

# **The Conservation Fund, a Nonprofit Corporation (Parent Only)**

Combined Financial Report  
December 31, 2020

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## Independent Auditor's Report

Board of Directors  
The Conservation Fund, a Nonprofit Corporation

### Report on the Financial Statements

We have audited the accompanying combined financial statements of The Conservation Fund, a Nonprofit Corporation and Affiliate (the Organization), which comprise the combined statements of financial position as of December 31, 2020 and 2019, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Conservation Fund, a Nonprofit Corporation and Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the accompanying financial statements are those of The Conservation Fund, a Nonprofit Corporation (parent company) and a certain affiliate, Sustainable Conservation, Inc., and are not those of the primary reporting entity, which include another affiliate, Natural Capital Investment Fund, Inc. The combined financial statements of The Conservation Fund, a Nonprofit Corporation (parent company) and all its affiliates have been issued as the general purpose financial statements of the primary reporting entity and should be read in conjunction with these financial statements. Our opinion is not modified with respect to this matter.

*RSM US LLP*

McLean, Virginia  
April 15, 2021

**The Conservation Fund, a Nonprofit Corporation (Parent Only)**

**Combined Statements of Financial Position  
December 31, 2020 and 2019  
(In Thousands)**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 88,373	\$ 100,871
Restricted cash and cash equivalents	99,495	122,887
Investments	29,725	64,025
Receivables	5,213	7,562
Notes receivable, net	31,589	33,365
Promises to give, net	3,285	3,186
Other assets	8,872	2,129
Property and equipment, net	2,255	2,299
Conservation land	687,333	638,257
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<b>Total assets</b>	<b>\$ 956,140</b>	<b>\$ 974,581</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,026	\$ 11,869
Deferred revenue and refundable advances	112,156	159,605
Due to an affiliate	125	-
Amounts due to other nonprofit organizations and government agencies	62,984	57,709
Bonds and notes payable, net	276,507	263,017
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<b>Total liabilities</b>	<b>468,798</b>	<b>492,200</b>
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions:		
The Organization	239,257	238,844
Noncontrolling interest in White Pine Forest, LLC	5,596	-
	<hr/>	<hr/>
	<b>244,853</b>	<b>238,844</b>
With donor restrictions	242,489	243,537
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<b>Total net assets</b>	<b>487,342</b>	<b>482,381</b>
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<b>Total liabilities and net assets</b>	<b>\$ 956,140</b>	<b>\$ 974,581</b>

See notes to combined financial statements.

**The Conservation Fund, a Nonprofit Corporation (Parent Only)**

**Combined Statements of Activities  
Year Ended December 31, 2020  
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
Real estate activities:			
Support and revenue			
Contributions and grants	\$ 28,230	\$ 30,829	\$ 59,059
Land contributed for conservation	7,526	-	7,526
Contract income	13,309	-	13,309
Investment and other program income	43,582	-	43,582
Sales of conservation land to others	106,442	-	106,442
Net assets released from restrictions	31,270	(31,270)	-
	<u>230,359</u>	<u>(441)</u>	<u>229,918</u>
Non-real estate activities:			
Support and revenue			
Contributions and grants	6,337	8,045	14,382
Contract income	4,502	-	4,502
Investment and other program income	15,289	-	15,289
Net assets released from restrictions	8,652	(8,652)	-
	<u>34,780</u>	<u>(607)</u>	<u>34,173</u>
<b>Total support and revenue</b>	<u>265,139</u>	<u>(1,048)</u>	<u>264,091</u>
Expenses:			
Program services:			
Real estate programs	236,855	-	236,855
Non-real estate programs	18,123	-	18,123
<b>Total program services</b>	<u>254,978</u>	<u>-</u>	<u>254,978</u>
Supporting services:			
Management and general	6,308	-	6,308
Fundraising	3,512	-	3,512
<b>Total supporting services</b>	<u>9,820</u>	<u>-</u>	<u>9,820</u>
<b>Total expenses</b>	<u>264,798</u>	<u>-</u>	<u>264,798</u>
<b>Change in net assets</b>	<u>341</u>	<u>(1,048)</u>	<u>(707)</u>
Net assets, beginning of year	<u>238,844</u>	<u>243,537</u>	<u>482,381</u>
Capital contribution by noncontrolling interest	<u>5,668</u>	<u>-</u>	<u>5,668</u>
Net assets, end of year	<u>\$ 244,853</u>	<u>\$ 242,489</u>	<u>\$ 487,342</u>

See notes to combined financial statements.

