

Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))
For calendar year 2011 or other tax year beginning July 1, 2011, and
ending June 30, 20 12. ▶ See separate instructions.

OMB No. 1545-0087
2011
Open to Public Inspection for
501(c)(3) Organizations Only

A ☐ Check box if address changed
B Exempt under section
☒ 501(c)(3)
☐ 408(e) ☐ 220(e)
☐ 408A ☐ 530(a)
☐ 529(a)
C Book value of all assets at end of year
6,008,480,347

Print or Type
Name of organization (☐ Check box if name changed and see instructions)
Nature Conservancy
Number, street, and room or suite no. If a P.O. box, see instructions.
4245 N Fairfax Drive
City or town, state, and ZIP code
Arlington, VA 22203

D Employer identification number (Employees' trust, see instructions.)
53-0242652
E Unrelated business activity codes (See instructions.)
531120 111000

F Group exemption number (See instructions.) ▶
G Check organization type ☒ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust

H Describe the organization's primary unrelated business activity ▶
I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . . ▶ ☐ Yes ☒ No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ **The Organization** Telephone number ▶ 703-841-5300

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales	<u>38,835</u>			
b Less returns and allowances				
c Balance ▶		1c <u>38,835</u>		
2 Cost of goods sold (Schedule A, line 7)		2 <u>96,246</u>		
3 Gross profit. Subtract line 2 from line 1c		3 <u>-57,411</u>		-57,411
4a Capital gain net income (attach Schedule D)		4a <u>6,562</u>		6,562
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)		4b		
c Capital loss deduction for trusts		4c		
5 Income (loss) from partnerships and S corporations (attach statement)		5 <u>101,862</u>		101,862
6 Rent income (Schedule C)		6		
7 Unrelated debt-financed income (Schedule E)		7 <u>1,091,217</u>	917,460	173,757
8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F)		8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)		9		
10 Exploited exempt activity income (Schedule I)		10		
11 Advertising income (Schedule J)		11		
12 Other income (See instructions; attach schedule.)		12		
13 Total. Combine lines 3 through 12		13 <u>1,142,230</u>	917,460	224,770

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)		14	
15 Salaries and wages		15	
16 Repairs and maintenance		16	
17 Bad debts		17	
18 Interest (attach schedule)		18	
19 Taxes and licenses		19	13,862
20 Charitable contributions (See instructions for limitation rules)		20	8,438
21 Depreciation (attach Form 4562)	21		
22 Less depreciation claimed on Schedule A and elsewhere on return	22a		22b
23 Depletion		23	
24 Contributions to deferred compensation plans		24	
25 Employee benefit programs		25	
26 Excess exempt expenses (Schedule I)		26	
27 Excess readership costs (Schedule J)		27	
28 Other deductions (attach schedule)		28	
29 Total deductions. Add lines 14 through 28		29	
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13		30	
31 Net operating loss deduction (limited to the amount on line 30)		31	
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30		32	202,470
33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.)		33	1,000
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32.		34	201,470

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Page **2****Part III Tax Computation**

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here <input type="checkbox"/> See instructions and:		
a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1) \$	(2) \$	(3) \$
b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750)	\$	
(2) Additional 3% tax (not more than \$100,000)	\$	
c Income tax on the amount on line 34		35c 61,823
36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)		36
37 Proxy tax. See instructions		37
38 Alternative minimum tax		38
39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies		39 61,823

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	40a		
b Other credits (see instructions)	40b		
c General business credit. Attach Form 3800 (see instructions)	40c		
d Credit for prior year minimum tax (attach Form 8801 or 8827)	40d		
e Total credits. Add lines 40a through 40d		40e	
41 Subtract line 40e from line 39		41	61,823
42 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		42	
43 Total tax. Add lines 41 and 42		43	61,823
44a Payments: A 2010 overpayment credited to 2011	44a	94,657	
b 2011 estimated tax payments	44b		
c Tax deposited with Form 8868	44c		
d Foreign organizations: Tax paid or withheld at source (see instructions)	44d		
e Backup withholding (see instructions)	44e		
f Credit for small employer health insurance premiums (Attach Form 8941)	44f		
g Other credits and payments: <input type="checkbox"/> Form 2439 <input type="checkbox"/> Form 4136 <input type="checkbox"/> Other	44g		
45 Total payments. Add lines 44a through 44g		45	94,657
46 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>		46	
47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed		47	
48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid		48	32,834
49 Enter the amount of line 48 you want: Credited to 2012 estimated tax 32,834 Refunded		49	0

