

**THE CONSERVATION FUND,  
A NONPROFIT CORPORATION**

**COMBINED FINANCIAL STATEMENTS**

Years Ended December 31, 2010 and 2009



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

### THE CONSERVATION FUND, A NONPROFIT CORPORATION

We have audited the accompanying combined statements of financial position of The Conservation Fund, A Nonprofit Corporation as of December 31, 2010 and 2009, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Conservation Fund, A Nonprofit Corporation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011, on our consideration of The Conservation Fund, A Nonprofit Corporation'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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

A handwritten signature in cursive script that reads "Mayer Hoffman McCann P.C.".

Bethesda, Maryland  
April 27, 2011

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 79,559,106	\$ 72,772,312
Short-term investments	8,197,564	7,908,571
Accounts and accrued interest receivable	2,301,087	2,451,015
Promises to give and grants receivable	2,304,692	1,756,083
Notes receivable	7,372,469	10,260,748
Other	208,772	208,579
<b>TOTAL CURRENT ASSETS</b>	<u>99,943,690</u>	<u>95,357,308</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings, furniture and equipment	2,230,772	2,230,772
Accumulated depreciation	1,144,678	1,014,647
<b>NET PROPERTY AND EQUIPMENT</b>	<u>1,086,094</u>	<u>1,216,125</u>
<b>OTHER ASSETS</b>		
Notes receivable	7,481,950	9,614,789
Promises to give and grants receivable	2,519,075	2,831,991
Long-term investments	1,269,000	-
Demonstration projects:		
Land and easements held for general purposes	346,431,920	368,591,504
Investment in partnerships and other ventures	-	5,200,000
<b>TOTAL OTHER ASSETS</b>	<u>357,701,945</u>	<u>386,238,284</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 458,731,729</u></u>	 <u><u>\$ 482,811,717</u></u>

See Notes to Financial Statements

THE CONSERVATION FUND, A NONPROFIT CORPORATION

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 358,855	\$ 717,098
Accrued expenses	3,983,456	3,243,867
Notes payable	12,998,626	2,593,901
TOTAL CURRENT LIABILITIES	<u>17,340,937</u>	<u>6,554,866</u>
OTHER LIABILITIES		
Amounts due other nonprofit organizations and government agencies	17,864,835	18,217,562
Amounts held for others	777,585	1,460,851
Notes payable:		
Demonstration projects	26,113,496	37,297,740
TOTAL OTHER LIABILITIES	<u>44,755,916</u>	<u>56,976,153</u>
TOTAL LIABILITIES	<u>62,096,853</u>	<u>63,531,019</u>
NET ASSETS		
Unrestricted	228,298,479	244,879,658
Temporarily restricted	94,726,767	102,253,316
Permanently restricted	73,609,630	72,147,724
TOTAL NET ASSETS	<u>396,634,876</u>	<u>419,280,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 458,731,729</u>	<u>\$ 482,811,717</u>

See Notes to Financial Statements

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS				
Contributions and grants	\$ 26,216,516	\$ 38,700,367	\$ 2,506,798	\$ 67,423,681
Contract income	13,933,373	-	-	13,933,373
Investment and other program income	1,810,806	-	-	1,810,806
Net assets released from restrictions	47,271,808	(46,226,916)	(1,044,892)	-
TOTAL SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS	89,232,503	(7,526,549)	1,461,906	83,167,860
SALES OF DEMONSTRATION PROJECTS TO OTHERS	89,391,303	-	-	89,391,303
TOTAL SUPPORT AND REVENUE	178,623,806	(7,526,549)	1,461,906	172,559,163
EXPENSES				
Program:				
Book value of demonstration projects sold to others	140,270,593	-	-	140,270,593
Other program expenses	49,751,584	-	-	49,751,584
Total program	190,022,177	-	-	190,022,177
Management and general	3,130,506	-	-	3,130,506
Fundraising	2,052,302	-	-	2,052,302
TOTAL EXPENSES	195,204,985	-	-	195,204,985
CHANGE IN NET ASSETS	(16,581,179)	(7,526,549)	1,461,906	(22,645,822)
NET ASSETS, BEGINNING OF YEAR	244,879,658	102,253,316	72,147,724	419,280,698
NET ASSETS, END OF YEAR	\$ 228,298,479	\$ 94,726,767	\$ 73,609,630	\$ 396,634,876

See Notes to Financial Statements

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS				
Contributions and grants	\$ 52,476,420	\$ 49,464,465	\$ 7,655,706	\$ 109,596,591
Contract income	8,686,678	-	-	8,686,678
Investment and other program income	3,940,654	-	-	3,940,654
Net assets released from restrictions	37,464,441	(37,214,441)	(250,000)	-
TOTAL SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS	102,568,193	12,250,024	7,405,706	122,223,923
SALES OF DEMONSTRATION PROJECTS TO OTHERS	70,277,719	-	-	70,277,719
TOTAL SUPPORT AND REVENUE	172,845,912	12,250,024	7,405,706	192,501,642
EXPENSES				
Program:				
Book value of demonstration projects sold to others	121,754,478	-	-	121,754,478
Other program expenses	31,343,354	-	-	31,343,354
Total program	153,097,832	-	-	153,097,832
Management and general	2,809,228	-	-	2,809,228
Fundraising	1,519,761	-	-	1,519,761
TOTAL EXPENSES	157,426,821	-	-	157,426,821
CHANGE IN NET ASSETS	15,419,091	12,250,024	7,405,706	35,074,821
NET ASSETS, BEGINNING OF YEAR	229,460,567	90,003,292	64,742,018	384,205,877
NET ASSETS, END OF YEAR	<u>\$ 244,879,658</u>	<u>\$ 102,253,316</u>	<u>\$ 72,147,724</u>	<u>\$ 419,280,698</u>

