

CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY
FINANCIAL REPORT
SEPTEMBER 30, 2025 AND 2024

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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 Statements of Financial Position as of September 30, 2025 and 2024, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chesapeake Conservancy, Inc. and Subsidiary as of September 30, 2025 and 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025 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 3, 2025

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

September 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,687,714	\$ 8,673,175
Grants and other receivables	759,421	1,155,135
Contributions receivable, net	573,850	806,929
Prepaid expenses	53,450	99,713
Total current assets	12,074,435	10,734,952
Property and equipment, net of accumulated depreciation of \$284,427 and \$217,382 in 2025 and 2024, respectively	3,206,716	3,036,827
Other assets:		
Contributions receivable, net of current portion	79,625	723,344
Investments	5,274,016	4,986,544
Other assets	5,897	5,699
Total other assets	5,359,538	5,715,587
Total assets	\$ 20,640,689	\$ 19,487,366
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 530,531	\$ 818,945
Accrued expenses	159,074	176,518
Security deposit	6,820	2,100
Deferred revenue	101,860	115,120
Total current liabilities	798,285	1,112,683
Total liabilities	798,285	1,112,683
Net assets:		
Without donor restrictions:		
Operations	7,482,117	6,868,410
Board designated	1,057,611	1,057,611
Total without donor restrictions	8,539,728	7,926,021
With donor restrictions:		
Subject to purpose restrictions	8,225,168	7,000,662
Subject to passage of time	759,673	1,246,000
Restricted in perpetuity	2,317,835	2,202,000
Total with donor restrictions	11,302,676	10,448,662
Total net assets	19,842,404	18,374,683
Total liabilities and net assets	\$ 20,640,689	\$ 19,487,366

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, 2025

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 1,160,748	\$ 2,609,453	\$ 3,770,201
Government grants	2,677,175	641,287	3,318,462
Contract income	5,468,251	-	5,468,251
In-kind contributions	720,250	-	720,250
Investment income	398,319	254,342	652,661
Realized gain on sale of contributed land	183,500	-	183,500
Other income	5,460	-	5,460
Net assets released from restrictions	2,651,068	(2,651,068)	-
Total revenues, gains, and other support	13,264,771	854,014	14,118,785
Expenses:			
Programs	10,526,666	-	10,526,666
Management and general	1,369,261	-	1,369,261
Fundraising	755,137	-	755,137
Total expenses	12,651,064	-	12,651,064
Change in net assets	613,707	854,014	1,467,721
Net assets, beginning of year	7,926,021	10,448,662	18,374,683
Net assets, end of year	\$ 8,539,728	\$ 11,302,676	\$ 19,842,404

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, 2024

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 1,283,431	\$ 2,925,088	\$ 4,208,519
Government grants	3,459,434	698,653	4,158,087
Contract income	723,732	-	723,732
In-kind contributions	438,374	-	438,374
Investment income	578,303	600,074	1,178,377
Realized gain on sale of contributed land	680,050	-	680,050
Other income	4,285	-	4,285
Net assets released from restrictions	9,346,406	(9,346,406)	-
Total revenues, gains, and other support	16,514,015	(5,122,591)	11,391,424
Expenses:			
Programs	12,718,540	-	12,718,540
Management and general	1,226,859	-	1,226,859
Fundraising	610,784	-	610,784
Total expenses	14,556,183	-	14,556,183
Change in net assets	1,957,832	(5,122,591)	(3,164,759)
Net assets, beginning of year	5,968,189	15,571,253	21,539,442
Net assets, end of year	\$ 7,926,021	\$ 10,448,662	\$ 18,374,683

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, 2025

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,008,844	\$ 656,592	\$ 512,112	\$ 3,177,548
Benefits	429,876	128,294	104,296	662,466
Program services	6,880,196	-	3,103	6,883,299
Professional services	148,289	164,897	35,146	348,332
Meetings and memberships	68,828	26,771	11,603	107,202
Office operations	79,180	191,602	49,334	320,116
Occupancy	-	75,092	-	75,092
Travel and meals	16,903	1,099	2,071	20,073
Depreciation and amortization	17,752	75,126	-	92,878
Insurance	10,364	34,538	504	45,406
Land conservation efforts	866,434	-	36,968	903,402
Donated services	-	15,250	-	15,250
Total expenses	<u>\$ 10,526,666</u>	<u>\$ 1,369,261</u>	<u>\$ 755,137</u>	<u>\$ 12,651,064</u>