**The Conservation Fund, a Nonprofit Corporation (Parent Only)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Real estate activities:</b>			
Support and revenue			
Contributions and grants	\$ 10,517	\$ 25,034	\$ 35,551
Land contributed for conservation	3,074	-	3,074
Contract income	4,809	-	4,809
Investment and other program income	19,441	-	19,441
Sales of conservation land to others	118,621	-	118,621
Net assets released from restrictions	31,267	(31,267)	-
	<u>187,729</u>	<u>(6,233)</u>	<u>181,496</u>
<b>Non-real estate activities:</b>			
Support and revenue			
Contributions and grants	7,335	11,456	18,791
Contract income	8,711	-	8,711
Investment and other program income	15,930	-	15,930
Net assets released from restrictions	7,242	(7,242)	-
	<u>39,218</u>	<u>4,214</u>	<u>43,432</u>
<b>Total support and revenue</b>	<u>226,947</u>	<u>(2,019)</u>	<u>224,928</u>
<b>Expenses:</b>			
Program services:			
Real estate programs	188,941	-	188,941
Non-real estate programs	21,713	-	21,713
<b>Total program services</b>	<u>210,654</u>	<u>-</u>	<u>210,654</u>
Supporting services:			
Management and general	5,232	-	5,232
Fundraising	3,613	-	3,613
<b>Total supporting services</b>	<u>8,845</u>	<u>-</u>	<u>8,845</u>
<b>Total expenses</b>	<u>219,499</u>	<u>-</u>	<u>219,499</u>
<b>Change in net assets</b>	<u>7,448</u>	<u>(2,019)</u>	<u>5,429</u>
Net assets, beginning of year	<u>231,396</u>	<u>245,556</u>	<u>476,952</u>
Net assets, end of year	<u>\$ 238,844</u>	<u>\$ 243,537</u>	<u>\$ 482,381</u>

See notes to combined financial statements.

**The Conservation Fund, a Nonprofit Corporation (Parent Only)**

**Combined Statement of Functional Expenses  
Year Ended December 31, 2020  
(In Thousands)**

	Program Services			Supporting Services		
	Real Estate Programs	Non-Real Estate Programs	Total Program Services	Management and General	Fundraising	Total
Personnel and fringe benefits	\$ 14,521	\$ 7,090	\$ 21,611	\$ 4,084	\$ 2,270	\$ 27,965
Contractual services	14,624	576	15,200	464	177	15,841
Grants	19,324	7,182	26,506	14	-	26,520
Postage, printing and photo	159	58	217	36	87	340
Equipment, supplies and depreciation	604	300	904	259	158	1,321
Occupancy	1,064	415	1,479	200	118	1,797
Insurance	374	160	534	76	44	654
Taxes	1,886	-	1,886	-	-	1,886
Travel	192	61	253	50	21	324
Interest	9,076	-	9,076	-	-	9,076
Accelerated notes payable discount	162	-	162	-	-	162
Acquisition costs	3,333	78	3,411	37	22	3,470
Other	7,015	2,203	9,218	1,088	615	10,921
Book value of conservation land donated	38,088	-	38,088	-	-	38,088
Provision for conservation easements	13,537	-	13,537	-	-	13,537
Book value of conservation land sold	112,896	-	112,896	-	-	112,896
<b>Total expenses</b>	<b>\$ 236,855</b>	<b>\$ 18,123</b>	<b>\$ 254,978</b>	<b>\$ 6,308</b>	<b>\$ 3,512</b>	<b>\$ 264,798</b>

See notes to combined financial statements.