See Notes to Financial Statements

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**COMBINED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,645,822)	\$ 35,074,821
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted to revolving funds	(2,506,798)	(7,655,706)
Depreciation	130,031	143,118
Allowance for losses on notes receivable and bad debt write-offs	446,711	114,852
Disposition of demonstration projects, net of proceeds received	50,879,290	51,476,759
Non-cash contributions	(1,269,000)	-
Contributions of demonstration projects held for conservation	(11,122,472)	(26,944,293)
Net realized and unrealized gains on investments	(49,019)	(10,271)
Loss from investment in partnerships and other ventures	447,231	250,000
Loss on disposal of furniture and equipment	-	21,986
Decrease (increase) in operating assets		
Promises to give and grants, accounts and accrued interest receivable	(85,765)	586,038
Other assets	(193)	(12,298)
Increase in operating liabilities		
Accounts payable, accrued expenses and other current liabilities	381,346	198,599
Additional cash provided by (used in) demonstration projects:		
Proceeds from disposition of demonstration projects held for conservation	89,391,303	70,277,719
Acquisition of demonstration projects held for conservation	(106,988,537)	(117,956,534)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(2,991,694)</u>	<u>5,564,790</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of short-term investments	(11,743,121)	(9,112,001)
Proceeds from sales of short-term investments	11,503,147	7,908,869
Net decrease (increase) in notes receivable	4,574,407	(4,464,892)
Proceeds from partnerships and other long-term investments	4,752,769	37,850,000
Distributions from partnership investments	-	1,000,000
Net (decrease) increase in amounts due other nonprofit organizations and government agencies and amounts held for others	(1,035,993)	660,625
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>8,051,209</u>	<u>33,842,601</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted to revolving funds	2,506,798	7,655,706
Repayments on line of credit	-	(15,000,000)
Proceeds from long-term debt	2,200,000	4,865,800
Repayment of long-term debt	(2,979,519)	(47,132,954)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>1,727,279</u>	<u>(49,611,448)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 6,786,794	 (10,204,057)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>72,772,312</u>	 <u>82,976,369</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 79,559,106</u>	 <u>\$ 72,772,312</u>

See Notes to Financial Statements

# THE CONSERVATION FUND, A NONPROFIT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies

**Organization and combined financial statements** – These combined financial statements present the combined assets, liabilities, net assets and activities of The Conservation Fund (“TCF”), Sustainable Conservation, Inc. (“SCI”) and Natural Capital Investment Fund, Inc. (“NCIF”) (hereafter collectively referred to as the “Fund”). TCF’s and SCI’s mission is to create partnerships with the private sector, other nonprofit organizations, and public agencies to protect America’s outdoor heritage. NCIF is a certified community development financial institution that provides financing for natural resource-based businesses. All material intercompany transactions have been eliminated in combination.

**Recently issued accounting pronouncements** – Effective for reporting periods ending after September 15, 2009, the FASB Accounting Standards Codification (ASC) is the single source of authoritative nongovernmental accounting principles generally accepted in the United States of America (GAAP). The Codification supersedes all previously issued standards including Statements of Financial Accounting Standards and guidance promulgated by the American Institute of Certified Public Accountants (AICPA). The adoption of the ASC did not have a significant impact on the combined financial statements.

**Basis of accounting** – These combined financial statements have been prepared on the accrual basis of accounting. Certain prior year amounts have been reclassified to conform to the current year presentation.

**Basis of presentation** – The Fund follows the presentation requirements of ASC Topic 958, “Not for Profit Entities,” which requires that the Fund report contributions as support in the period received or when an unconditional promise to give has been made. Contributed services using specialized skills that would have been required to be purchased if not provided by donation are also recognized in the period the services are rendered. Fund balances are reported as net assets in the statements of financial position and classified as permanently restricted, temporarily restricted or unrestricted.

**Net assets** – The Fund records amounts in accordance with their nature and purpose. The assets, liabilities and net assets of the Fund are classified as follows:

Unrestricted net assets represent the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent operating resources limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund pursuant to the stipulations. Temporarily restricted net assets as of December 31, 2010 were \$94,726,767 (\$102,253,316 as of December 31, 2009).

Permanently restricted net assets represent resources limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund. The Fund records contributions to its revolving funds with permanent donor-imposed stipulations as permanently restricted net assets. These net assets are used to finance demonstration projects or provide financing for natural resource-based businesses. Permanently restricted net assets as of December 31, 2010 were \$73,609,630 (\$72,147,724 as of December 31, 2009).

## THE CONSERVATION FUND, A NONPROFIT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

**Fair value of financial instruments** – ASC Topic 825-10-50, “Financial Instruments-Overall-Disclosure” requires disclosure of an estimate of fair value of certain financial instruments. The Fund’s significant financial instruments are cash, short-term investments, promises to give, grants and accounts receivable, notes receivable and notes payable. For these financial instruments, carrying values approximate fair value.

