

Financial Statements

WILLOWSFORD CONSERVANCY

December 31, 2025

WILLOWSFORD CONSERVANCY

ORGANIZATION AND PURPOSE

Willowsford Conservancy was incorporated under the laws of the Commonwealth of Virginia on December 14, 2010.

Willowsford Conservancy (Willowsford) is a nonprofit organization originally organized by the developer of the Willowsford Community located in Ashburn and Aldie, Virginia. The Organization was created to protect, maintain, and promote the viable, long-term use of the land, integrating farming, recreation, conservation and education to enhance the quality of life for the residents of Willowsford and the greater community.

OFFICERS

Charles Graybeal, President
Leah Macchiarolo, Vice President
Sophie Lambert, Executive Director

TRUSTEES

Charles Graybeal
Ashish Kapoor
Leah Macchiarolo
Karyn Moreland
Jack Nash
Harry Pugh
Avi Sareen

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1 – 2
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FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14

MITCHELL, BURNS, DOYLE & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Willowsford Conservancy
Aldie, Virginia

Opinion

We have audited the accompanying financial statements of Willowsford Conservancy (a nonprofit organization) which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willowsford Conservancy as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Willowsford Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Willowsford Conservancy's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
May 28, 2026

Mitchell, Burns, Doyle & Co., P.C.

WILLOWSFORD CONSERVANCY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

(with December 31, 2024 comparative totals)

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 272,536	\$ 770,473
Accounts receivable	-	977
Easement fee receivable	-	300,000
Prepaid expenses and other	32,600	40,527
Total current assets	305,136	1,111,977
Investments	2,182,105	1,332,216
Property and equipment (net of accumulated depreciation, \$ 2,327,202)	6,205,314	6,280,053
Total assets	\$ 8,692,555	\$ 8,724,246
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 87,341	\$ 68,442
Security deposits	3,450	3,150
Contract liabilities - unearned income	25,645	56,478
Total current liabilities	116,436	128,070
Net Assets		
With donor restriction	978,035	1,385,574
Without donor restriction		
Board designated	1,247,142	443,551
Land in conservation	4,330,121	4,330,121
Invested in capital assets	1,875,193	1,949,932
Undesignated	145,628	486,998
Total net assets	8,576,119	8,596,176
Total Liabilities and Net Assets	\$ 8,692,555	\$ 8,724,246

See Notes to Financial Statements.

WILLOWSFORD CONSERVANCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2025

(with December 31, 2024 summary comparative totals)

	Without Donor Restriction	With Donor Restriction	Totals	
			2025	2024
SUPPORT AND REVENUE				
Conservancy assessment fees	\$ 1,756,277	\$ -	\$ 1,756,277	\$ 1,675,372
Contributions and grants	37,500	-	37,500	2,850
Farm grown product and farmstand sales, net of discounts and fees	138,133	-	138,133	143,500
Purchased goods sales	104,170	-	104,170	100,455
Delivery and other farm revenues	10,553	-	10,553	15,667
Event and program revenues	11,125	-	11,125	10,548
Land revenues	15,836	-	15,836	16,009
Interest and dividends	32,240	4,907	37,147	67,062
Realized and unrealized investment gains (losses)	-	127,840	127,840	124,297
Rental income	19,675	-	19,675	19,800
Gain on sales/disposals	245	-	245	2,843
Other income	2,854	-	2,854	4,878
Easement income	-	-	-	300,000
	2,128,608	132,747	2,261,355	2,483,281
Net assets released from restrictions:				
Satisfaction of usage restrictions	540,286	(540,286)	-	-
Total support and revenue	2,668,894	(407,539)	2,261,355	2,483,281
EXPENSES				
Program services	1,729,888	-	1,729,888	1,643,914
Supportive services:				
Management and general	526,494	-	526,494	558,484
Fundraising	25,030	-	25,030	-
Total expenses	2,281,412	-	2,281,412	2,202,398
Changes in net assets	387,482	(407,539)	(20,057)	280,883
Net assets, beginning of year	7,210,602	1,385,574	8,596,176	8,315,293
Net assets, end of year	\$ 7,598,084	\$ 978,035	\$ 8,576,119	\$ 8,596,176

See Notes to Financial Statements.

