reflected as other income in the accompanying consolidated statements of activities totaled $3,414,000 and $3,872,000 for the years ended June 30, 2022 and 2021, respectively.

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 14 Conservation Land and Easements.

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

Conservation–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 domestic and international 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.

Other Accounting Policies

Disclosures related to specific items in the consolidated statements of financial position and consolidated statements of activities are included in the footnotes of these items.

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 relating to its unrelated business income activities, which were primarily generated by income from alternative investments in partnerships. 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 $22,870,000 and $19,379,000 for the years ended June 30, 2022 and 2021, respectively.

Subsequent Events

All subsequent events were evaluated through December 19, 2022, 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 positions, changes in net assets, or cash flows of The Conservancy as of and for the years ended June 30, 2022 and 2021.

Related Party Transactions

The Conservancy recorded $2,483,000 and $11,070,000 in contribution revenues from current and former Board members during the years ended June 30, 2022 and 2021, respectively, and $704,000 and $ 2,557,000, respectively, as pledges receivable from current and former Board members as of June 30, 2022 and 2021 in the accompanying consolidated statements of financial position. The Conservancy has an unsecured $10,000,000 zero-interest loan agreement payable in full in 2026 to a current Board member reflected in notes payable in the accompanying consolidated statements of financial position.

There are no conditional pledges from current and former Board members included in the accompanying consolidated financial statements.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which removes the requirement to disclose the valuation process for Level 3 fair value measurements and modifies other disclosures related to Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019 (fiscal year 2021); early adoption is permitted for any removed disclosures and entities are permitted to delay adoption of the additional disclosures until the effective date. The Conservancy partially adopted the removal of disclosures as of June 30, 2019 and adopted the remaining provisions as of June 30, 2021.

In August 2018, the FASB issued ASU 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15). The ASU provides guidance related to implementation, setup, and other costs incurred in a cloud computing arrangement that is hosted by a vendor and thus deemed a service contract. Under the new guidance, capitalization requirements for implementation costs associated with cloud computing arrangements have been aligned with the capitalization requirements for internal-use software governed by ASC 350-40, *Internal-Use Software*. The amendment dictates that certain costs incurred during the application development stage, such as configuration and customization costs, may be capitalized. Costs incurred in the preliminary project stage or the post implementation stage are not eligible for capitalization and must be expensed as incurred. The amendment also addresses the financial statement presentation of capitalized costs as well as amortization and impairment considerations. ASU 2018-15 is effective for fiscal years beginning after December 15, 2020 (fiscal year 2022). The Conservancy adopted this standard as of June 30, 2022 and noted no material impact on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance and expedients for applying GAAP to contracts and other transactions affected by reference rate reform if certain criteria are met. The amendments are intended to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are elective and are effective upon issuance. The Conservancy has evaluated the effect that the adoption of this standard will have on its consolidated financial statements and has noted no material impact.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of contributed nonfinancial assets by category along with qualitative information about the monetization of such assets, donor restrictions, and valuation techniques. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 (fiscal year 2022). The Conservancy adopted this standard as of June 30, 2022 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):

		2022		**2021**
Cash and cash equivalents	$	71,815	$	116,054
Government grants and contract receivables		33,052		20,754
Current notes and other receivables for operations		40,598		50,612
Pledge payments available for operations		128,368		146,563
Working capital investments		220,731		279,963
Board approved appropriation for endowment spending		73,516		55,203
Total financial assets available within one year	**$**	**568,080**	**$**	**669,149**
Additional liquidity resources:				
Bank line of credit	$	64,000	$	60,000
Private foundation line of credit		634		634
Total financial assets and liquidity resources available within one year	**$**	**632,714**	**$**	**729,783**

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 $977,998,000 and $1,128,318,000 of Board-designated net assets as of June 30, 2022 and 2021, 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–such as for opportunistic acquisition of conservation land and easements–The Conservancy maintains lines of credit with a bank and a private foundation that are drawn upon as needed. The bank line of credit increased to $100,000,000 as of June 30, 2022 from $60,000,000 as of June 30, 2021, and the private foundation line of credit was $20,000,000 at both June 30, 2022 and 2021. As of June 30, 2022 and 2021, there were outstanding balances of $36,000,000 and $0, respectively, on the bank line of credit, and there was an outstanding balance of $19,366,000 at both June 30, 2022 and 2021 on the private foundation line of credit.

