

**CHESAPEAKE CONSERVANCY, INC.  
AND SUBSIDIARY**

**FINANCIAL REPORT**

**September 30, 2023**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Chesapeake Conservancy, Inc. and Subsidiary  
Annapolis, Maryland

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Chesapeake Conservancy, Inc. and Subsidiary (a not-for-profit corporation), which comprise the Consolidated Statement of Financial Position as of September 30, 2023, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Conservancy, Inc. and Subsidiary as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake Conservancy, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Other Matter – Comparative Statement of Financial Position as of September 30, 2022**

The Statement of Financial Position as of September 30, 2022 is presented for comparative purposes. We have previously audited Chesapeake Conservancy, Inc. and Subsidiary's September 30, 2022 Statement of Financial Position, and we expressed an unmodified audit opinion on that audited financial statement in our report dated November 30, 2022.

#### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chesapeake Conservancy, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake Conservancy, Inc. and Subsidiary'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Schedules of Financial Position, Activities and Functional Expenses on pages 16 through 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of Chesapeake Conservancy, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chesapeake Conservancy, Inc. and Subsidiary's internal control over financial reporting and compliance.

*Anderson, Davis & Associates, CPA*

Glen Burnie, Maryland  
December 1, 2023

**CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

September 30, 2023 and 2022

**ASSETS**

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 12,643,017	\$ 3,235,482
Grants and other receivables	1,230,436	1,355,020
Contributions receivable	581,605	216,833
Prepaid expenses	21,461	71,990
Total current assets	14,476,519	4,879,325
Property and equipment, net of accumulated depreciation of \$173,783 and \$148,636 in 2023 and 2022, respectively	2,402,204	42,352
Other assets:		
Right-to-use assets	-	138,919
Contributions receivable, net of current portion	1,278,459	531,000
Security deposit	129,212	6,212
Investments	4,265,154	3,933,843
Total other assets	5,672,825	4,609,974
Total assets	\$ 22,551,548	\$ 9,531,651

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 288,504	\$ 339,445
Accrued expenses	198,209	181,385
Security deposit	2,100	-
Deferred revenue	523,293	-
Lease liability	-	91,923
Total current liabilities	1,012,106	612,753
Other liabilities:		
Lease liability	-	46,996
Total liabilities	1,012,106	659,749
Net assets:		
Without donor restrictions:		
Operations	5,010,578	1,323,725
Board designated	957,611	957,611
Total without donor restrictions	5,968,189	2,281,336
With donor restrictions:		
Subject to purpose restrictions	11,885,039	4,532,566
Subject to passage of time	1,584,214	58,000
Restricted in perpetuity	2,102,000	2,000,000
Total with donor restrictions	15,571,253	6,590,566
Total net assets	21,539,442	8,871,902
Total liabilities and net assets	\$ 22,551,548	\$ 9,531,651

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.

**CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions and grants	\$ 1,898,564	\$ 17,975,604	\$ 19,874,168
Government grants	3,738,772	66,707	3,805,479
Contract income	489,624	-	489,624
Donated services	210,132	-	210,132
Investment and other income	218,668	300,551	519,219
Net assets released from restrictions	9,362,175	(9,362,175)	-
Total revenues and other support	15,917,935	8,980,687	24,898,622
Expenses:			
Program services	10,612,262	-	10,612,262
Management and general	976,691	-	976,691
Fundraising	642,129	-	642,129
Total expenses	12,231,082	-	12,231,082
Change in net assets	3,686,853	8,980,687	12,667,540
Net assets, beginning of year	2,281,336	6,590,566	8,871,902
Net assets, end of year	\$ 5,968,189	\$ 15,571,253	\$ 21,539,442

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.

**CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended September 30, 2023

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,389,266	\$ 414,105	\$ 373,097	\$ 3,176,468
Benefits	514,120	85,522	80,577	680,219
Contract services	2,894,728	1,523	4,123	2,900,374
Professional services	100,064	204,692	123,658	428,414
Meetings and memberships	30,605	20,032	23,128	73,765
Office operations	63,493	127,643	32,548	223,684
Rent	-	94,952	-	94,952
Travel and meals	23,090	4,600	4,464	32,154
Depreciation and amortization	21,163	3,985	-	25,148
Insurance	12,659	15,607	534	28,800
Land conservation efforts	4,356,972	-	-	4,356,972
Contributed services	206,102	4,030	-	210,132
Total expenses	<u>\$ 10,612,262</u>	<u>\$ 976,691</u>	<u>\$ 642,129</u>	<u>\$ 12,231,082</u>

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.

**CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 12,667,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	25,148
Net realized and unrealized gain on investments	(163,227)
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants and other receivables	124,584
Contributions receivable	(1,112,231)
Prepaid expenses	50,529
Security deposit	(123,000)
Increase (decrease) in:	
Accounts payable	(50,941)
Accrued expenses	16,824
Security deposit	2,100
Deferred revenue	523,293
	<u>11,960,619</u>
Net cash provided by operating activities	<u>11,960,619</u>
Cash flows from investing activities:	
Proceeds from sale of investments	1,387,283
Purchase of investments	(1,555,367)
Purchase of property and equipment	(2,385,000)
	<u>(2,553,084)</u>
Net cash used in investing activities	<u>(2,553,084)</u>
Net increase in cash and cash equivalents	9,407,535
Cash and cash equivalents, beginning of year	<u>3,235,482</u>
Cash and cash equivalents, end of year	<u>\$ 12,643,017</u>
Supplementary Information:	
Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>
Noncash activities:	
Donation of stock	<u>\$ 5,171,163</u>

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. ORGANIZATION AND PURPOSE

Chesapeake Conservancy, Inc. (the “Conservancy”) is a not-for-profit organization located in Annapolis, Maryland. The Conservancy was incorporated under the laws of the state of Maryland on January 31, 2008. The Conservancy’s purpose is to conserve and restore the natural and cultural resources of the Chesapeake Bay watershed for the enjoyment, education, and inspiration of this and future generations. The Conservancy serves as a catalyst for change, advancing strong public and private partnerships, developing and using new technology, and empowering environmental stewardship.

The Conservancy formed a single member Limited Liability Company (LLC), Chesapeake Conservation Center, LLC (the “Center”), on November 2, 2021.

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Conservancy and its subsidiary, the Center (collectively the “Entities”). All intercompany transactions have been eliminated.

#### Basis of Accounting

The Entities maintain their financial records and prepares their financial statements on the accrual basis of accounting. Therefore, revenues and related assets are recognized when earned, and expenses and related liabilities are recognized when the obligations are incurred.

#### Basis of Presentation

The Entities follow the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-14 — *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This provision requires the Entities to classify net assets into two categories according to donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Entities. These net assets may be used at the discretion of the Entities’ management and Board of Directors. The sub classifications are as follows:

*Operations* – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities.

*Board-designated* – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Entities or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

#### Cash and Cash Equivalents

The Entities consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents held in the investment portfolio are reported as investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Income Taxes

The Conservancy is a publicly supported charity and nonprofit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, contributions to the Conservancy are tax deductible under Section 170 of the Internal Revenue Code. The Center is considered a disregarded entity and the exempt status of the Conservancy extends to the Center. However, the Conservancy is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. For the year ended September 30, 2023, there was no unrelated business income.

The Entities follow the recommendations of the FASB in its Accounting Standards Codification (ASC) for Accounting of Uncertainty in Income Taxes. The Conservancy has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Entities believe that income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse effect on the Entities' financial condition, results of operations or cash flows. Accordingly, the Entities have not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2023. With few exceptions, the Conservancy's tax returns remain open for three years for federal and state examination.

#### Donated Services and Goods

As required by FASB ASC 958-605-25, *Accounting for Contributions Received and Contributions Made*, donated services include assistance which creates or enhances non-financial assets or requires specialized skills provided by individuals possessing those skills. Those services would typically need to be purchased if not donated and are recorded by the Entities at their fair value in the year such services are delivered. Donated goods are recorded as contributions at their estimated fair values at the date of donation. Consulting and legal services valued at \$210,132 were received and used primarily for land acquisition during the year ended September 30, 2023.

#### Donated Conservation Land

Conservation Land consists principally of real estate with ecological, historical and cultural values which the Conservancy is working with partners to conserve. Conservation Land is held for eventual resale, donation to government agencies or other organizations, or individuals who will become permanent conservation owners. Donated conservation land is recorded at its estimated fair market value at the date of donation. These donations are reported as revenues without 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 revenue with restrictions. These donations are also recognized as program expenses and included in Land conservation efforts during the same year the donations are received. Costs of carrying these parcels of real estate, such as taxes and maintenance are expensed as incurred. When the conservation land is transferred, the proceeds are included as part of revenue and other support.