WILLOWSFORD CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2025

(with December 31, 2024 summary comparative totals)

EXPENSES	Program	Management and General	Fundraising	Totals	
				2025	2024
Salaries and wages	\$ 651,797	\$ 344,122	\$ 17,591	\$ 1,013,510	\$ 955,606
Payroll taxes	47,927	25,304	1,294	74,525	70,560
Employee benefits	133,279	70,366	3,597	207,242	210,857
Total personnel costs	833,003	439,792	22,482	1,295,277	1,237,023
Employee housing	40,317	-	-	40,317	49,287
Cost of goods sold	131,333	-	-	131,333	134,001
Maintenance	181,619	-	-	181,619	173,052
Land stewardship	95,988	-	-	95,988	27,598
Programs, classes and events	16,839	-	-	16,839	12,116
Office and administrative	41,465	21,892	1,119	64,476	62,002
Professional services:					
Accounting, audit and tax	-	31,214	-	31,214	58,621
Legal services	12,593	6,648	340	19,581	28,173
Other professional fees	6,404	3,555	-	9,959	28,871
Travel	77	39	2	118	448
Staffing	6,127	3,235	165	9,527	11,393
Marketing and advertising	9,720	-	-	9,720	31,302
Property taxes	58,267	-	-	58,267	55,838
Insurance	21,832	13,602	589	36,023	38,581
Depreciation	227,735	-	-	227,735	239,841
Other expenses	4,689	2,476	126	7,291	2,650
Capital expenditures	34,227	-	-	34,227	-
HOA reserve fund contribution	7,653	4,041	207	11,901	11,601
Total expenses	\$ 1,729,888	\$ 526,494	\$ 25,030	\$ 2,281,412	\$ 2,202,398

See Notes to Financial Statements.

WILLOWSFORD CONSERVANCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025 (with December 31, 2024 comparative totals)

	2025	2024
Cash Flows From Operating Activities		
Increase in net assets	\$ (20,057)	\$ 280,883
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	227,735	239,841
Realized and unrealized investment (gains) & losses	(127,840)	(124,297)
(Gain) loss on property sale/disposal	(245)	(2,843)
(Increase) decrease in assets:		
Accounts receivable	977	1,808
Easement fee receivable	300,000	(300,000)
Prepaid expenses	7,927	1,839
Increase (decrease) in liabilities:		
Accounts payable & accrued expenses	18,899	19,845
Deferred revenue	(30,833)	9,152
Security deposits	300	(320)
Net cash provided by operating activities	376,863	125,908
Cash Flows From Investing Activities		
Purchase of property and equipment	(152,996)	(376,197)
Proceeds from equipment sales	-	2,935
Net investment purchases	(721,804)	(20,489)
Net cash (used in) investing activities	(874,800)	(393,751)
Net (decrease) in cash	(497,937)	(267,843)
Cash and Cash Equivalents		
Beginning of year	770,473	1,038,316
End of year	\$ 272,536	\$ 770,473
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ -	\$ -

See Notes to Financial Statements.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Willowsford Conservancy (Willowsford) is a nonprofit organization originally organized by the developer of the Willowsford Community located in Ashburn and Aldie, Virginia. The Organization was created to protect, maintain, and promote the viable, long-term use of the land, integrating farming, recreation, conservation and education to enhance the quality of life for the residents of Willowsford and the greater community. Willowsford Conservancy was incorporated under the laws of the Commonwealth of Virginia on December 14, 2010.

Significant Accounting Policies

The financial statements of Willowsford have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations”. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restriction: Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restriction: 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 Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents: For purposes of the statement of cash flows, Willowsford considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments: Investments are stated at fair market value. Investments consist of money market mutual funds.