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, 2024

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,456,029	\$ 614,214	\$ 420,894	\$ 3,491,137
Benefits	522,526	130,851	88,076	741,453
Program services	2,677,530	-	750	2,678,280
Professional services	125,396	199,117	44,604	369,117
Meetings and memberships	20,898	21,586	10,982	53,466
Office operations	86,362	104,654	38,283	229,299
Occupancy	-	72,562	-	72,562
Travel and meals	27,469	6,579	2,883	36,931
Depreciation and amortization	15,243	39,520	-	54,763
Insurance	13,639	31,060	550	45,249
Land conservation efforts	6,335,074	6,716	3,762	6,345,552
Donated services	438,374	-	-	438,374
Total expenses	<u>\$ 12,718,540</u>	<u>\$ 1,226,859</u>	<u>\$ 610,784</u>	<u>\$ 14,556,183</u>

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

CHESAPEAKE CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 1,467,721	\$ (3,164,759)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	92,878	54,763
Net realized and unrealized gain on investments	(87,356)	(564,180)
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants and other receivables	395,714	75,301
Contributions receivable	876,798	329,791
Prepaid expenses	46,263	(78,252)
Security deposit	-	129,212
Other assets	(198)	(5,699)
(Decrease) increase in:		
Accounts payable	(288,414)	208,181
Accrued expenses	(17,444)	(4,647)
Security deposit	4,720	-
Deferred revenue	(13,260)	(408,173)
Net cash provided by (used in) operating activities	2,477,422	(3,428,462)
Cash flows from investing activities:		
Proceeds from sale of investments	1,265,815	1,130,328
Purchase of investments	(1,465,931)	(1,287,538)
Purchase of property and equipment	(262,767)	(384,170)
Net cash used in investing activities	(462,883)	(541,380)
Net increase (decrease) in cash and cash equivalents	2,014,539	(3,969,842)
Cash and cash equivalents, beginning of year	8,673,175	12,643,017
Cash and cash equivalents, end of year	\$ 10,687,714	\$ 8,673,175
Supplementary Information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Noncash activities:		
Noncash contributions of securities	\$ 314,715	\$ 170,912

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. The Center owns real estate that is leased to the Conservancy.

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 financial statements of the Entities have been presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this basis, support and revenue are recognized when earned and expenses are recognized as incurred.

Basis of Presentation

The Entities follows the recommendations of the FASB in its ASC. Under these recommendations, the Entities are required to report information regarding its financial position and activities according to two classes of net assets: 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, whereby the donor has stipulated the funds be maintained in perpetuity.

Recently Adopted Accounting Pronouncement

The Entities follow FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard sets forth a current expected credit loss model (“CECL”), which requires the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the previous methodology of delaying recognition of credit losses until it is probable a loss has been incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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.

Cash and Cash Equivalents

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

Credit Risk

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, 2025, the Entities' cash balances in excess of FDIC insured amounts totaled \$10,427,948. The Entities place their temporary cash investments with high credit quality financial institutions and believes there is no significant concentration of credit risk.

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 periods.

Investments

Equity and debt securities with readily determinable fair values are recorded at fair value in the Consolidated Statement of Financial Position. Fair value is determined using net asset values reported by the investment firm. Gains and losses on investments, including changes in market value, are reported in the Statement of Activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation.

Fair Value Measurements

The Entities follows the recommendations of the FASB ASC in measuring its investments at fair value on a recurring basis. In addition to defining fair value, these recommendations require specific disclosures regarding fair value as well as a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

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

- Level 1 – Inputs based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – Inputs are based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Receivables

Grants receivable at September 30, 2025 and 2024 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, 2025 or 2024 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. Long-term promises are discounted to present value using a risk-free rate of return. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. 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, 2025 or 2024.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair market value at the time of donation, if contributed. 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 3 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.