**Cash and cash equivalents** – For the purpose of the statements of cash flows, the Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments** – Under the guidelines of ASC Topic 958, “Not for Profit Entities,” the Fund’s investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets.

**Grants receivable, promises to give and notes receivable** – Grants receivable, promises to give due in less than one year, and notes receivable are reported at their outstanding balance, less an allowance for losses. Promises to give and grants receivable due beyond one year are discounted to their net present value of future cash flows. An allowance of \$399,549 (\$397,730 in 2009) has been recorded for certain loans made by NCIF. All other promises to give, grants receivable and notes receivable are considered by management to be fully collectible.

**Building and equipment** – Building and equipment are recorded at cost. The Fund capitalizes all major acquisitions and expenses all other purchases. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Building and equipment consist primarily of a research laboratory facility placed in service in 1999 which is being depreciated over thirty years.

Depreciation expense for the year ended December 31, 2010 was \$130,031 (\$143,118 in 2009).

**Demonstration projects** – Demonstration projects consist principally of real estate, conservation easements, and investments in partnerships and other ventures. Demonstration projects are real estate projects that have economic and/or ecological value. The Fund assists in the development and revitalization of these properties consistent with ecological principles. Costs incurred in carrying parcels of real estate such as taxes, travel and acquisition costs are recorded as demonstration project expenses and expensed as incurred. Real estate is acquired by gift or purchase and is recorded at its appraised value when acquired. Parcels determined to have no ecological value may be sold to support land conservation efforts. To ensure the Fund’s commitment to conservation, real estate with ecological value is held or transferred, including by sale, to appropriate management entities. When land is transferred, the proceeds are included as part of total support and revenue and are shown as “Sales of Demonstration Projects to Others;” the book value of the land and transaction costs incurred with the transfer are shown as program service expenses.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities

# THE CONSERVATION FUND, A NONPROFIT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies (continued)

and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition for earned income** – Revenue from federal awards is recognized at the time expenses allowable under the award are incurred. Revenue from contracts is recognized when the service is completed. Amounts received but not yet earned are reported as deferred revenue.

**Income taxes** – The Conservation Fund is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization under Section 509(a)(1). Sustainable Conservation, Inc. and Natural Capital Investment Fund, Inc. are nonprofit corporations exempt from income taxes under Section 501(c)(3) and are supporting organizations to TCF under Section 509(a)(3) of the Internal Revenue Code.

The Fund has adopted ASC Topic 740-10 which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax provisions. The adoption of this pronouncement did not have an effect on the combined financial statements.

The federal form 990, *Return of Organization Exempt from Income Tax*, for 2010, 2009, 2008 and 2007 for the three organizations are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Subsequent events** – The Fund has evaluated subsequent events through April 27, 2011, which is the date the combined financial statements were available to be issued.

### (2) Short-term and long-term investments; fair value measurements

Short-term investments consist of U.S. Treasury notes, government agency debt instruments, equity and fixed income mutual funds, and corporate bonds totaling \$8,197,564 (\$7,908,571 at December 31, 2009). Long-term investments consist of an interest in an investment partnership. Total investment income in 2010 from cash, cash equivalents, short-term investments and notes receivable totaled \$1,332,131, consisting primarily of interest income (\$1,836,622 of total investment income in 2009).

ASC Topic 820-10 establishes 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). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund 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

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**(2) Short-term and long-term investments; fair value measurements (continued)**

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 asset 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.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2010 or 2009.

*Money market funds, U.S. Treasury Bills and Notes, and U.S. Government Agency Notes:* At the quoted market prices for these assets.

*Collective investment trust funds, equity and fixed income mutual funds:* Valued at the net asset value of shares held by the Fund at December 31, 2010 and 2009.

*Partnership investment:* Valued at the appraised amount of the Fund's interest in the underlying assets of the partnership. This interest was donated to the Fund in 2010.

The following tables set forth by level, within the fair value hierarchy, the Fund's investments at fair value as of December 31, 2010 and 2009.

	<b>Investments at Fair Value as of December 31, 2010</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market funds	\$ 511,471	\$ -	\$ -	\$ 511,471
U.S. Treasury Bills and Notes	4,250,032	-	-	4,250,032
U.S. Government Agency Notes	1,006,855	-	-	1,006,855
Collective Investment Trust Funds	-	2,327,384	-	2,327,384
Equity mutual funds	64,137	-	-	64,137
Fixed income mutual funds	37,685	-	-	37,685
Partnership investment	-	-	1,269,000	1,269,000
	<b>\$ 5,870,180</b>	<b>\$ 2,327,384</b>	<b>\$ 1,269,000</b>	<b>\$ 9,466,564</b>
Total investments at fair value	<b>\$ 5,870,180</b>	<b>\$ 2,327,384</b>	<b>\$ 1,269,000</b>	<b>\$ 9,466,564</b>

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**NOTES TO FINANCIAL STATEMENTS**