#### Fair Value Measurements

For cash and short-term investments, receivables and payables, the carrying amount is a reasonable estimate of fair value. Equity and fixed income investments held for investment purposes are carried at market value, which approximates fair value. Market values for these investments are based on quoted prices in an active market or dealer quotes for identical assets or liabilities (Level 1 inputs).

Fair value standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value Measurements (continued)

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes money market funds, and unrestricted securities listed in active markets. The Entities do not adjust the quoted price for these investments, even in situations where the Entities hold a large position.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. At this time, the Entities do not hold any investments which would be included in this category.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. At this time, the Entities do not hold any investments which would be included in this category.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions if the income was restricted by donors. Investments at fair market value consisted of stock and bond funds.

#### Market Value Risk

The Entities invest funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. The Entities' investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent years.

#### Grants and Other Receivables

Grants receivable at September 30, 2023 consist mainly of grants and contracts earned or unconditionally promised, but not yet received. No allowance for uncollectible accounts has been recorded at September 30, 2023 due to any potential uncollectible amounts determined by management to be immaterial.

#### Contributions Receivable

Unconditional promises to give are recognized as revenue in the year when a written unconditional promise is received. Conditional promises are recognized when the conditions on which they depend are substantially met. Management reviews all outstanding receivables on a monthly basis. Management determines the allowance for doubtful contributions receivable by regularly evaluating individual balances and considering the prior history of the donor and proven collectibility of past donations. Balances are written off when deemed uncollectible. Recoveries of balances previously written off are recorded when received. There was no allowance for doubtful contributions receivable deemed necessary at September 30, 2023. Long term promises are discounted to present value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Revenue Recognition

The Entities recognize revenue from exchange transactions as the related work is accomplished. Funds relating to exchange transactions received in advance of work being completed are recorded as deferred revenue. Grants and donations with donor restrictions received in advance of the accomplishment of the restricted purpose are recorded as revenue and net assets with donor restrictions.

#### Contributions, Grants, and Support

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Entities report gifts of cash and other assets as restricted support if they are received with donor/grantor stipulations that limit the use of the donated assets, or if they are designated as support for future years.

When a donor/grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Entities report cost reimbursable government grants as support without donor restrictions. Revenue from contracts is recognized as the service is completed.

The Entities report gifts of goods and equipment as unrestricted support unless explicit donor/grantor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

#### Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Office operations	Effort

#### Subsequent Events

The Entities have evaluated events and transactions for potential recognition or disclosure through December 1, 2023 the date the consolidated financial statements were available to be issued.

#### Recently Adopted Accounting Pronouncements

The Entities adopted FASB ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Consolidated Statement of Activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The Entities have updated disclosures as necessary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 3. LIQUIDITY AND AVAILABILITY

The following reflects the Entities' financial assets as of the Consolidated Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Consolidated Statement of Financial Position date.

Financial assets available at September 30, 2023:	
Cash, cash equivalents and restricted cash	\$ 12,643,017
Investments	4,265,154
Grants, contributions, and other receivables	<u>3,090,500</u>
Total financial assets	<u>19,998,671</u>
Less amounts not available to be used for general expenditure within one year:	
Assets subject to contractual or donor restriction	13,469,253
Assets subject to Board designations	957,611
Restricted in perpetuity	<u>2,102,000</u>
Total financial assets not available to be used within one year	<u>16,528,864</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,469,807</u>

The Entities have certain donor-restricted assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. Additionally, Board designated assets are designated for an operating reserve. These assets are limited in use, which are more fully described in Notes 8 and 9 are not available for general expenditure within the next year. However, \$957,611 of the total assets subject to Board designations could be drawn upon if the governing board approved that action.

### Note 4. GRANTS AND OTHER RECEIVABLES

Grants receivable aging was as follows at September 30, 2023:

Current	\$ 890,585
31-60 days	-
61-90 days	21
Over 90 days	339,830
Less: Allowance for potentially uncollectible grants	-
	<u>\$ 1,230,436</u>

### Note 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give and are expected to be received as follows at September 30, 2023:

Contributions receivable	\$ 2,017,605
Less: Unamortized discount	<u>(157,541)</u>
Net contributions receivable	<u>\$ 1,860,064</u>
Amounts due in:	
Less than one year	\$ 581,605
One to five years	1,436,000
	<u>\$ 2,017,605</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 6. **PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. The Entities capitalize individual assets with a cost greater than \$5,000. Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the respective assets, ranging from three to 39 years. When assets are sold or disposed, the cost and corresponding accumulated depreciation are written off from the consolidated financial statements with any gain or loss recognized currently. Depreciation and amortization expense for the year ended September 30, 2023 was \$25,148.