**The Conservation Fund, a Nonprofit Corporation (Parent Only)**

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

	Program Services			Supporting Services		
	Real Estate Programs	Non-Real Estate Programs	Total Program Services	Management and General	Fundraising	Total
Personnel and fringe benefits	\$ 14,303	\$ 6,515	\$ 20,818	\$ 3,157	\$ 2,184	\$ 26,159
Contractual services	6,909	1,954	8,863	1,281	734	10,878
Grants	17,433	11,110	28,543	-	-	28,543
Postage, printing and photo	266	124	390	54	97	541
Equipment, supplies and depreciation	610	314	924	158	129	1,211
Occupancy	1,247	500	1,747	178	133	2,058
Insurance	363	142	505	50	37	592
Taxes	1,885	2	1,887	1	-	1,888
Travel	916	372	1,288	151	124	1,563
Interest	5,022	-	5,022	-	-	5,022
Accelerated notes payable discount	1,206	-	1,206	-	-	1,206
Acquisition costs	4,125	113	4,238	40	29	4,307
Other	1,135	567	1,702	162	146	2,010
Book value of conservation land donated	12,103	-	12,103	-	-	12,103
Provision for conservation easements	4,311	-	4,311	-	-	4,311
Book value of conservation land sold	117,107	-	117,107	-	-	117,107
<b>Total expenses</b>	<b>\$ 188,941</b>	<b>\$ 21,713</b>	<b>\$ 210,654</b>	<b>\$ 5,232</b>	<b>\$ 3,613</b>	<b>\$ 219,499</b>

See notes to combined financial statements.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Combined Statements of Cash Flows Years Ended December 31, 2020 and 2019 (In Thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (707)	\$ 5,429
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	212	241
Amortization of debt issuance costs	74	19
Provision for losses on notes receivable and bad debt write-offs	(93)	(1,216)
Contributions from implied interest discount, net	(650)	(3,727)
Donated conservation land to Organization	(7,526)	(3,074)
Donated conservation land from Organization	1,032	8,221
Losses on disposition of land, easements and others	13,537	4,311
Accelerated notes payable discount	162	1,206
Deferred rent	(53)	(24)
Net realized and unrealized gains on investments	(832)	(1,386)
(Increase) decrease in operating activities:		
Receivables	2,349	(2)
Promises to give	(99)	(3,083)
Other assets	(6,743)	(1,935)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,210	2,523
Deferred revenue and refundable advances	(47,449)	99
Due to affiliate	125	-
Amounts due to other nonprofit organizations and government agencies	5,275	5,449
Additional cash provided by (used in) conservation land projects:		
Proceeds from disposition of conservation land held	106,458	118,741
Acquisition of conservation land projects	(162,577)	(214,570)
<b>Net cash used in operating activities</b>	<b>(92,295)</b>	<b>(82,778)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(168)	(38)
Purchases of investments	(7,486)	(77,185)
Proceeds from sale of investments	42,618	86,082
Issuance of notes receivable	(10,632)	(11,260)
Repayments of principal on notes receivable	12,501	35,588
<b>Net cash provided by investing activities</b>	<b>36,833</b>	<b>33,187</b>
Cash flows from financing activities:		
Capital contribution received - noncontrolling interest	5,668	-
Proceeds from long-term debt	33,896	192,968
Repayment of long-term debt	(19,992)	(51,094)
Debt issuance costs	-	(754)
<b>Net cash provided by financing activities</b>	<b>19,572</b>	<b>141,120</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(35,890)</b>	<b>91,529</b>
Cash and cash equivalents, and restricted cash:		
Beginning	223,758	132,229
Ending	\$ 187,868	\$ 223,758
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 5,547	\$ 2,338

See notes to combined financial statements.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 1. Nature of Activities and Significant Accounting Policies

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

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

In May 2020, TCF formed White Pine Forest, LLC (WPF) to engage in the business of acquiring, owning and conserving certain real estate. TCF initially acquired 100% of the membership interest in WPF. In June 2020, TCF sold a 25% membership interest to an unrelated nonprofit entity, and retained a 75% membership interest in WPF. TCF retains control through its majority ownership and managing member; therefore combined financial statements have been prepared for the entities in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

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

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

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

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

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

**Basis of presentation:** These combined financial statements are not intended to be the general purpose financial statements of TCF and have been prepared in conformity with accounting principles that would otherwise be considered a departure from U.S. GAAP because certain affiliated organizations are not combined. An affiliate of TCF whose financial activities are not included in these combined financial statements of TCF is Natural Capital Investment Fund, Inc. (NCIFund).