**(2) Short-term and long-term investments; fair value measurements (continued)**

	Investments at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 277,289	\$ -	\$ -	\$ 277,289
U.S. Treasury Bills and Notes	5,472,013	-	-	5,472,013
Collective Investment Trust Funds	-	2,159,269	-	2,159,269
Total investments at fair value	<u>\$ 5,749,302</u>	<u>\$ 2,159,269</u>	<u>\$ -</u>	<u>\$ 7,908,571</u>

The table below sets forth a summary of changes in the fair value of the Fund's Level 3 investments for the years ended December 31, 2010 and 2009:

	Level 3 Investments	
	Years Ended December 31,	
	2010	2009
Balance, beginning of year	\$ -	\$ -
Realized gains (losses)	-	-
Unrealized gains (losses) relating to instruments still held at the reporting date	-	-
Purchases, issuances, contributions and settlements	<u>1,269,000</u>	<u>-</u>
Balance, end of year	<u>\$ 1,269,000</u>	<u>\$ -</u>

**(3) Promises to give and grants receivable**

Unconditional promises to give and grants receivable are as follows:

	December 31,	
	2010	2009
Receivable in less than one year	\$ 2,304,692	\$ 1,756,083
Receivable in one to five years	2,717,035	3,084,167
Less 3% discount	<u>(197,960)</u>	<u>(252,176)</u>
	<u>\$ 4,823,767</u>	<u>\$ 4,588,074</u>

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**(3) Promises to give and grants receivable (continued)**

In addition to the unconditional promises, the Fund also has conditional promises to give totaling \$7,858,389 (\$14,457,100 in 2009), which are conditioned on the Fund raising matching funds for projects and for its revolving funds.

**(4) Notes receivable**

The Fund has advanced funds in the form of notes receivable to various organizations in carrying out project or land transactions. At December 31, 2010, the Fund had 72 notes receivable outstanding, in the amount of \$14,854,419 (74 notes in the amount of \$19,875,537 at December 31, 2009). The notes have various interest rates and maturity dates, with the latest note maturing in 2023.

**(5) Investment in partnership and other ventures**

The Fund had an investment in a real estate venture through a partnership interest. Because the Fund regarded this venture as a demonstration project, it is reported at its value at the time of acquisition. The Fund recorded, as income, distributions which are generated through sales of mitigation credits. This venture was disposed of in 2010, with proceeds totaling approximately \$4,750,000.

The Fund also held an investment in a partnership, which was accounted for under the equity method. In 2009, the Fund received a final distribution totaling \$1,000,000 for this investment.

**(6) Demonstration projects, notes payable and lines of credit**

	<u>Current Portion</u>	<u>Long-Term Debt</u>	<u>Total 2010</u>	<u>Total 2009</u>
(A) Operating Capital Loans	\$ -	\$ 2,600,000	\$ 2,600,000	\$ 1,900,000
(B) Loans, Demonstration Projects	12,973,509	22,986,537	35,960,046	37,415,241
(C) Intermediary Re-Lending Program	<u>25,117</u>	<u>526,959</u>	<u>552,076</u>	<u>576,400</u>
Total	<u>\$ 12,998,626</u>	<u>\$ 26,113,496</u>	<u>\$ 39,112,122</u>	<u>\$ 39,891,641</u>

(A) The Fund has five notes payable from foundations and other entities totaling \$2,600,000. The notes are unsecured and maturity dates range from 2014 to 2020 with interest rates ranging from 1.5% to 4.5%. There are no scheduled principal payments for these loans for 2011.

## THE CONSERVATION FUND, A NONPROFIT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### (6) Demonstration projects, notes payable and lines of credit (continued)

- (B) The Fund has six other notes payable associated with demonstration projects. The principal due on these notes totaled \$35,960,046 and the notes are secured by a deed of trust or land and easements held by the Fund. Interest is charged at rates of up to 2.5% per annum. Maturity dates range from 2011 to 2026. Three of the loans are scheduled to be paid-off in 2011, with the remaining loan requiring annual principal payments of approximately \$1,100,000.
- (C) NCIF has two loans under an Intermediary Re-Lending Program totaling \$552,076 whereby the funds are used to make loans to qualified businesses. The loans bear interest at 1% per annum and are repayable over a ten to thirty year period. Annual principal payments on these loans total \$25,132.

Future maturities are as follows:

#### Years Ending December 31,

2011	\$ 12,998,626
2012	2,862,184
2013	2,669,921
2014	2,496,497
2015	1,223,681
Later years	<u>16,861,213</u>
	<u>\$ 39,112,122</u>

The Fund has lines of credit with SunTrust Bank and Chevy Chase Bank/Capital One allowing it to borrow a total of up to \$30,000,000. The SunTrust line of credit is unsecured, accrues interest at 3%, has a borrowing limit of \$25,000,000, and is renewable in May 2011. The Chevy Chase/Capital One line of credit is unsecured, accrues interest at 3%, has a borrowing limit of \$5,000,000, and is renewable in September 2011. The Fund had no outstanding borrowings at December 31, 2010 and 2009.

The fair value of notes payable approximates the carrying value based upon terms and rates the Fund could obtain for obligations of a similar nature.