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, 2022 and 2021, The Conservancy had $75,504,000 and $74,955,000, 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):

	2022	2021
Cash and cash equivalents	$ 71,815	$ 116,054
Restricted cash and cash equivalents	61,220	47,675
Total cash, cash equivalents, and restricted cash	**$ 133,035**	**$ 163,729**

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

Restricted cash, cash equivalents, and 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):

	2022	2021
Cash held in trust for mitigation agreements	$ 61,220	$ 47,675
Total restricted cash and cash equivalents	**$ 61,220**	**$ 47,675**
Certificates of deposit held in trust for mitigation agreements	$ 30,111	$ 30,261
Certificates of deposit to satisfy reserve requirements under charitable gift annuity agreement	250	249
Highly liquid U.S. government and cash instruments under collateral arrangement	5,071	5,068
Total restricted short-term investments	**$ 35,432**	**$ 35,578**

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 $14,801,000 and $20,340,000 as of June 30, 2022 and 2021, respectively, are reflected within deferred revenue and refundable advances on the consolidated statements of financial position.

The Conservancy had $315,035,000 and $242,047,000 in conditional government grants and contracts as of June 30, 2022 and 2021, respectively.

Note 6. Notes and Other Receivables

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

	2022	2021
Notes receivable, net allowance for doubtful accounts and accrued interest	$ 391,809	$ 27,414
Advances to federal, state, and local grant subaward recipients	1,280	1,107
Bequests receivable	11,250	16,300
Other receivables, net allowance for doubtful accounts	28,214	32,343
Total notes and other receivables	**$ 432,553**	**$ 77,164**

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 with a per-annum interest rate of 3.00% from issuance in

November 2021 through October 2022, 3.55% from October 2022 to October 2023, 5.15% from October 2023 to October 2025, and 6.04% from October 2025 through maturity. The note receivable matures in October 2040, with payments of principal and accrued interest receivable semi-annually in April and October, with interest payments due beginning April of 2022, and principal payments due 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 16 under The Conservancy's Blue Bonds for Ocean Conservation Program.

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):

	2022	2021
Less than one year	$ 1,734	$ 2,569
One to five years	7,421	8,658
More than five years	379,978	16,099
	389,133	**27,326**
Plus: Accrued interest receivable	2,676	88
Total notes receivable and accrued interest	**$ 391,809**	**$ 27,414**

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 doubtful accounts by performing evaluations of accounts receivable and notes receivable, including factors such as the financial condition of borrowers 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):

	2022	2021
Deposits on conservation land and easements	$ 1,175	$ 81,757
Prepaid expenses	9,595	6,805
Other assets	25,367	4,496
Total deposits, prepaids and other assets	**$ 36,137**	**$ 93,058**

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 at the balance sheet 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 $7,026,000 and $2,858,000 of decreases in pledges receivable reflected in the accompanying statements of financial position as of June 30, 2022 and 2021, respectively. 2022 and 2021 activities comprised of new pledges of $200,954,000 and $168,511,000, pledge payments of $197,780,000 and $174,256,000, and $3,980,000 net increase and $1,809,000 net decrease in pledge discount and allowance, respectively.

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

	2022	2021
Less than one year	$ 137,996	$ 147,313
One to five years	105,915	99,804
More than five years	1,396	1,236
	245,307	**248,353**
Less: Discount of 4.75% in 2022 and 3.25% in 2021	(9,038)	(5,426)
Less: Allowance for doubtful accounts	(9,434)	(9,066)
Total pledges receivable, net	**$ 226,835**	**$ 233,861**

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

	2022	2021
Conservation programs and activities	$ 205,868	$ 219,789
Conservation land and easement acquisition and stewardship	9,080	11,367
Endowment	10,995	1,705
Other operating activities	892	1,000
Total pledges receivable, net	**$ 226,835**	**$ 233,861**

In addition, as of June 30, 2022 and 2021, 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):

	2022	2021
Raised matching funds	$ 31,441	$ 23,943
Land acquisition	18,171	39,117
Completion of conservation projects	18,778	23,550
Other	11,256	9,700
Total conditional pledges	**$ 79,646**	**$ 96,310**