Allowance for Uncollectible Accounts Receivable: The reserve method is used to provide for possible uncollectible accounts receivable. The reserve is based upon management’s knowledge and review of the outstanding items. Management has determined all outstanding accounts are collectible at December 31, 2025.

Conservation Land: The land was deeded to Willowsford, from the Developer, as conservation land. The land is to be used for the benefit of the community and not developed. The land was valued at the assessed value for conservancy land.

Fixed Assets and Depreciation: Purchases of fixed assets are capitalized at cost. Depreciation of fixed assets are calculated using a straight-line method over the estimated useful lives. Willowsford maintains a capitalization policy to capitalize assets above \$5,000. Costs of normal repairs and maintenance are expensed as incurred.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

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

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

Income Taxes: Willowsford Conservancy was granted exemption from federal income taxes under Internal Revenue Code Section 501(c)(4) in December, 2010. In August of 2025, Willowsford converted from a 501(c)(4) exemption to a 501(c)(3). The Conservancy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except to the extent of income derived from activities that are not related to its exempt purpose. The Conservancy follows ASC Topic 740, Income Taxes, with respect to uncertain tax positions. Management evaluates tax positions taken or expected to be taken in returns and recognizes a tax benefit only if it is more likely than not that the position will be sustained upon examination. Management has concluded that there are no material uncertain tax positions requiring recognition or disclosure as of December 31, 2025 or 2024.

For federal income tax purposes, Willowsford is taxed on all income from unrelated business activities reduced by expenses from unrelated business activities for which a profit motive exists. Unrelated business income is not offset by tax exempt function expenses. The organization files form 990-T, which has a tax rate of 21% applied to net unrelated business taxable income.

Revenue Recognition: Revenue from contracts with customers is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Conservancy's primary sources of exchange revenue within the scope of ASC 606 include CSA farm share sales, farm store sales, event and program fees, and facility rentals. Revenue from CSA farm shares is recognized over the growing season as produce is made available to members. Farm store revenue and most event and program revenue are recognized at a point in time when the goods are transferred or the service occurs. Rental income is recognized over time as the related facilities are used.

The Organization's revenue is primarily derived from CSA (Community Supported Agriculture) farm shares, retail and wholesale farm product sales, program events, and member assessments. Revenue is recognized as follows:

CSA Farm Shares: Community members purchase CSA shares in advance of the growing season, which entitles them to receive periodic distributions of farm products. These advance payments are recorded as contract liabilities until each distribution is made. Revenue is recognized at the point in time when the goods are delivered, and the Organization's performance obligation is satisfied.

Retail and Wholesale Farm Sales: Revenue from the sale of farm products through retail and wholesale channels is recognized at the point of sale, when the products are transferred to the customer and collectability is reasonably assured.

Program Events: The Organization hosts educational and community-based events. Revenue from these events is recognized at a point in time, typically when the event takes place and the Organization has fulfilled its obligation to the participant.

Member Assessments: Assessments from members are invoiced quarterly and provide access to ongoing member services and benefits. Revenue is recognized ratably over the quarter as the Organization performs its obligations over time.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

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

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give in future years are recorded at their net realized value. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Advertising Costs: Advertising costs are expensed as incurred. Total advertising costs for 2025 and 2024 were \$9,720 and \$31,302 respectively.

Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Management allocates all costs directly when possible. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management based on their natural cost driver. The expenses that are allocated include the following:

Natural Category	Allocation Method
Personnel costs	Time and effort
Professional services	Time and effort
General and administrative	Time and effort

Lease Income: Rental income is recognized on the straight-line basis over the life of the lease in accordance with ASC 842. Lease extensions are included in the calculation of the lease leveling receivable/deferral when it is reasonably certain that these options will be executed. Rental income for short-term leases are reported as earned.

Measure of Operations: The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Willowsford's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. Non-operating activities for 2025 and 2024 were limited to investment income.