#### (7) Amounts due other nonprofit organizations and government agencies

Amounts due other nonprofit organizations and government agencies are a result of agreements or commitments the Fund has with various organizations with respect to certain real estate parcels it holds. The Fund has entered into cooperative agreements to carry out demonstration projects with other organizations. Once the projects are completed, the Fund will transfer the land parcels. In other cases, the Fund has a commitment to transfer a portion of net sales proceeds from land it owns to other organizations. These arrangements and commitments affect three parcels held by the Fund, and at December 31, 2010, the fair value of the Fund's obligation totaled \$17,864,835 (\$18,217,562 at December 31, 2009).

## THE CONSERVATION FUND, A NONPROFIT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### (8) Commitments

The Fund leases offices under various operating leases. The combined base monthly rent is approximately \$80,000 with provisions for annual additional rent due to increases in operating expenses and lease terms.

The following schedule summarizes the future minimum lease commitment:

#### Years Ending December 31,

2011	\$	887,223
2012		763,113
2013		660,218
2014		636,652
2015		600,181
Later years		<u>1,023,825</u>
	\$	<u><u>4,571,212</u></u>

Total rent expense for 2010 was \$1,116,825 (\$990,793 in 2009).

#### (9) Retirement plan

The Fund has a tax-deferred 403(b) annuity pension plan covering substantially all of its employees. Employer contributions are discretionary and based upon the eligible employee's annual compensation. The contributions to the Fund's pension plan for the year ended December 31, 2010 totaled \$970,996 (\$861,991 in 2009).

#### (10) Financial instruments

Financial instruments which potentially subject the Fund to concentrations of credit risk consist of cash, cash equivalents, and short-term investments. Cash equivalents consist of amounts in institutional money market funds and total approximately \$67,000,000 at December 31, 2010 (approximately \$65,000,000 at December 31, 2009). The Fund maintains its cash in various operating bank accounts. The interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The non-interest-bearing accounts are fully insured by the FDIC for the entire account balance as of December 31, 2010 and 2009. Cash amounts in checking accounts exceeded federal insurance limits by approximately \$11,349,000 at December 31, 2010 (exceeded federal insurance limits by approximately \$2,860,000 at December 31, 2009). All cash, cash equivalents, and short-term investments are held with high credit quality financial institutions. Management believes there is no significant concentration of credit risk.

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**(11) Fundraising and management and general summary**

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Fundraising expense as a percentage of total support (3 year average)	1.7%	1.3%
Management and general expense as a percentage of total support (3 year average)	2.8%	2.5%

The ratio of expenses to amounts raised is computed using actual expenses and support and revenue exclusive of sales of demonstration projects to others.

**(12) Temporarily and permanently restricted net assets**

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Temporarily restricted net assets are available for the following purposes and periods:		
Amounts restricted to various operating programs	\$ 29,906,565	\$ 24,787,848
Amounts restricted for various real estate acquisitions or projects	64,820,202	77,465,468
Total temporarily restricted net assets	\$ 94,726,767	\$ 102,253,316
Permanently restricted net assets consist of the following:		
Loan capital net assets dedicated to providing temporary financing of qualifying businesses with any loans required to be repaid	\$ 2,988,872	\$ 3,971,296
Revolving net assets dedicated to providing temporary financing of land acquisitions in various regions of the country with any loans required to be repaid	70,620,758	68,176,428
Total permanently restricted net assets	\$ 73,609,630	\$ 72,147,724

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**(13) Functional allocation of expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program services are included in the accompanying combined financial statements:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Program services:		
Core operations	\$ 4,303,897	\$ 3,981,123
Operating programs	21,140,850	19,829,755
Demonstration projects	24,306,837	7,532,476
Book value of demonstration projects sold to others	<u>140,270,593</u>	<u>121,754,478</u>
Total program services	<u>\$ 190,022,177</u>	<u>\$ 153,097,832</u>

**(14) Cash flow disclosures**

The following is a summary of supplemental cash flow information:

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Cash paid:		
Interest	<u>\$ 608,815</u>	<u>\$ 788,211</u>

**SUPPLEMENTAL AND ADDITIONAL INFORMATION**



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors

### THE CONSERVATION FUND, A NONPROFIT CORPORATION

Our report on our audits of the basic combined financial statements of The Conservation Fund, A Nonprofit Corporation for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining schedules of financial position, combining schedules of activities and changes in net assets, the combined schedules of functional expenses, and the combined statements of activities and changes in net assets by activity are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. The accompanying schedule of expenditures of federal awards is supplementary information and is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

*Mayer Hoffman McCann P.C.*

Bethesda, Maryland  
April 27, 2011

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**ADDITIONAL INFORMATION – COMBINING SCHEDULES OF FINANCIAL POSITION**

Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>The Conservation Fund</u>	<u>Sustainable Conservation, Inc.</u>	<u>Natural Capital Investment Fund, Inc.</u>	<u>Eliminations</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b><u>ASSETS</u></b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 69,729,664	\$ 5,101,968	\$ 4,727,474	\$ -	\$ 79,559,106	\$ 72,772,312
Short-term investments	8,197,564	-	-	-	8,197,564	7,908,571
Accounts and accrued interest receivable	2,728,251	6,200	26,636	(460,000)	2,301,087	2,451,015
Promises to give and grants receivable	1,830,053	-	474,639	-	2,304,692	1,756,083
Notes receivable	7,099,290	-	273,179	-	7,372,469	10,260,748
Other	208,772	-	-	-	208,772	208,579
<b>TOTAL CURRENT ASSETS</b>	<b>89,793,594</b>	<b>5,108,168</b>	<b>5,501,928</b>	<b>(460,000)</b>	<b>99,943,690</b>	<b>95,357,308</b>
<b>PROPERTY AND EQUIPMENT</b>						
Buildings, furniture and equipment	2,230,772	-	-	-	2,230,772	2,230,772
Accumulated depreciation	1,144,678	-	-	-	1,144,678	1,014,647
<b>NET PROPERTY AND EQUIPMENT</b>	<b>1,086,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,086,094</b>	<b>1,216,125</b>
<b>OTHER ASSETS</b>						
Notes receivable	5,262,070	-	2,219,880	-	7,481,950	9,614,789
Promises to give and grants receivable	2,519,075	-	-	-	2,519,075	2,831,991
Long-term investments	1,269,000	-	-	-	1,269,000	-
Demonstration projects:						
Land and easements held for general purposes	338,989,945	7,441,975	-	-	346,431,920	368,591,504
Investment in partnerships and other ventures	-	-	-	-	-	5,200,000
<b>TOTAL OTHER ASSETS</b>	<b>348,040,090</b>	<b>7,441,975</b>	<b>2,219,880</b>	<b>-</b>	<b>357,701,945</b>	<b>386,238,284</b>
<b>TOTAL ASSETS</b>	<b>\$ 438,919,778</b>	<b>\$ 12,550,143</b>	<b>\$ 7,721,808</b>	<b>\$ (460,000)</b>	<b>\$ 458,731,729</b>	<b>\$ 482,811,717</b>

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**  
**ADDITIONAL INFORMATION – COMBINING SCHEDULES OF FINANCIAL POSITION**

Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>The Conservation Fund</u>	<u>Sustainable Conservation, Inc.</u>	<u>Natural Capital Investment Fund, Inc.</u>	<u>Eliminations</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 358,855	\$ -	\$ 460,000	\$ (460,000)	\$ 358,855	\$ 717,098
Accrued expenses	3,970,230	535	12,691	-	3,983,456	3,243,867
Notes payable	12,973,509	-	25,117	-	12,998,626	2,593,901
<b>TOTAL CURRENT LIABILITIES</b>	<u>17,302,594</u>	<u>535</u>	<u>497,808</u>	<u>(460,000)</u>	<u>17,340,937</u>	<u>6,554,866</u>
<b>OTHER LIABILITIES</b>						
Amounts due other nonprofit organizations and government agencies	17,864,835	-	-	-	17,864,835	18,217,562
Amounts held for others	741,785	35,800	-	-	777,585	1,460,851
Notes payable:						
Demonstration projects	23,986,537	-	2,126,959	-	26,113,496	37,297,740
<b>TOTAL OTHER LIABILITIES</b>	<u>42,593,157</u>	<u>35,800</u>	<u>2,126,959</u>	<u>-</u>	<u>44,755,916</u>	<u>56,976,153</u>
<b>TOTAL LIABILITIES</b>	<u>59,895,751</u>	<u>36,335</u>	<u>2,624,767</u>	<u>(460,000)</u>	<u>62,096,853</u>	<u>63,531,019</u>
<b>NET ASSETS</b>						
Unrestricted	215,626,941	12,513,808	157,730	-	228,298,479	244,879,658
Temporarily restricted	92,776,328	-	1,950,439	-	94,726,767	102,253,316
Permanently restricted	70,620,758	-	2,988,872	-	73,609,630	72,147,724
<b>TOTAL NET ASSETS</b>	<u>379,024,027</u>	<u>12,513,808</u>	<u>5,097,041</u>	<u>-</u>	<u>396,634,876</u>	<u>419,280,698</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 438,919,778</u>	<u>\$ 12,550,143</u>	<u>\$ 7,721,808</u>	<u>\$ (460,000)</u>	<u>\$ 458,731,729</u>	<u>\$ 482,811,717</u>