Note 9. Securities Lending Agreement

The Conservancy lends certain securities in its investment portfolio to qualified borrowers on a short-term, fully collateralized basis in exchange for interest to help offset custodial fees. Collateral in the form of cash in US dollars, securities issued or guaranteed by the US government, or irrevocable letters of credit issued by banks independent of the borrowers is marked to market on a daily basis, and the borrower is required to deliver the difference between the daily market value of the collateral and 102% of the loaned securities original fair market value if denominated in US dollars or 105% if denominated in foreign currency. The lending agent, in its agreement with The Conservancy, guarantees the repayment of the loan in the event the borrower defaults. The Conservancy retains all the benefits of ownership including rights to dividends, interest, and other cash distributions pertaining to the loaned securities. The Conservancy also retains the right to redeem the loaned securities prior to the stipulated redemption date.

As of June 30, 2022 and 2021, The Conservancy recorded $61,186,000 and $61,265,000, respectively, in securities pledged under its securities lending agreement and equal amounts payable to the borrowers under the agreement. These amounts are reflected in assets and liabilities in the consolidated statements of financial position.

Note 10. Repurchase Agreements

The Conservancy may enter into repurchase agreements, under the terms of a Master Repurchase Agreement, 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 Master Repurchase Agreement, 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, 2022 and 2021, The Conservancy had an investment in a repurchase agreement with a gross value of $53,363,000 and $33,493,000, respectively, which is 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 agreement.

Note 11. 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, 2022 and 2021, contributed non-conservation lands as reflected in the accompanying consolidated statements of activities totaled $9,694,000 and $6,314,000, 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 valuation allowance 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):

	2022	2021
Fair value beginning of year	$ 10,712	$ 10,016
Transfers-in	9,585	8,473
Sales	(6,593)	(7,540)
Realized gain/(loss)	(537)	(188)
Unrealized gain/(loss)	(409)	(49)
Fair value end of year	**$ 12,758**	**$ 10,712**

Note 12. 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 as of February 2022 (previously overseen by the Board's Finance 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, 2022 and 2021 was 5% of the average fair market value of the previous 60 months. As of July 1, 2022, the spending rate changed to 5.75% 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 95 to 100 separate managers. To mitigate concentration of credit risk, The Conservancy's excess cash is invested with high quality institutions, the largest concentrations of which are invested in repurchase agreements (37% and 16%), commercial paper (30% and 24%), certificates of deposit (21% and 0%), U.S. Treasuries (8% and 8%), corporate bonds and notes (3% and 3%), asset-backed securities (1% and 0%), and money markets (0% and 49%) as of June 30, 2022 and 2021, respectively.

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, 2022 and 2021, the largest exposures in the Capital and Endowment Fund long term investments are 3% and 4%, respectively, in a single manager.

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

June 30, 2022	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Capital and endowment investments					
Short-term investments	$ 104,400	$ 922	$ -	$ -	$ 105,322
Repurchase agreements	-	53,363	-	-	53,363
Fixed income	24,995	347,359	-	76,426	448,780
Preferred securities	1,686	-	-	-	1,686
Exchange traded stock	104,805	-	-	-	104,805
Exchange traded funds	35,057	-	-	-	35,057
Closed end funds	57,888	-	-	-	57,888
Comingled equity funds	-	-	-	826,306	826,306
Comingled bond funds	-	-	-	1,109	1,109
Hedge funds	-	-	-	838,656	838,656
Private equity investments	-	-	-	443,209	443,209
Private real estate funds	-	-	-	139,099	139,099
Total capital and endowment investments	**$328,831**	**$401,644**	**$ -**	**$2,324,805**	**$ 3,055,280**
Split interest arrangements					
Split interest trusteed					
U.S. Agency Bonds	$ 3	$ 1,490	$ -	$ -	$ 1,493
Mutual Funds	132,364	-	-	-	132,364
Real Estate	-	-	21,366	-	21,366
U.S. Treasuries	22,706	-	-	-	22,706
Short Term Investments	14,888	-	-	-	14,888
Exchange Traded Funds	110,639	-	-	-	110,639
Commingled Equity Funds	-	-	-	4,753	4,753
Split interest, non-trusted	-	-	35,881	-	35,881
Total split interest arrangements	**$280,600**	**$ 1,490**	**$57,247**	**$ 4,753**	**$ 344,090**
Total investments measured at fair value or using NAV as a practical expedient					**$ 3,399,370**