Note 2. Cash Deposits and Concentration of Credit Risk

Composition of cash and cash equivalents at December 31, 2025 and 2024 is as follows:

Description	Bank Balance	Accounting	
		2025	2024
PNC Bank	\$ 25,400	\$ 25,370	\$ 184,355
Fidelity	-	-	576,655
Potomac Bank	227,059	244,574	-
Pay Pal	1,535	1,735	1,183
Clearing accounts	-	857	8,280
Total cash deposits	\$ 253,994	\$ 272,536	\$ 770,473

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2025, all cash account deposits were fully insured.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

At December 31, 2025 and 2024, investments consist of the following:

Description	Cost	Fair Market Value	Unrealized Gain (Loss)
December 31, 2025:			
Cash and cash equivalents	\$ 30,476	\$ 30,476	\$ -
Government money market	2,151,629	2,151,629	-
	<u>\$ 2,182,105</u>	<u>\$ 2,182,105</u>	<u>\$ -</u>
 December 31, 2024:			
Mutual funds	\$ 1,254,868	\$ 1,332,216	\$ 77,348

Note 4. Property and Equipment

A summary of property and equipment for the year ended December 31, 2025 is as follows:

Description	Balance	2025 Activity		Balance
	12/31/2024	Additions	Deletions	12/31/2025
Land under conservation	\$ 4,330,121	\$ -	\$ -	\$ 4,330,121
Land improvements	449,568	11,903	-	461,471
Buildings & improvements	2,645,328	128,458	-	2,773,786
Furniture and fixtures	72,892	6,980	-	79,872
Equipment	642,022	5,655	(2,286)	645,391
Vehicles	241,875	-	-	241,875
	8,381,806	152,996	(2,286)	8,532,516
Less accumulated depreciation	(2,101,753)	(227,735)	2,286	(2,327,202)
	<u>\$ 6,280,053</u>	<u>\$ (74,739)</u>	<u>\$ -</u>	<u>\$ 6,205,314</u>

Note 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2025 and 2024 consist of the following:

Description	2025	2024
Accounts payable	\$ 37,215	\$ 50,713
Sales tax payable	2,041	949
Accrued paid time off	20,835	16,780
Bonuses payable	27,250	-
	<u>\$ 87,341</u>	<u>\$ 68,442</u>

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 6. Contract Liabilities – Unearned Income

Deferred revenue represents CSA farm sales collected in advance of the CSA delivery and unused store credits. During the subsequent business year, these sales will be recognized as revenue. The table below shows the activity in deferred revenue:

Description	Amount
Deferred farm sales December 31, 2024	\$ 56,478
Previously deferred revenue recognized	(56,478)
Cash received in current year	267,948
Current farm sales revenue recognized	(242,303)
Deferred farm sales December 31, 2025	<u>\$ 25,645</u>

Note 7. Net Assets with Donor Restrictions

A summary of net assets with donor restrictions for the year ended December 31, 2025 is as follows:

Purpose	Balance	2025 Activity		Balance
	12/31/2024	Additions	Uses	12/31/2025
Endowment	\$ 1,332,216	\$ 132,747	\$ (530,000)	\$ 934,963
Buffer zone	53,358	-	(10,286)	43,072
	<u>\$ 1,385,574</u>	<u>\$ 132,747</u>	<u>\$ (540,286)</u>	<u>\$ 978,035</u>

Endowed net assets are time restricted, see Note 9. Buffer zone restricted net assets were restricted for a specific purpose.

Note 8. Board Designated Net Assets

A summary of board designated net assets for the year ended December 31, 2025 is as follows:

Purpose	Balance	2025 Activity		Balance
	12/31/2024	Additions	Uses	12/31/2025
Reserve fund	\$ 443,551	\$ 1,062	\$ (339,803)	\$ 104,810
Repair fund	-	640,678	-	640,678
CapEx Fund	-	501,654	-	501,654
	<u>\$ 443,551</u>	<u>\$ 1,143,394</u>	<u>\$ (339,803)</u>	<u>\$ 1,247,142</u>

Reserve fund: The portion of net assets that the Board has designated for use in order to sustain financial operations in the event of significant unbudgeted increases in operating expenses and/or losses of operating support. Operating reserves help to ensure that Willowsford is positioned to respond to varying economic conditions and changes and allow Willowsford the ability to continuously carry out its mission.