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

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

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

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

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

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

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

Cash and cash equivalents consist of amounts in institutional money market funds and total \$15,965 and \$1,652 at December 31, 2020 and 2019, respectively. The Organization maintains its cash in various operating bank deposit accounts, which, at times, may exceed federally insured limits. The interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

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

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

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

TCF holds less than a 6% interest as a limited partner in a real estate partnership. In accordance with the FASB ASC for nonmarketable securities, TCF accounts for the investment at cost less any impairment as TCF neither controls nor can exercise significant influence over the investee's operating and financial policies. The initial investment was \$1,000 and decreased by distributions received in prior years, for a net cost basis of \$525 and \$645 at December 31, 2020 and 2019, respectively.

**Receivables and promises to give:** Unconditional promises to give are recognized as support in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at their net present realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses a 3% discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Receivables also include allowable costs in excess of amounts collected on federal and state grants. Such recoverable costs are billable and a receivable recorded when the underlying expenditures are recognized. Receivables and promises to give due in less than one year are reported at their outstanding balance. Receivables and promises to give due beyond one year are carried at present value less an estimate made for doubtful promises based on a review of all outstanding promises on a periodic basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering the prior history of the donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful promises at December 31, 2020 and 2019.

**Notes receivable and allowance for possible losses:** The Organization provides loans to various land trusts and other entities for the acquisition of conservation lands and easements and completion of other projects. Notes receivable are carried at unpaid principal balances less an allowance for loan losses. Management provides for estimates of possible losses through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loans, the borrower's ability to repay and current economic conditions. The evaluation of the allowance is inherently subjective, and it is reasonably possible that a change in the estimate would occur in the near term, as additional information becomes available. The Organization has recorded an allowance of \$1,663 or 5% and \$1,756 or 5% as of December 31, 2020 and 2019, for conservation loans, respectively.

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

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

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

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

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

**Valuation of long-lived assets:** The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell. The Organization had no impairments of long-lived assets during the years ended December 31, 2020 and 2019.

**Amounts due to other nonprofit organizations and government agencies:** Amounts due to other nonprofit organizations and government agencies are a result of agreements or commitments the Organization has with respect to certain real estate parcels it holds. These principally reflect cases where the Organization has entered into cooperative agreements to carry out conservation land projects with other organizations, which will result in the eventual transfer of the land parcels. These arrangements and commitments totaled \$62,984 and \$57,709 at December 31, 2020 and 2019, respectively.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

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

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

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

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

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

Contributions and grant support are recognized when the conditions of the contribution or grant are substantially met. Any grant funds received in advance are recorded as refundable advances. Revenue from contracts is recognized as the service is completed. Mitigation capital funds and grant funds of \$112,156 and \$159,605 received but not yet earned are recorded as deferred revenue and refundable advances in the combined statements of financial position as of December 31, 2020 and 2019, respectively.

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

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

**Income taxes:** TCF is a nonprofit corporation generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization under Section 509(a)(1). SCI is a nonprofit corporation exempt from income taxes under Section 501(c)(3) and is a supporting organization to TCF under Section 509(a)(3) of the IRC. In addition, TCF and SCI qualify for charitable contribution deductions and have been classified as organizations that are not considered private foundations. Income which is not related to exempt purposes, less applicable donations, is subject to federal and state income taxes. TCF and SCI had no net unrelated business income for the years ended December 31, 2020 and 2019.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for the years before 2017.

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

**Adopted accounting pronouncement:** In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization adopted this ASU during 2020. There was no material impact to the combined financial statements as a result of adoption.

**Recent accounting pronouncements:** 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 requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization beginning on January 1, 2022. The Organization is currently evaluating the impact of this new guidance on its combined financial statements.



## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. In November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date one additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its combined financial statements.

**Subsequent events:** Management has evaluated subsequent events through April 15, 2021, which is the date the combined financial statements were available to be issued.

#### Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by the Organization at December 31, 2020 and 2019, consist of the following:

	2020	2019
Cash	\$ 171,903	\$ 222,106
Money market funds	15,965	1,652
	<u>\$ 187,868</u>	<u>\$ 223,758</u>
Unrestricted cash and cash equivalents	\$ 88,373	\$ 100,871
Restricted cash and cash equivalents	99,495	122,887
	<u>\$ 187,868</u>	<u>\$ 223,758</u>

Restricted cash balances of \$99,495 and \$122,887 at December 31, 2020 and 2019, respectively, were held for mitigation projects.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 3. Investments

Investments consisted of the following at December 31, 2020 and 2019:

	2020	2019
Collective investment trust funds	\$ 14,316	\$ 13,196
Mutual funds	8,378	43,526
Municipal bonds	2,725	2,165
Corporate bonds	2,721	3,833
Asset-backed securities	750	658
Investment in partnership	525	645
International fixed income	229	-
Government bonds	56	-
Common stock	25	2
	<u>\$ 29,725</u>	<u>\$ 64,025</u>

For the years ended December 31, 2020 and 2019, investment income, net of fees, from cash, cash equivalents and investments totaled approximately \$2,094 and \$4,106, respectively, and consisted primarily of interest and dividend income.

#### Note 4. Fair Value Measurements

The Organization follows the Fair Value Measurement Topic of the FASB ASC, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements.

The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the three following categories.

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

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

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

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

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

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

#### Note 4. Fair Value Measurements (Continued)

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 15,965	\$ -	\$ -	\$ 15,965
Collective investment trust funds	-	14,316	-	14,316
Corporate bonds	-	2,721	-	2,721
Municipal bonds	-	2,725	-	2,725
Government bonds	-	56	-	56
International fixed income	-	229	-	229
Mutual funds	8,378	-	-	8,378
Common stock	25	-	-	25
Asset-backed securities	-	750	-	750
	<u>\$ 24,368</u>	<u>\$ 20,797</u>	<u>\$ -</u>	<u>\$ 45,165</u>
	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 1,652	\$ -	\$ -	\$ 1,652
Collective investment trust funds	-	13,196	-	13,196
Corporate bonds	-	3,833	-	3,833
Municipal bonds	-	2,165	-	2,165
Mutual funds	43,526	-	-	43,526
Common stock	2	-	-	2
Asset-backed securities	-	658	-	658
	<u>\$ 45,180</u>	<u>\$ 19,852</u>	<u>\$ -</u>	<u>\$ 65,032</u>

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 4. Fair Value Measurements (Continued)

The table below reconciles fair value assets to the combined statement of financial position at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents held at fair value	\$ 15,965	\$ 1,652
Investments held at fair value	29,200	63,380
	<u>\$ 45,165</u>	<u>\$ 65,032</u>
Investments held at fair value	\$ 29,200	\$ 63,380
Investments held at cost	525	645
	<u>\$ 29,725</u>	<u>\$ 64,025</u>

#### Note 5. Promises to Give

Unconditional promises to give at December 31, 2020 and 2019, were \$3,309 and \$3,230, respectively, with \$2,303 and \$2,884 due within one year and \$425 and \$758 due within one to five years, respectively. At December 31, 2020 and 2019, the Organization recorded a discount of \$24 and \$44 on long-term promises to give.

In addition to the unconditional promises to give, the Organization has conditional promises to give totaling \$1,915 and \$3,442 at December 31, 2020 and 2019, respectively, which are conditioned on the Organization purchasing certain parcels of land and has not been recorded in the combined financial statements.

#### Note 6. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2020 and 2019, are as follows:

	2020	2019
Buildings and leasehold improvements	\$ 3,788	\$ 3,788
Furniture and equipment	1,103	1,017
Vehicles	246	193
	<u>5,137</u>	<u>4,998</u>
Less accumulated depreciation	(2,882)	(2,699)
	<u>\$ 2,255</u>	<u>\$ 2,299</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$212 and \$241, respectively.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

#### Note 7. Notes Receivable

Notes receivable consists primarily of loans made to various organizations carrying out projects and land acquisition transactions at December 31, 2020 and 2019, are as follows:

	2020	2019
Notes receivable	\$ 33,252	\$ 35,121
Allowance for possible losses	(1,663)	(1,756)
Notes receivable, net	<u>\$ 31,589</u>	<u>\$ 33,365</u>

At December 31, 2020 and 2019, the Organization had 27 and 34 notes receivable outstanding totaling \$33,252 and \$35,121, respectively. The notes carry remaining terms of less than one year to four years and carry interest rates of 2.37% to 7.0%.