June 30, 2021	Level 1	Level 2	Level 3	NAV	Total
Capital and endowment investments					
Short-term investments	$ 60,290	$ 71,387	$ -	$ -	$ 131,677
Repurchase agreements	-	33,493	-	-	33,493
Fixed income	26,389	264,432	-	-	290,821
Preferred securities	1,755	-	-	-	1,755
Exchange traded stock	299,964	-	-	-	299,964
Exchange traded funds	3,396	-	-	-	3,396
Closed end funds	59,791	-	-	-	59,791
Comingled equity funds	-	-	-	822,752	822,752
Hedge funds	-	-	-	776,284	776,284
Private equity investments	-	-	-	339,553	339,553
Private real estate funds	-	-	-	122,310	122,310
Endowment investments	11,083	-	-	479	11,562
Total capital and endowment investments	**$462,668**	**$369,312**	**$ -**	**$ 2,061,378**	**$ 2,893,358**
Derivative liabilities	**$ (6)**	**$ -**	**$ -**	**$ -**	**$ (6)**
Split interest arrangements					
Split interest trusteed					
U.S. Agency Bonds	$ 6	$ 3,097	$ -	$ -	$ 3,103
Mutual Funds	180,957	-	-	-	180,957
Real Estate	-	-	18,760	-	18,760
U.S. Treasuries	12,396	-	-	-	12,396
Short Term Investments	4,311	-	-	-	4,311
Exchange Traded Funds	41,902	-	-	-	41,902
Municipals	-	-	-	-	-
Commingled Equity Funds	-	-	-	97,160	97,160
Split interest, non-trusted	-	-	37,396	-	37,396
Total split interest arrangements	**$239,572**	**$ 3,097**	**$ 56,156**	**$ 97,160**	**$ 395,985**
Total investments measured at fair value or using NAV as a practical expedient					**$ 3,289,337**

Of the $3,370,373,000 and $3,360,086,000 total investments in the accompanying consolidated statements of financial position as of June 30, 2022 and 2021, respectively, net investments not measured at fair value or reflected in the table above are as follows (in thousands):

	2022	2021
Equity method investment	$ 21,960	$ 22,244
Equity investment valued using the measurement alternative in ASC 320	11,853	8,990
Net investment receivables/payables and other	(62,810)	39,515
Total investments not measured at fair value	**$ (28,997)**	**$ 70,749**

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, 2022 **Category of Investments**	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Domestic equity funds	$ 330,433	$ 25,000	Monthly, Quarterly	30-60 days
Global equity funds	337,691	-	Weekly, monthly, quarterly, annually	5 business days, 7 days, 30 days, 90 days, 120 days
International equity funds	150,374	-	Monthly, quarterly, semi-annually	10 business days, 30 days, 60 days, 90 days, 180 days
Bond Funds	76,426	8,500	Quarterly	90 days
Hedge funds	838,656	1,500	Quarterly, annually	60-12 days
Private equity funds	443,209	288,847	N/A	N/A
Real estate funds	139,099	28,034	N/A	N/A
Commingled equity funds	12,561	-	N/A	N/A
Commingled bond funds	1,109	-	N/A	N/A
Total investments valued using NAV	**$ 2,329,558**	**$ 351,881**		

June 30, 2021 Category of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity funds	$ 263,880	$ -	Monthly, Quarterly	30-60 days
Global equity funds	391,911	-	Weekly, monthly, quarterly, annually	7 days, 10 business days, 30 days, 90 days
International equity funds	166,961	-	Monthly, quarterly, semi-annually	10 business days, 30 days, 60 days, 90 days, 180 days
Hedge funds	776,284	3,000	Monthly, quarterly, semi-annually, annually, biennially, rolling 2, 3 & 4 years	30 - 90 days
Private equity funds	339,553	193,007	N/A	N/A
Real estate funds	122,310	54,344	N/A	N/A
Endowment	479	-	N/A	N/A
Commingled equity funds	97,160	-	N/A	N/A
Total investments valued using NAV	**$ 2,158,538**	**$ 250,351**		

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, 2022 and 2021 are not accounted for as hedging instruments under GAAP.