Repair fund: The portion of net assets that the Board has designated for use in completing major repairs of existing property and equipment.

CapEx fund: The portion of net assets that the Board has designated for use in improvement of existing property or construction of new.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 9. Endowment Fund

During 2020, Willowsford established an endowment fund based on a restricted contribution from a donor. The endowment fund is governed based on the Endowment Operating Procedures. The Endowment was established to receive, accept, and administer gifts, contributions, and bequests and to serve as a permanent repository for assets intended to help finance the Conservancy's regular and special needs. The Conservancy's Endowment is intended to provide long-term financial support for the Conservancy's mission and future needs rather than to supplement ongoing operating expenses.

The Conservancy classifies donor-restricted endowment funds in accordance with applicable law, donor stipulations, and Accounting Standards Codification ("ASC") 958-205. Management and the Conservancy Board interpret Virginia's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring that donor-restricted endowment gifts, any additional donor-restricted contributions to those funds, and the related accumulated investment return be classified as net assets with donor restrictions until such amounts are appropriated for expenditure by the governing board in accordance with donor intent and applicable law. Amounts are released from net assets with donor restrictions when appropriated for expenditure by the Conservancy's governing board, provided that any applicable purpose restrictions have been satisfied. If appropriation is approved for a future period, the release occurs when that period is reached.

The Endowment is governed by the Conservancy's governing documents and the Endowment Operating Procedures approved by the Conservancy Board. The members of the Conservancy's Finance Committee simultaneously serve as the Endowment Directors and are responsible for management and oversight of the Endowment.

In December of 2024, the Endowment Operating procedures were amended to modify the endowment spending policies. Under the amended policies, which were approved by the sole donor of the endowment, the endowment committee, consisting of the same members as the finance committee, shall dictate distributions from the endowment investment account. Distributions from the account are limited to 4% of total endowed assets, measured as of the date the distributions are authorized. Distributions above 4% may be permitted only upon a unanimous vote Conservancy's full Board of Directors. Distributions are generally authorized in the fourth quarter for expenditure in the following fiscal year based on recommendations from Conservancy staff.

Under the Endowment Operating Procedures, the Endowment Directors are responsible for the investment and management of endowment assets, subject to applicable law, donor restrictions, and the Endowment Operating Procedures. The Conservancy's investment objective is to achieve a reasonable total return over time, with due consideration given to preservation of principal, generation of income and capital appreciation, and long-term growth of the Endowment.

The Board has interpreted 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. The endowment funds are held in an investment account. The Organization has established Endowment operating procedures which stipulate that the endowment will be managed by the Endowment Directors who are all members of the Finance Committee. The Endowment operating procedures guide the duties and authority of the Directors. The Directors are given discretion to choose investments that balance the need to preserve principal while producing income and achieving long-term growth of the assets. The Endowment is intended to operate as a foundation for the future of the Conservancy.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 9. Endowment Fund (Continued)

A summary of endowment net assets as of December 31, 2025 are as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 1,332,216	\$ 1,332,216
Contributions	-	-	-
Investment earnings (loss)	-	132,747	132,747
Amount appropriated for expenditure	-	(530,000)	(530,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 934,963</u>	<u>\$ 934,963</u>

Support of net assets:

Investments	<u>\$ 2,182,105</u>
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During 2025, the Board approved withdrawing \$530,000 of donor restricted from the endowment to be placed in other Board designated funds. The Board also voted to undesignated the Board designated portion of the endowment fund.

At December 31, 2025 and 2024, none of the Conservancy's donor-restricted endowment funds were underwater; the fair value of each fund exceeded or equaled the original gift amount or the level required to be maintained by donor stipulations or by law.