Property and equipment consist of the following at September 30, 2023:

Building	\$ 1,535,000
Land	850,000
Equipment	102,996
Furniture and fixtures	47,696
Software	30,000
Leasehold improvements	<u>10,295</u>
Total cost	2,575,987
Accumulated depreciation	<u>(173,783)</u>
Net property and equipment	<u>\$ 2,402,204</u>

### Note 7. **INVESTMENTS**

Assets measured at fair value on a recurring basis at September 30, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
Investments in equity fund	\$ 1,625,842	\$ -	\$ -	\$ 1,625,842
Investments in fixed income fund	2,521,302	-	-	2,521,302
Total investments at fair value	<u>\$ 4,147,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,147,144</u>

The Entities exclude cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, \$118,010 of cash in the Conservancy's investment portfolio at September 30, 2023 has been omitted from this table.

Investment income consisted of the following for the year ended September 30, 2023:

Interest and dividends	\$ 331,373
Investment expenses	(2,621)
Realized and unrealized gains, net	<u>163,227</u>
Total investment income	<u>\$ 491,979</u>

### Note 8. **NET ASSETS WITHOUT DONOR RESTRICTIONS**

The change in net assets without donor restrictions of approximately \$3.7 million includes a contribution restricted towards the purchase of the Earl Conservation Center. The restricted contribution was released from restrictions without a related expense as the building was purchased in August 2023 for approximately \$2.4 million and has been capitalized as Property and equipment on the Consolidated Statement of Financial Position as of September 30, 2023.

Certain net assets without donor restrictions have been designated by the Board of Directors as operating reserves for future needs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2023 are available for the following purposes:

Subject to passage of time:	\$ 1,582,214
Subject to purpose restriction:	
Chesapeake public access programming	1,385,910
Data driven environmental planning	917,080
Chesapeake land conservation	9,584,049
Restricted in perpetuity:	
Chesapeake Fellowship Fund	1,000,000
Joel Dunn Leadership Fund	1,102,000
Total net assets with donor restrictions	<u>\$ 15,571,253</u>

### Note 10. ENDOWMENTS

The Chesapeake Fellowship Fund of \$1,000,000 was received November 26, 2013 to further the mission of the Conservancy.

During the nine months ended September 30, 2022, the Conservancy received \$1,000,000 from a donor to fund the new Joel Dunn Leadership Endowment Fund. An additional \$102,000 was received during the year ended September 30, 2023.

*Interpretation of Relevant Law* – The Board of Directors of the Conservancy has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Entities classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Entities consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

*Return Objective and Risk Parameters* – The Entities’ objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Entities recognize and accept that pursuing a respectable rate of return involves risk and potential volatility.

The generation of current income will be a secondary consideration. The Entities target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives within prudent risk constraints. The Entities have established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns. The Entities have a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

*Spending Policy* – The Entities will appropriate for expenditure in its annual budget a percentage of the endowment assets. There may be times when the Entities may opt not to take the maximum spending rate, but rather reinvest some of the annual return.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 10. ENDOWMENTS (continued)

*Funds with Deficiencies* – 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 Entities to retain as a fund of perpetual duration. There were no such deficiencies at September 30, 2023.

As of September 30, 2023, the Entities had the following endowment net asset composition:

	Without donor restrictions	With donor restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,102,000	\$ 2,102,000
Accumulated investment gains	-	266,409	266,409
Endowment net assets, September 30, 2023	<u>\$ -</u>	<u>\$ 2,368,409</u>	<u>\$ 2,368,409</u>

Changes in endowment net assets for the year ended September 30, 2023 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2022	\$ -	\$ 2,075,548	\$ 2,075,548
Investment income, net	-	260,303	260,303
Contribution	-	102,000	102,000
Appropriation for expenditure	-	(69,442)	(69,442)
Endowment net assets, September 30, 2023	<u>\$ -</u>	<u>\$ 2,368,409</u>	<u>\$ 2,368,409</u>

### Note 11. PROGRAM SERVICES DESCRIPTIONS

The following program expenses are included in the accompanying consolidated financial statements for the year ended September 30, 2023:

Chesapeake public access and programming	\$ 2,033,316
Data driven environmental planning	1,959,294
Chesapeake land conservation	6,531,842
Collaborative conservation partnerships	87,810
	<u>\$ 10,612,262</u>

### Note 12. RETIREMENT PLAN

The Conservancy maintains a 403(b) defined contribution plan covering all eligible employees. The Conservancy will match employee contributions dollar-for-dollar up to 5% of employee compensation. For the year ended September 30, 2023, employer contributions totaled \$138,047.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 13. **CONCENTRATIONS**

Financial instruments which potentially subject the Entities to concentrations of credit risk consist of two cash accounts. Cash balances, at times, may exceed insured limits set by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of September 30, 2023, the Entities' cash balances in excess of FDIC insured amounts totaled \$12,383,017. The Entities place their temporary cash investments with high credit quality financial institutions and believes there is no significant concentration of credit risk.

During the year ended September 30, 2023, the Entities had two funders that accounted for approximately \$14 million which is approximately 56% of revenue and other support. At September 30, 2023, three funders accounted for approximately \$1.8 million and made up 97% of combined promises, grants and other receivables.

During the year ended September 30, 2023, the Entities incurred approximately \$806,000 in expenses with two contractors that accounted for approximately 28% of Contract Services.

### Note 14. **OPERATING LEASES**

The Conservancy leases office space under an agreement with monthly rents ranging from \$7,405 to \$7,856 through March 2024. During the year ended December 31, 2021, the Conservancy renewed its lease for an additional three-year term and also reduced the total rented space. As of April 1, 2021, the monthly payment was \$7,405 and extends for three years from that date. Because there are fewer than twelve months remaining on the lease, the Entities have removed the lease asset and liability from the Consolidated Statement of Financial Position at September 30, 2023.

Total rent expense on this lease was \$94,952 for the year ended September 30, 2023.

## **Supplemental Information**

**CHESAPEAKE CONSERVANCY, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
September 30, 2023

**ASSETS**

	Chesapeake Conservancy, Inc.	Chesapeake Conservation Center, LLC	Eliminations	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 12,633,017	\$ 10,000	\$ -	\$ 12,643,017
Grants and other receivables	1,228,108	2,328	-	1,230,436
Contributions receivable	581,605	-	-	581,605
Prepaid expenses	21,461	-	-	21,461
Total current assets	<u>14,464,191</u>	<u>12,328</u>	<u>-</u>	<u>14,476,519</u>
<b>Property and equipment, net of accumulated depreciation</b> of \$167,223 and \$6,560 for Chesapeake Conservancy, Inc. and Chesapeake Conservation Center, LLC, respectively				
	<u>23,764</u>	<u>2,378,440</u>	<u>-</u>	<u>2,402,204</u>
<b>Other assets:</b>				
Contributions receivable, net of current portion	1,278,459	-	-	1,278,459
Security deposit	129,212	-	-	129,212
Interest in Chesapeake Conservation Center, LLC	2,388,668	-	(2,388,668)	-
Investments	4,265,154	-	-	4,265,154
Total other assets	<u>8,061,493</u>	<u>-</u>	<u>(2,388,668)</u>	<u>5,672,825</u>
Total assets	<u>\$ 22,549,448</u>	<u>\$ 2,390,768</u>	<u>\$ (2,388,668)</u>	<u>\$ 22,551,548</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>				
Accounts payable	\$ 288,504	\$ -	\$ -	\$ 288,504
Accrued expenses	198,209	-	-	198,209
Security deposit	-	2,100	-	2,100
Deferred revenue	523,293	-	-	523,293
Total current liabilities	<u>1,010,006</u>	<u>2,100</u>	<u>-</u>	<u>1,012,106</u>
Total liabilities	<u>1,010,006</u>	<u>2,100</u>	<u>-</u>	<u>1,012,106</u>
<b>Net assets:</b>				
<b>Without donor restrictions:</b>				
Operations	5,010,578	(46,640)	46,640	5,010,578
Board designated	957,611	-	-	957,611
Contribution from member - Chesapeake Conservancy, Inc.	-	2,435,308	(2,435,308)	-
Total without donor restrictions	<u>5,968,189</u>	<u>2,388,668</u>	<u>(2,388,668)</u>	<u>5,968,189</u>
<b>With donor restrictions:</b>				
Subject to purpose restrictions	11,885,039	-	-	11,885,039
Subject to passage of time	1,584,214	-	-	1,584,214
Restricted in perpetuity	2,102,000	-	-	2,102,000
Total with donor restrictions	<u>15,571,253</u>	<u>-</u>	<u>-</u>	<u>15,571,253</u>
Total net assets	<u>21,539,442</u>	<u>2,388,668</u>	<u>(2,388,668)</u>	<u>21,539,442</u>
Total liabilities and net assets	<u>\$ 22,549,448</u>	<u>\$ 2,390,768</u>	<u>\$ (2,388,668)</u>	<u>\$ 22,551,548</u>

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.