The Conservancy's interest rate swap arrangements have inputs which can generally be corroborated by observable market data and are therefore classified within Level 2. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The valuation methods described above may produce fair value calculations that may not be indicative of net realized value or reflective of future fair values. The Conservancy believes the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The fair value of these interest rate swap agreements is reflected in the accompanying consolidated statements of financial position as accounts payable and accrued liabilities. No collateral is required to be posted/received for the interest rate swaps.

Swap contracts expose The Conservancy to credit risk arising from the potential inability of counterparties to perform under the terms of the contracts. The notional amounts of these contracts do not represent The Conservancy's risk of loss due to counterparty nonperformance. The Conservancy's exposure to credit risk associated with counterparty nonperformance for these contracts is limited to the fair value of such contracts and any related collateral placed with the counterparty, after enforcing any master netting agreements with counterparties that allow The Conservancy to offset amounts owed by the counterparty with amounts payable to the same counterparty. The International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements that govern and establish terms for the over-the-counter swaps provide The Conservancy with legal right of setoff that is enforceable under law.

Activity and balances related to swap instruments held are as follows as of June 30:

June 30, 2022

Counterparty	Original Notional	Notional at 6/30/2022	Type	Trade Date	Maturity Date	Fixed Rate	Floating Rate	Fair Value (in thousands)*
Morgan Stanley	62,000,000	62,000,000	IRS - Fixed/Pay	4/4/2019	2/1/2029	4.2%	100% of 3 mo USD LIBOR	$ (4,603)
							Total Fair Value of Swaps	$ (4,603)

June 30, 2021

Counterparty	Original Notional	Notional at 6/30/2021	Type	Trade Date	Maturity Date	Fixed Rate	Floating Rate	Fair Value (in thousands)*
Morgan Stanley	62,000,000	62,000,000	IRS - Fixed/Pay	4/4/2019	2/1/2029	4.2%	100% of 3 mo USD LIBOR	$ (13,909)
							Total Fair Value of Swaps	$ (13,909)

*Includes credit valuation adjustment

Note 13. 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 $66,513,000 and $60,923,000 were fully depreciated as of June 30, 2022 and 2021, 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):

	2022	2021
Land for operations	$ 8,016	$ 8,016
Construction in progress	26,444	18,937
Buildings and improvements	196,604	193,711
Computer equipment and software	41,437	41,437
Furniture, fixtures, and other	34,472	35,765
	306,973	**297,866**
Less: Accumulated depreciation and amortization	(155,789)	(146,362)
Total property and equipment, net	**$ 151,184**	**$ 151,504**

Note 14. 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 and other purchase commitments that have not closed totaling $141,488,000 and $98,876,000 as of June 30, 2022 and 2021, respectively.

Note 15. 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 $2,899,000 and $1,822,000 for the years ended June 30, 2022 and 2021, respectively.

Future fixed lease income under noncancelable operating leases is as follows as of June 30, 2022 (in thousands):

2023	$ 3,021
2024	2,468
2025	1,800
2026	1,696
2027	1,153
Thereafter	5,184
Total	**$ 15,322**

Lessee commitments

The Conservancy's lessee commitments predominantly consist of operating leases for office buildings and equipment. Right-of-use assets were $38,711,000 and $42,337,000, and lease liabilities were $44,771,000 and $48,594,000 as of June 30, 2022 and 2021, respectively. The weighted-average discount rate used to calculate the present value of future minimum lease payments was 3.50% for 2022 and 3.65% for 2021.

Lease terms may contain renewal and extension options and early termination features. The weighted-average lease terms were 6.55 and 7.18 years as of June 30, 2022 and 2021, respectively.

Lease expenses consist of the following for the years ended June 30, 2022 and 2021 (in thousands):

	2022	2021
Operating lease expense (cost resulting from lease payments)	$ 12,873	$ 12,883
Short-term lease expense	516	621
Variable lease expense	1,220	1,024
Less: Sublease income	(964)	(218)
Total lease expense	**$ 13,645**	**$ 14,310**

The total cash payments for operating leases were $14,561,000 and $14,936,000, and noncash additions to operating lease assets were $5,351,000 and $2,178,000 for the years ended June 30, 2022 and 2021, respectively.