Note 10. Financial Instruments and Concentration of Credit Risk

The Organization's financial instruments are cash and cash equivalents, investments, accounts receivable, and deferred revenues. The recorded values of all instruments except investments approximate their fair values based on their short-term nature. Accounts receivable and deferred revenues are with customers in the Loudoun County area. Realization is dependent on the passage of time. Investments are in high quality mutual funds and are recorded at fair value based on market prices at the financial statement date as noted in the Fair Value Measurements note. As of December 31, 2025 and 2024, the Organization had no significant concentrations of credit risk other than cash balances above the FDIC insured amount.

Note 11. Pension Plan

Willowsford established a 401(k) retirement plan for eligible employees. Eligible employees can elect to defer and contribute their compensation up to the maximum allowed under IRS law with Willowsford matching up to 4% of compensation. 401(k) expense for 2025 and 2024 amounted to \$35,392 and \$35,761, respectively.

Note 12. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 13. Fair Value Measurements

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2:* Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Mutual funds: Valued at the quoted market prices of shares held by the Organization at year end.

Government money market: Valued at cost, which approximates fair value due to the short-term maturities and highly liquid nature of the investments.

Cash and cash equivalents: cash balances held in a brokerage deposit sweep program and are stated at cost, which approximates fair value.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of the Organization's year end date:

Asset	Level 1	Level 2	Level 3	Total
2025	\$ 2,151,629	\$ -	\$ -	\$ 2,151,629
2024	\$ 1,332,216	\$ -	\$ -	\$ 1,332,216

Note 14. Related Party Transactions

Willowsford Management: The Developer of the Community established the Conservancy and has provided financial subsidies, office space, and other related incidental support. Over the period of development the Developer has deeded the land to the Conservancy. At December 31, 2025 and 2024 the value of land deeded was \$4,330,121.

Willowsford Homeowners Association (Association): Willowsford Conservancy and the Association maintain a relationship to benefit the residents of the Willowsford Community. The relationship is governed by a Community Covenant which outlines the programs and funding of Willowsford. Willowsford Conservancy is supported by assessments paid by the residents. The assessments are collected by the Association and paid to Willowsford Conservancy. Assessments paid in 2025 and 2024 were \$1,756,277 and \$1,675,372, respectively. Willowsford also has a lease with the Association to use their boat house building as an office. The lease is for \$1 per year. Willowsford agrees to pay all costs for maintenance and repair as well as contributing to a replacement reserve.

WILLOWSFORD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Note 15. Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Description	Amount
Cash and equivalents without donor restriction	\$ 272,536
Investments	2,182,105
Total financial assets	<u>\$ 2,454,641</u>
Less amounts not available to be used within one year:	
Accounts payable and accrued expenses	(87,341)
Net assets with donor restriction	(978,035)
Board designated net assets for long-term use	<u>(1,142,332)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 246,933</u></u>

The Conservancy's policy is to maintain financial assets sufficient to meet approximately 3 months of normal operating expenditures. To manage liquidity, the Conservancy structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. Excess cash is invested in short-term money market instruments and other conservative investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Conservancy has board-designated reserve, repair, and capital funds that could be made available if necessary upon board approval (see Note 8). The Conservancy does not maintain a committed line of credit and therefore relies on cash and investments to manage liquidity.

Note 16. Provision for Unrelated Business Income Tax

The provision for net unrelated business income tax is as follows:

Description	Amount
Unrelated business income	\$ 40,083
Allocated expenses	36,979
Unrelated business income(loss)	3,104
Carryover of prior year loss	(441,805)
Unrelated business taxable income(loss)	<u><u>\$ (438,701)</u></u>
Unrelated business income tax	<u><u>\$ -</u></u>

Note 17. Subsequent Events

The Organization has evaluated subsequent events through May 28, 2026, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to December 31, 2025 that require adjustment to, or disclosure in, the financial statements for the year ended December 31, 2025.