Valuation of Long-Lived Assets

The Entities account for the valuation of long-lived assets under FASB ASC No. 360 *Property, Plant, and Equipment*. ASC No. 360 requires that long-lived assets and certain identifiable intangible assets be reviewed 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 assets 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 asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. During the years ended September 30, 2025 and 2024, the Entities wrote down \$705,000 and \$0 of contributed land consistent with their policy outlined in Note 2 – Donated Conservation Land and are included in Land conservation efforts in the Consolidated Statements of Functional Expenses.

Revenue Recognition

The Entities follow the FASB's ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

The Entities recognize revenue from exchange transactions over time 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$15,250 and \$438,374 were received and utilized during the years ended September 30, 2025 and 2024, respectively.

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, gains, and other support. During the years ended September 30, 2025 and 2024, \$705,000 and \$0 of land was received and conserved, respectively. During the years ended September 30, 2025 and 2024, \$183,500 and \$680,050 of conserved land was sold and recognized as gain on sale of contributed land on the Statements of Activities.

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
Depreciation and amortization	Usage

Advertising Costs

The Entities advertise in various media. The costs for such advertisements are expensed when incurred. Advertising expense was \$2,776 and \$496 for the years ended September 30, 2025 and 2024, respectively.

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 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 years ended September 30, 2025 and 2024, there was no unrelated business income.

Uncertainty in Income Taxes

Management evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. 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, 2025 or 2024. With few exceptions, the Conservancy's tax returns remain open for three years for federal and state examination.

Reclassifications

Certain 2024 amounts have been reclassified to conform with 2025 presentation.

Subsequent Events

The Entities have evaluated events and transactions for potential recognition or disclosure through December 3, 2025, the date the consolidated financial statements were available to be issued.

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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 at year-end:	2025	2024
Cash and cash equivalents	\$ 10,687,714	\$ 8,673,175
Investments	5,274,016	4,986,544
Contributions, grants, and other receivables	1,412,896	2,685,408
Total financial assets at year-end	<u>17,374,626</u>	<u>16,345,127</u>
Less amounts not available to be used for general expenditure within one year:		
Assets subject to contractual or donor restriction	8,984,841	8,246,662
Assets subject to Board designations	1,057,611	1,057,611
Restricted in perpetuity	2,317,835	2,202,000
Total financial assets not available to be used within one year	<u>12,360,287</u>	<u>11,506,273</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,014,339</u>	<u>\$ 4,838,854</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 and are not available for general expenditure within the next year. However, the total assets subject to Board designations could be drawn upon if the governing board approved that action. In addition, the Entities have a line of credit with a maximum available balance of \$1,000,000 for general liquidity needs (Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4. INVESTMENTS

Assets measured at fair value on a recurring basis at September 30, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Investments in equity fund	\$ 2,245,621	\$ -	\$ -	\$ 2,245,621
Investments in fixed income	2,889,582	-	-	2,889,582
Total	\$ 5,135,203	\$ -	\$ -	\$ 5,135,203

Assets measured at fair value on a recurring basis at September 30, 2024 are as follows:

	Level 1	Level 2	Level 3	Total
Investments in equity fund	\$ 2,063,550	\$ -	\$ -	\$ 2,063,550
Investments in fixed income	2,781,258	-	-	2,781,258
Total	\$ 4,844,808	\$ -	\$ -	\$ 4,844,808

The Entities exclude cash and cash equivalents from the fair value hierarchy as cash is generally measured at amortized cost. Accordingly, \$138,813 and \$141,736 of cash in the Conservancy's investment portfolio at September 30, 2025 and 2024, respectively, has been omitted from these tables.

Note 5. NET INVESTMENT INCOME

Net investment income consisted of the following for the years ended September 30,:

	2025	2024
Interest and dividends	\$ 567,072	\$ 615,781
Investment expenses	(1,767)	(1,584)
Realized and unrealized gains, net	87,356	564,180
Total	\$ 652,661	\$ 1,178,377

Note 6. GRANTS AND OTHER RECEIVABLES

Grants and other receivables aging was as follows at September 30,:

	2025	2024
Current	\$ 687,415	\$ 1,014,100
31-60 days	21,414	43,299
61-90 days	-	15,540
Over 90 days	50,592	82,196
Total	\$ 759,421	\$ 1,155,135