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**ADDITIONAL INFORMATION – COMBINING SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>The Conservation Fund</u>	<u>Sustainable Conservation, Inc.</u>	<u>Natural Capital Investment Fund, Inc.</u>	<u>Eliminations</u>	<u>Total 2010</u>	<u>Total 2009</u>
SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS						
Contributions and grants	\$ 66,073,636	\$ 9,100	\$ 1,340,945	\$ -	\$ 67,423,681	\$ 109,596,591
Contract income	13,856,620	76,753	-	-	13,933,373	8,686,678
Investment and other program income	<u>1,866,278</u>	<u>118,991</u>	<u>285,537</u>	<u>(460,000)</u>	<u>1,810,806</u>	<u>3,940,654</u>
TOTAL SUPPORT AND REVENUE BEFORE SALES OF DEMONSTRATION PROJECTS TO OTHERS	81,796,534	204,844	1,626,482	(460,000)	83,167,860	122,223,923
SALES OF DEMONSTRATION PROJECTS TO OTHERS	<u>89,391,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,391,303</u>	<u>70,277,719</u>
TOTAL SUPPORT AND REVENUE	<u>171,187,837</u>	<u>204,844</u>	<u>1,626,482</u>	<u>(460,000)</u>	<u>172,559,163</u>	<u>192,501,642</u>
EXPENSES:						
Program:						
Book value of demonstration projects sold to others	140,270,593	-	-	-	140,270,593	121,754,478
Other program expenses	<u>48,810,200</u>	<u>274,539</u>	<u>1,063,360</u>	<u>(396,515)</u>	<u>49,751,584</u>	<u>31,343,354</u>
Total program expenses	189,080,793	274,539	1,063,360	(396,515)	190,022,177	153,097,832
Management and general	3,098,427	-	72,346	(40,267)	3,130,506	2,809,228
Fundraising	<u>2,047,476</u>	<u>-</u>	<u>28,044</u>	<u>(23,218)</u>	<u>2,052,302</u>	<u>1,519,761</u>
TOTAL EXPENSES	<u>194,226,696</u>	<u>274,539</u>	<u>1,163,750</u>	<u>(460,000)</u>	<u>195,204,985</u>	<u>157,426,821</u>
CHANGE IN NET ASSETS	(23,038,859)	(69,695)	462,732	-	(22,645,822)	35,074,821
NET ASSETS, BEGINNING OF YEAR	<u>402,062,886</u>	<u>12,583,503</u>	<u>4,634,309</u>	<u>-</u>	<u>419,280,698</u>	<u>384,205,877</u>
NET ASSETS, END OF YEAR	<u>\$ 379,024,027</u>	<u>\$ 12,513,808</u>	<u>\$ 5,097,041</u>	<u>\$ -</u>	<u>\$ 396,634,876</u>	<u>\$ 419,280,698</u>

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**ADDITIONAL INFORMATION – COMBINED SCHEDULES OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2010</u>	<u>Total 2009</u>
Salaries	\$ 9,534,991	1,634,157	961,600	\$ 12,130,748	\$ 10,940,988
Payroll taxes	624,401	85,195	50,815	760,411	719,833
Employee benefits	1,457,150	400,833	230,656	2,088,639	1,872,392
Acquisition and program costs	1,500,874	8,570	49,989	1,559,433	2,860,548
External transfers	18,268,214	-	-	18,268,214	1,916,058
Contractual services	7,003,693	296,059	213,136	7,512,888	6,538,374
Graphics and photography	42,287	1,737	1,308	45,332	66,810
Conservation research	56,132	2,179	1,745	60,056	88,234
Contributions and grants	4,732,797	125,627	152,976	5,011,400	3,404,607
Publications	43,689	7,515	4,456	55,660	66,017
Public relations and public education	42,506	1,958	1,301	45,765	12,540
Real estate and personal property taxes	951,595	10,604	28,229	990,428	855,845
Rent	835,109	178,381	103,335	1,116,825	990,793
Professional fees	587,922	112,346	62,088	762,356	784,571
Supplies and equipment	516,809	55,264	34,027	606,100	505,777
Bank and finance charges	174,239	7,440	4,914	186,593	144,712
Travel and subsistence	932,926	70,744	48,180	1,051,850	957,338
Postage and shipping	58,996	10,036	6,075	75,107	66,218
Telephone and utilities	359,903	28,511	18,336	406,750	386,796
Repairs and maintenance	130,376	11,368	7,053	148,797	129,000
Printing	147,361	30,133	17,583	195,077	128,677
Interest	759,986	3,197	24,130	787,313	920,414
Insurance	201,485	23,758	14,435	239,678	221,489
Seminars and conferences	103,119	7,068	4,725	114,912	138,160
Construction	21,419	989	655	23,063	26,454
Depreciation	120,761	5,576	3,694	130,031	143,118
Bad debt expense	498,103	483	621	499,207	364,852
Miscellaneous	44,741	10,778	6,240	61,759	421,728
SUBTOTAL	<u>49,751,584</u>	<u>3,130,506</u>	<u>2,052,302</u>	<u>54,934,392</u>	<u>35,672,343</u>
Book value of demonstration projects sold to others	<u>140,270,593</u>	<u>-</u>	<u>-</u>	<u>140,270,593</u>	<u>121,754,478</u>
TOTAL EXPENSES	<u>\$ 190,022,177</u>	<u>\$ 3,130,506</u>	<u>\$ 2,052,302</u>	<u>\$ 195,204,985</u>	<u>\$ 157,426,821</u>

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**ADDITIONAL INFORMATION – COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
BY ACTIVITY**

Years Ended December 31, 2010 and 2009

	2010			2009		
	Operating Activities*	Real Estate Activities**	Total	Operating Activities*	Real Estate Activities**	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants	\$ 17,997,098	\$ 49,426,583	\$ 67,423,681	\$ 17,719,618	\$ 91,876,973	\$ 109,596,591
Contract income	13,933,373	-	13,933,373	8,686,678	-	8,686,678
Investment and other program income	1,810,806	-	1,810,806	3,940,654	-	3,940,654
Sales of demonstration projects	-	89,391,303	89,391,303	-	70,277,719	70,277,719
<b>TOTAL SUPPORT AND REVENUE</b>	<b>33,741,277</b>	<b>138,817,886</b>	<b>172,559,163</b>	<b>30,346,950</b>	<b>162,154,692</b>	<b>192,501,642</b>
<b>EXPENSES</b>						
Book value of demonstration projects sold to others	-	140,270,593	140,270,593	-	121,754,478	121,754,478
Other program expenses	25,444,747	24,306,837	49,751,584	23,810,878	7,532,476	31,343,354
Management and general	3,130,506	-	3,130,506	2,809,228	-	2,809,228
Fundraising	2,052,302	-	2,052,302	1,519,761	-	1,519,761
<b>TOTAL EXPENSES</b>	<b>30,627,555</b>	<b>164,577,430</b>	<b>195,204,985</b>	<b>28,139,867</b>	<b>129,286,954</b>	<b>157,426,821</b>
<b>CHANGE IN NET ASSETS FOR THE YEAR</b>	<b>\$ 3,113,722</b>	<b>\$ (25,759,544)</b>	<b>\$ (22,645,822)</b>	<b>\$ 2,207,083</b>	<b>\$ 32,867,738</b>	<b>\$ 35,074,821</b>