Maturity analysis of future minimum lease payments for all operating leases are shown as follows as of June 30, 2022 (in thousands):

2023	$ 10,595
2024	8,832
2025	7,138
2026	5,840
2027	5,195
Thereafter	13,347
	50,947
Less: net present value adjustment	(5,931)
Present value of total minimum lease payments	**$ 45,016**

As of June 30, 2022, The Conservancy has two additional operating leases for office buildings that have not yet commenced with estimated right-of-use assets of approximately $325,000 and lease liabilities of approximately $317,000 to be recognized upon the anticipated lease commencements in July and August 2022.

Note 16. Bonds and Notes Payable

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

	Interest Rate	Maturity	2022	2021
Revenue Bonds				
Series 2019A, Taxable, Unsecured	4.50%	February 2049	$ 40,000	$ 40,000
Series 2019B, Taxable, Unsecured	2.37%	February 2024	62,000	62,000
Series 2021A, Taxable, Unsecured	0.37%-1.86%	July 2022-July 2033	119,738	135,000
Series 2022A Green Bonds,				
Taxable, Unsecured	3.96%	March 2052	350,000	-
Series 2022B, Taxable, Unsecured	2.45%-3.32%	March 2025-March 2033	62,000	-
Mortgages and loans	0%-3.00%	2022-2041	108,992	68,522
Bonds and notes payable - recourse			**742,730**	**305,522**
Notes payable - non-recourse	1.60%	October 2040	**364,000**	**-**
Total bonds and notes payable			**$ 1,106,730**	**$ 305,522**

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, 2022 and 2021.

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 and Series 2022B bonds totaling $62,000,000. 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 with a per-annum interest rate of 1.60% from issuance in November 2021 through October 2022, 2.10% from October 2022 to October 2023, 3.60% from October 2023 to October 2025, and 4.47% from October 2025 through maturity. The loan matures in October 2040, with payments of principal and accrued interest payable semi-annually in April and October, with interest payments due beginning April of 2022, and principal payments due beginning April of 2032.

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):

2023	$	58,005
2024		93,090
2025		19,037
2026		31,222
2027		18,326
Thereafter		887,050
Total bonds and notes payable	**$**	**1,106,730**

Interest expense incurred on total bonds and notes payable for the years ended June 30, 2022 and 2021 was $17,057,000 and $30,084,000, respectively.

Note 17. Split Interest Arrangements

The Conservancy enters into split interest arrangements whereby donations are held in trust by The Conservancy or third-party trustees and invested. Agreed-upon amounts or percentages of the invested funds are payable to the donor or the donor's designee for a specified period of time or until the donor's death, after which time The Conservancy may use the investments for operations or a restricted use specified by the donor.

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 subsequent sales price. 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 12 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):

		2022		2021
Fair value beginning of year	$	56,156	$	53,488
Purchases		432		3,681
Transfers-in		6,066		3,871
Sales		(4,466)		(5,903)
Realized gain/(loss)		449		(2)
Unrealized gain/(loss)		(1,390)		1,021
Fair value end of year	**$**	**57,247**	**$**	**56,156**

A liability for split interest obligation is recorded for the actuarially-determined present value of the estimated future payments to be made to the beneficiaries.

The Conservancy utilizes the 2012 Individual Annuity Reserving table to actuarially calculate the liability associated with the estimated donor payments 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 1% to 9%. 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.

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

	2022	2021
Payable under charitable gift annuities	$ 102,484	$ 100,784
Payable under charitable remainder trusts	81,252	97,967
Payable under pooled income funds	2,111	2,819
Payable under unsold unitrusts	25,396	21,283
Total split interest arrangements payable	**$ 211,243**	**$ 222,853**

Note 18. Net Assets

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

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 342,893	$ -	$ 342,893
Board-designated funds functioning as endowment	977,998	-	977,998
Land preservation fund	210,239	178,202	388,441
Land, easements, and capital funds	4,465,193	308,587	4,773,780
Restricted for specific purposes	-	461,735	461,735
Split interest arrangements	5,379	131,140	136,519
Contributed long-lived assets to create permanent endowments	-	996	996
Invested in perpetuity, subject to endowment spending policy	-	461,552	461,552
Total net assets before other	**6,001,702**	**1,542,212**	**7,543,914**
Non-controlling interests	62,585	-	62,585
Total net assets	**$ 6,064,287**	**$ 1,542,212**	**$ 7,606,499**