Accrued interest receivable amounted to \$503 and \$714 at December 31, 2020 and 2019, respectively, and is included in receivables on the combined statements of financial position.

For the years ended December 31, 2020 and 2019, interest income from these notes was \$1,236 and \$1,356, respectively.

#### Note 8. Bonds and Notes Payable

Bonds and notes payable consist of the following at December 31, 2020 and 2019:

	2020		2019	
	Original Amount Borrowed	Balance Remaining	Original Amount Borrowed	Balance Remaining
Bond and notes	\$ 319,936	\$ 291,260	\$ 306,291	\$ 277,356
Amounts representing implied interest		(14,092)		(13,604)
Unamortized debt issuance costs		(661)		(735)
Total		<u>\$ 276,507</u>		<u>\$ 263,017</u>

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable. Implied interest discount was \$14,092 and \$13,604 at December 31, 2020 and 2019, respectively.

On September 26, 2019, TCF and SCI issued, as securities exempt from registration under the Securities Act of 1933, \$150,000 of 10-year taxable green bonds (Working Forest Conservation Program), Series 2019, due December 15, 2029, underwritten by an investment banking firm. Interest accrues from the date of issuance at a rate of 3.474%. Interest is payable June 15 and December 15 of each year, commencing December 15, 2019.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 8. Bonds and Notes Payable (Continued)

As part of the Coronavirus Aid, Relief, and Economic Security Act, TCF applied and was approved for a forgivable loan through the Small Business Administration Paycheck Protection Program (PPP). Under the PPP, TCF obtained a loan of \$3,843, which is shown with notes payable on the combined statement of financial position, bearing interest at 1%. Originally, TCF was required to make monthly payments of principal and interest starting during November 2020, with any remaining principal and interest due at maturity on April 17, 2022. As part of the PPP Flexibility Act, the monthly principal and interest were further deferred, and a new date has not been assigned. Interest continues to accrue during the additional deferral period. The amount of forgiveness can be up to the full principal amount of the loan and any accrued interest if it is appropriately used for eligible expenses. TCF has accounted for the loan under FASB ASC Topic 470, Debt.

Additionally, the Organization has 19 notes payable to foundations totaling \$120,094 and 7 other notes payable to other lenders totaling \$17,323. The notes are unsecured, except two that are secured by deeds of trust, with stated interest rates between 0% and 2.30%. Maturity dates range from 2021 to 2029. All of the Organization's notes payable were incurred to fund specific land acquisitions or loans to conservation partners, and the intended maturities generally align with management's expectation of when the Organization expects to be repaid on those transactions.

Interest expense, including amortization of debt issuance costs, for the years ended December 31, 2020 and 2019, was \$9,076 and \$5,022, respectively, of which, \$3,598 and \$2,404 is attributable to the amortization of note payable discount.

The Organization did not have any ratio-based or other financial covenants in the bond issue or any other material financing document. At December 31, 2020 and 2019, the Organization is in compliance with all material debt covenants.

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

Years ending December 31:	
2021	\$ 12,373
2022	29,188
2023	22,886
2024	20,072
2025	4,503
Thereafter	202,238
	<hr/>
	291,260
Less amounts representing implied interest	(14,092)
Less amounts representing unamortized debt issuance costs	(661)
	<hr/>
	\$ 276,507
	<hr/>

#### Note 9. Line of Credit

The Organization has a revolving line of credit agreement with a financial institution for up to \$35,000 to fund short-term working capital needs. The line of credit expires June 30, 2021. Outstanding draws on the line of credit bear interest at a variable rate, which was .79% and 2.36% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Organization had no borrowings against this line of credit agreement.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 10. Commitments and Contingencies

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

The following schedule summarizes the future minimum lease commitments:

Years ending December 31:

2021	\$	992
2022		984
2023		981
2024		875
2025		239
Thereafter		350
	\$	<u>4,421</u>

Total rent expense for the years ended December 31, 2020 and 2019, was \$1,223 and \$1,195, respectively.

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

**Pandemic:** The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including the geographic areas in which the Organization operates. While the Organization has mitigated the financial impact to its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments which are highly uncertain and cannot be predicted, and as such cannot be determined.