Note 7. CONTRIBUTIONS RECEIVABLE, NET

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

	2025	2024
Contributions receivable	\$ 722,347	\$ 1,610,929
Less: unamortized discount	(68,872)	(80,656)
Net contributions receivable	\$ 653,475	\$ 1,530,273
 Amounts due in:		
Less than one year	\$ 625,347	\$ 806,929
One to five years	97,000	789,000
Greater than five years	-	15,000
Total	\$ 722,347	\$ 1,610,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. **PROPERTY AND EQUIPMENT, NET**

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

	2025	2024
Building	\$ 1,535,000	\$ 1,535,000
Land	850,000	850,000
Equipment	84,288	98,277
Furniture and fixtures	35,851	47,696
Software	64,046	64,046
Building improvements	921,958	659,190
Total cost	3,491,143	3,254,209
Less: accumulated depreciation and amortization	(284,427)	(217,382)
Net book value	\$ 3,206,716	\$ 3,036,827

Depreciation and amortization expense for the years ended September 30, 2025 and 2024 was \$92,878 and \$54,763, respectively.

Note 9. **LINE OF CREDIT**

During the year ended September 30, 2024, a discretionary demand line of credit was established in the amount of \$1,000,000 with an annual interest rate of 1.60% plus the greater of zero percent and the one-month forward-looking term rate based on the secured overnight funding rate (SOFR). The one-month forward-looking term rate based on SOFR at September 30, 2025 and 2024 was approximately 5.88% and 4.85%, respectively. During the years ended September 30, 2025 and 2024, there were no borrowings made from the line of credit. As of September 30, 2025 and 2024, there was no outstanding balance on the line of credit.

Note 10. **NET ASSETS WITH DONOR RESTRICTIONS**

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

	2025	2024
Subject to passage of time:	\$ 759,673	\$ 1,188,837
Subject to purpose restriction:		
Chesapeake public access programming	664,551	764,147
Data driven environmental planning	517,537	730,128
Chesapeake land conservation	7,043,080	5,563,550
Restricted in perpetuity:		
Chesapeake Fellowship Fund	1,000,000	1,000,000
Joel Dunn Leadership Fund	1,317,835	1,202,000
Total	\$ 11,302,676	\$ 10,448,662

Note 11. **CONCENTRATIONS**

During the year ended September 30, 2025, the Entities had two funders that accounted for approximately \$5 million which is approximately 35% of Revenue, gains, and other support.

At September 30, 2025 and 2024, three funders accounted for approximately \$544,000 and \$1.4 million and made up 39% and 52% of combined Receivables – contributions, grants and other, respectively.

During the year ended September 30, 2025, the Entities incurred approximately \$4.8 million in expenses with two contractors that accounted for approximately 70% of Program expenses. During the year ended September 30, 2024, the Entities incurred approximately \$715,000 in expenses with two contractors that accounted for approximately 27% of Program expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 12. ENDOWMENTS

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

During 2022, the Conservancy received \$1,000,000 from a donor to fund the new Joel Dunn Leadership Endowment Fund. An additional \$317,835 has been received during subsequent years.

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:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effects of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) 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.

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, 2025 or 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 12. ENDOWMENTS (CONTINUED)

The Entities had the following endowment net asset composition as of September 30,:

	2025	2024
	With donor restrictions	With donor restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,317,835	\$ 2,202,000
Accumulated investment gains	847,826	751,470
Endowment net assets, end of year	\$ 3,165,661	\$ 2,953,470

Changes in endowment net assets are as follows for the years ended September 30,:

	2025	2024
	With donor restrictions	With donor restrictions
Endowment net assets, beginning of year	\$ 2,953,470	\$ 2,368,409
Investment income, net	225,618	554,061
Contributions	115,835	100,000
Appropriation of endowment for expenditure	(129,262)	(69,000)
Endowment net assets, end of year	\$ 3,165,661	\$ 2,953,470

Note 13. PROGRAM SERVICES DESCRIPTIONS

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

	2025	2024
Chesapeake public access and programming	\$ 2,475,162	\$ 483,995
Data driven environmental planning	1,580,243	1,672,833
Chesapeake land conservation	6,030,164	10,021,487
Collaborative conservation partnerships	441,097	540,225
Total	\$ 10,526,666	\$ 12,718,540

Note 14. 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 years ended September 30, 2025 and 2024, employer contributions totaled \$127,030 and \$151,338, respectively.