**CHESAPEAKE CONSERVANCY, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
For the Year Ended September 30, 2023

	Without donor restrictions					
	Chesapeake Conservancy, Inc.	Chesapeake Conservation Center, LLC	Eliminations	Total	With donor restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 1,898,564	\$ -	\$ -	\$ 1,898,564	\$ 17,975,604	\$ 19,874,168
Government grants	3,738,772	-	-	3,738,772	66,707	3,805,479
Contract income	485,208	4,416	-	489,624	-	489,624
Donated services	210,132	-	-	210,132	-	210,132
Investment and other income	218,668	-	-	218,668	300,551	519,219
Net assets released from restrictions	9,362,175	-	-	9,362,175	(9,362,175)	-
	<b>15,913,519</b>	<b>4,416</b>	<b>-</b>	<b>15,917,935</b>	<b>8,980,687</b>	<b>24,898,622</b>
Expenses:						
Program services	10,561,206	51,056	-	10,612,262	-	10,612,262
Management and general	976,691	-	-	976,691	-	976,691
Fundraising	642,129	-	-	642,129	-	642,129
	<b>12,180,026</b>	<b>51,056</b>	<b>-</b>	<b>12,231,082</b>	<b>-</b>	<b>12,231,082</b>
Change in net assets before non operating losses	<b>3,733,493</b>	<b>(46,640)</b>	<b>-</b>	<b>3,686,853</b>	<b>8,980,687</b>	<b>12,667,540</b>
Non operating losses:						
Loss on subsidiary equity	(46,640)	-	46,640	-	-	-
Change in net assets	<b>3,686,853</b>	<b>(46,640)</b>	<b>46,640</b>	<b>3,686,853</b>	<b>8,980,687</b>	<b>12,667,540</b>
Net assets, beginning of year	<b>2,281,336</b>	<b>-</b>	<b>-</b>	<b>2,281,336</b>	<b>6,590,566</b>	<b>8,871,902</b>
Net assets, end of year	<b>\$ 5,968,189</b>	<b>\$ (46,640)</b>	<b>\$ 46,640</b>	<b>\$ 5,968,189</b>	<b>\$ 15,571,253</b>	<b>\$ 21,539,442</b>

See Independent Auditor's Report and the Notes to the Consolidated Financial Statements.

**CHESAPEAKE CONSERVANCY, INC.**  
**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended September 30, 2023

	Programs			Management and General	Fundraising	
	Chesapeake Conservancy, Inc.	Chesapeake Conservation Center, LLC	Total	Chesapeake Conservancy, Inc.	Chesapeake Conservancy, Inc.	Total
Salaries	\$ 2,389,266	\$ -	\$ 2,389,266	\$ 414,105	\$ 373,097	\$ 3,176,468
Benefits	514,120	-	514,120	85,522	80,577	680,219
Contract services	2,894,728	-	2,894,728	1,523	4,123	2,900,374
Professional services	98,344	1,720	100,064	204,692	123,658	428,414
Meetings and memberships	30,605	-	30,605	20,032	23,128	73,765
Office operations	29,480	34,013	63,493	127,643	32,548	223,684
Rent	-	-	-	94,952	-	94,952
Travel and meals	23,090	-	23,090	4,600	4,464	32,154
Depreciation and amortization	14,603	6,560	21,163	3,985	-	25,148
Insurance	3,896	8,763	12,659	15,607	534	28,800
Land conservation efforts	4,356,972	-	4,356,972	-	-	4,356,972
Contributed services	206,102	-	206,102	4,030	-	210,132
Total expenses	<u>\$ 10,561,206</u>	<u>\$ 51,056</u>	<u>\$ 10,612,262</u>	<u>\$ 976,691</u>	<u>\$ 642,129</u>	<u>\$ 12,231,082</u>

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