#### Note 11. Retirement Plan

TCF has a tax-deferred 403(b) retirement plan covering substantially all of its employees. Employer contributions are discretionary and based upon the eligible employees' annual salary. The contributions to the TCF's retirement plan for the years ended December 31, 2020 and 2019, totaled \$1,506 and \$1,544, respectively.

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions are those net assets whose use by the Organization is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2020 and 2019, donor restricted net assets consisted of the following:

	2020	2019
Amounts restricted for various real estate acquisitions, projects or operating programs	\$ 137,647	\$ 138,902
Revolving net assets dedicated to providing temporary financing of land acquisitions in various regions of the country with any revolving fund loans required to be repaid	104,842	104,635
Total net assets with donor restrictions	<u>\$ 242,489</u>	<u>\$ 243,537</u>

#### Note 13. Board-Designated Net Assets

TCF has established the Stewardship and Defense Fund and its Board of Directors designated \$1,000 from its net assets without donor restrictions. The program addresses stewardship of conservation easements as well as legal and defense of all conservation real estate.

#### Note 14. Related Party Transactions

NCIFund is a certified community development financial institution that provides financing for and technical assistance to natural resource-based businesses. NCIFund, a supporting organization to TCF, has entered into a management services agreement with TCF. Under the terms of the agreement, TCF provides certain staffing and administrative services to NCIFund. The management fee under the agreement was \$2,008 and \$1,918 for the years ended December 31, 2020 and 2019, respectively, and \$439 is payable by NCIFund as of December 31, 2019, and is included in receivables on the combined statements of financial position. There were no receivables due from NCIFund as of December 31, 2020. The agreement is for one year and is renewable for successive one-year terms unless either party provides written notice not to renew.

During 2020, TCF provided an unconditional grant to NCIFund. At December 31, 2020, there was a grant payable related to this grant of \$125 due to NCIFund and is included in accounts payable on the combined statements of financial position.



## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 15. Liquidity and Availability of Financial Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Organization's financial assets available within one year of December 31, 2020 and 2019, for general expenditures are as follows:

	2020	2019
Cash and cash equivalents	\$ 88,373	\$ 100,871
Restricted cash and cash equivalents	99,495	122,887
Investments	29,725	64,025
Promises to give, net	3,285	3,186
Receivables	5,213	7,562
Notes receivable, net	31,589	33,365
Total financial assets available	<u>257,680</u>	<u>331,896</u>
Less those not available for general expenditure within one year due to:		
Contractual or imposed restrictions:		
Restricted cash and cash equivalents	(99,495)	(122,887)
Board-designated net assets	(1,000)	(1,000)
Donor-restricted funds	(72,997)	(72,793)
Notes receivable, due after one year, net	(20,845)	(26,260)
	<u>(194,337)</u>	<u>(222,940)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 63,343</u>	<u>\$ 108,956</u>

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

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

## The Conservation Fund, a Nonprofit Corporation (Parent Only)

### Notes to Combined Financial Statements (In Thousands)

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#### Note 16. Changes in Combined Net Assets Without Donor Restrictions

The schedule of changes in combined net assets without donor restrictions related to the Organization and noncontrolling interest is as follows:

	The Organization	Noncontrolling Interest	Total
Net assets without donor restrictions			
Balance, December 31, 2019	\$ 238,844	\$ -	\$ 238,844
Capital contribution by noncontrolling interest	-	5,668	5,668
Change in net assets without donor restrictions	413	(72)	341
Balance, December 31, 2020	<u>\$ 239,257</u>	<u>\$ 5,596</u>	<u>\$ 244,853</u>

#### Note 17. Subsequent Event

Subsequent to year-end, TCF and NCIFund, TCF's affiliate that is certified as a Community Development Financial Institution (CDFI), have agreed to pursue a legal and financial separation of NCIFund from TCF. This decision has been made due to proposed changes in the U.S. Treasury Department's regulations for CDFIs that will require certain of their affiliates to have as their primary mission promoting community development, so that the CDFI can remain eligible for funds from the U.S. Treasury Department's CDFI Fund. TCF and NCIFund do not believe this pending requirement can be met as their relationship is currently structured.