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 407,365	$ -	$ 407,365
Board-designated funds functioning as endowment	1,128,318	-	1,128,318
Land preservation fund	164,561	176,849	341,410
Land, easements, and capital funds	4,478,748	384,705	4,863,453
Restricted for specific purposes	-	376,562	376,562
Split interest arrangements	5,379	170,521	175,900
Contributed long-lived assets to create permanent endowments	-	436	436
Invested in perpetuity, subject to endowment spending policy	-	528,612	528,612
Total net assets before other	**6,184,371**	**1,637,685**	**7,822,056**
Non-controlling interests	67,205	-	67,205
Total net assets	**$ 6,251,576**	**$ 1,637,685**	**$ 7,889,261**

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 both donor-restricted endowment funds and funds designated by the Board to function as endowment. Board-designated funds functioning as endowment represent funds (subject to the spending policy and appropriation) that have been set aside to support a variety of purposes including funding programs and supporting services. 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 12.

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, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Invested in perpetuity, subject to endowment spending policy	$ -	$ 461,552	$ 461,552
Board-designated funds functioning as endowment	977,998	-	977,998
Total endowment funds	**$ 977,998**	**$ 461,552**	**$ 1,439,550**

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Invested in perpetuity, subject to endowment spending policy	$ -	$ 528,612	$ 528,612
Board-designated funds functioning as endowment	1,128,318	-	1,128,318
Total endowment funds	**$ 1,128,318**	**$ 528,612**	**$ 1,656,930**

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

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds beginning of year	$ 1,128,318	$ 528,612	$ 1,656,930
Investment returns on endowments, net	(107,330)	(75,206)	(182,536)
Contributions and pledge payments received	(424)	24,389	23,965
Transfers to create funds functioning as endowment	5,819	4,404	10,223
Allocation of endowment spending	(69,138)	-	(69,138)
Net assets released from restrictions	20,753	(20,753)	-
Total endowment funds before reclassification	977,998	461,446	1,439,444
Reclassification and transfer of net assets	-	106	106
Total endowment funds	**$ 977,998**	**$ 461,552**	**$ 1,439,550**

2021	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment funds beginning of year	$ 940,453	$ 406,947	$ 1,347,400
Investment returns on endowments, net	221,375	118,194	339,569
Contributions and pledge payments received	375	17,587	17,962
Matching fund to donor restricted true endowment	-	505	505
Transfers to create funds functioning as endowment	14,918	1,220	16,138
Allocation of endowment spending	(65,624)	-	(65,624)
Net assets released from restrictions	16,821	(16,821)	-
Total endowment funds before reclassification	1,128,318	527,632	1,655,950
Reclassification and transfer of net assets	-	980	980
Total endowment funds	**$ 1,128,318**	**$ 528,612**	**$ 1,656,930**

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 twenty-two and two donor-restricted endowment funds as of June 30, 2022 and 2021, respectively, which together had an original gift value of $14,223,000 and $35,000, current fair values of $13,047,000 and $15,000, and deficiencies of $1,176,000 and $20,000, 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 19. Noncontrolling Interests

The Conservancy is a general partner in partnerships in which third parties have noncontrolling equity investments, which are separately presented on the consolidated statements of position as a component of net assets without donor restriction.

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

2022	**Controlling Interests**	**Noncontrolling interests**	**Total**
Net assets without donor restrictions beginning of year	$ 6,184,371	$ 67,205	$ 6,251,576
Change in net assets from operating activities	104,312	(849)	103,463
Distributions from noncontrolling interests	-	(4,620)	(4,620)
Other changes in net assets from non-operating activities	(286,981)	849	(286,132)
Total net assets without donor restrictions	**$ 6,001,702**	**$ 62,585**	**$ 6,064,287**

2021	Controlling Interests	Noncontrolling interests	Total
Net assets without donor restrictions beginning of year	$ 5,551,841	$ 41,855	$ 5,593,696
Change in net assets from operating activities	271,967	(654)	271,313
Contributions from noncontrolling interests	-	25,350	25,350
Other changes in net assets from non-operating activities	360,563	654	361,217
Total net assets without donor restrictions	**$ 6,184,371**	**$ 67,205**	**$ 6,251,576**

Note 20. Subsequent Event

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 on Barbados' $150,000,000 term loan, of which IADB guarantees $100,000,000, and The Conservancy guarantees $50,000,000. Subsequent to the year ended June 30, 2022, The Conservancy recorded a related guarantee liability with a fair value of approximately $2,100,000.