\* Operating activity support and revenue consists of general support, contract and program income, and investment income; expenses consist of all expenses not directly related to acquiring, holding and selling land.

\*\* Real estate activity support and revenue consists of gifts of land and contributions directly related to land acquisition efforts and the sale of demonstration projects to others; expenses in the real estate activities column consist of the book value of demonstration projects sold to others and expenses directly related to acquiring, holding and selling land.

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**

**SUPPLEMENTAL INFORMATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Years Ended December 31, 2010 and 2009

Federal Grantor / Pass-through Grantor / Program Title / Project Title	Grant Agreement Number	CFDA	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Agricultural Research_Basic and Applied Research / USDA 9	59-1930-0-046	10.001	\$ 967,171
Agricultural Research_Basic and Applied Research / USDA VIII	58-6408-9-343N/ 59-1930-5-510	10.001	392,315
Grants for Agricultural Research, Special Research Grants / USDA-RCDI-RHS Community Facilities			
Loans and Grants	38-068-521388917	10.200	121,951
Forest Legacy Program/ MD Center for Agro Ecology/TCF Prime / MALPF	20083439819066/Z522502	10.676	8,859
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>1,490,296</u>
<b>DEPARTMENT OF COMMERCE</b>			
Climate & Atmospheric Research / Chesapeake Sea Level Rise, HO-NOAA Grant	NA08OAR4310723	11.431	143,675
<b>TOTAL DEPARTMENT OF COMMERCE</b>			<u>143,675</u>
<b>DEPARTMENT OF DEFENSE</b>			
Community Economic Adjustment Planning Assistance for Joint Land Use Studies / Fort A.P. Hill ACUB Program - Bowen/Oaken Brow, VA	W911SR-07-2-0008	12.610	804,500
Community Economic Adjustment Planning Assistance for Joint Land Use Studies / Fort A.P. Hill ACUB Program - Pratt, VA	W911SR-07-2-0008	12.610	212,250
Community Economic Adjustment Planning Assistance for Joint Land Use Studies / Fort A.P. Hill ACUB Program - Camden Farm, VA	W911SR-07-2-0008	12.610	1,268,500
Community Economic Adjustment Planning Assistance for Joint Land Use Studies / Fort A.P. Hill ACUB Program - Blackmarsh Farm, VA	W911SR-07-2-0008	12.610	1,294,100
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<u>3,579,350</u>
<b>DEPARTMENT OF THE INTERIOR</b>			
<b>FISH AND WILDLIFE SERVICE</b>			
Fish and Wildlife Management Assistance / Go Zero	10120-9-G100	15.608	74,296
North American Wetlands Conservation Fund / Goose Bay Watershed Protection Project	VA-N701	15.623	75,000
Coastal Program / Southwest Alaska - Riparian Wetlands Habitat Assessment	70181-9-J008	15.630	15,000
Coastal Program / The Southwest Alaska Salmon Habitat Partnership	70181-9-J009	15.630	23,000
Coastal Program / Eklutna Village Habitat Assessment micro-grant	701819G021	15.630	5,000
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>			<u>192,296</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
<i>Pass-through Program: State of Vermont / Highway Planning and Construction / Prosper Valley</i>			
Conservation initiative, VT	AOT Project Development- 08126-CA0245	20.205	4,618
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<u>4,618</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Targeted Watersheds Grants / Regional Goals, Local Benefits, WV	2007-0082-007	66.439	78,040
<i>Pass-through Program: State of Michigan / Nonpoint+ Source Implementation Grants / Nonpoint</i>			
Source Implementation-State of Michigan, DEQ	C9975474-08	66.460	67,812
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>145,852</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<i>Pass-through Program: Cornell University / Computer and Information Science and Engineering /</i>			
Cornell Univ/Computational Sustainability	.0832782 from NSF, 55633-8790 (Cornell/TCF)	47.070	6,681
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<u>6,681</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,562,768</u>

See Independent Auditors' Report on Supplementary Information

**THE CONSERVATION FUND, A NONPROFIT CORPORATION**  
**SUPPLEMENTAL INFORMATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Years Ended December 31, 2010 and 2009

**(1) Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Conservation Fund, A Nonprofit Corporation and is presented on the accrual basis of accounting. The schedule of expenditures of federal awards includes expenditures to acquire parcels of land. Such amounts are shown as “Land and easements held for general purposes” on the combined statement of financial position when acquired, and are not expensed on the financial statements until the land has been transferred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.