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2011 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here See Statement 6	Yes	No
2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.	Yes	No
3 Enter the amount of tax-exempt interest received or accrued during the tax year \$ 0	Yes	No

Schedule A—Cost of Goods Sold. Enter method of inventory valuation

1 Inventory at beginning of year	1			6 Inventory at end of year	6		
2 Purchases	2	96,246		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7	96,246	
3 Cost of labor	3			8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No	
4a Additional section 263A costs (attach schedule)	4a						
b Other costs (attach schedule)	4b						
5 Total. Add lines 1 through 4b	5	96,246					

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date 15/10/13

Title VP, Tax Director

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☒ No

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

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Page **3****Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)**

(see instructions)

1. Description of property		
(1)		
(2)		
(3)		
(4)		
2. Rent received or accrued		
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ▶

Schedule E—Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property		2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1) Headquarters Building		1,732,081	297,670	1,158,616
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 × column 6)	8. Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1) 5,960,257	9,472,275	63 %	1,091,217	917,460
(2)		%		
(3)		%		
(4)		%		
			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B)
Totals			1,091,217	917,460

Total dividends-received deductions included in column 8

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					
Nonexempt Controlled Organizations					
7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10	
(1)					
(2)					
(3)					
(4)					
			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B)	
Totals					

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Page **4****Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization** (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	Enter here and on page 1, Part I, line 9, column (A).			Enter here and on page 1, Part I, line 9, column (B).

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4)
(1)						
(2)						
(3)						
(4)						
Totals	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26

Schedule J—Advertising Income (see instructions)**Part I Income From Periodicals Reported on a Consolidated Basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))						

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I						
Totals, Part II (lines 1-5)	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.

Schedule K—Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			

THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012

53-0242852

STATEMENT 1
FORM 990-T, Line 6
Income (loss) from partnerships and S corporations

<u>Description</u>	Portfolio Advisors Private Equity Fund II, LP	Portfolio Advisors Private Equity Fund IV, LP	Legacy Venture III, LLC	Legacy Venture IV, LLC	Flag Venture Partners V, LP	Chrysalis Ventures III, LP	Stanon Bancorporation	Total
Ordinary income (loss) from trade or business activities	(2,195)	564	7,395	(614)	(6,493)		78	(1,265)
Interest income	2,502	1,460				467		4,430
Dividend income	3,467	11,497						14,964
Royalties								0
Other income (loss)	17,255	79,091				(12,622)		83,724
Total	21,029	82,602	7,395	(614)	(6,493)	(12,135)	78	101,662

THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012

53-0242662

STATEMENT 2
FORM 990-T, SCHEDULE E - 3(A)

<u>Asset Description</u>	<u>Building @Arlington, VA</u>		
	<u>BOY NBV</u>	<u>Current Yr Depr./Amort.</u>	<u>Book Value</u>
Land For Operations	\$3,932,805	\$0	\$3,932,805
Land Improvements	223,452	0	223,452
Construction in Progress	36,669	0	220,994
Buildings for Operations	19,974,785	758,726	19,216,059
Total	\$24,167,711	\$758,726	\$23,593,310
Allocable Total based on rentable space		<u>297,670</u>	

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 3
FORM 990-T, SCHEDULE E - 3(B)**

Expenses

Arlington VA

	<u>HO Bldg</u>	<u>HO Bldg</u>
Management Co expenses:	2,208,494	
Interest expenses	<u>744,683</u>	
Total expenses	2,953,177	
Allocable Total based on rentable space	@39.23%	<u><u>1,158,616</u></u>

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 4
FORM 990-T, SCHEDULE E - 4**

HO Bldg-Arlington, VA
Average Acq. Indebt. July-10 to June-11

Debt Financing	15,192,000
<hr/>	
Total	15,192,000
Allocable Total based on rentable space	<u><u>5,960,257</u></u>

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 5
FORM 990-T, SCHEDULE E - 5**

**HO Bldg-Arlington, VA
Average Basis July-09 to June-10**

Land for Ops	3,932,805
Land Improvements	0
Construction in Progress	152,009
Building	20,058,910
Total	<u>24,143,723</u>
Allocable Total based on rentable space	<u><u>9,472,275</u></u>

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 6
FORM 990-T, Part 5 Line 1**

List of Countries Where TNC Maintains Signature Authority Over a Financial Account*

Argentina
Australia
Bahamas
Belize
Bolivia
Brazil
Chile
China
Colombia
Costa Rica
Dominican Republic
Ecuador
Federated State of Micronesia
Guatemala
Honduras
Hong Kong
Indonesia
Jamaica
Mexico
Mongolia
Nicaragua
Palau
Panama
Papua-New Guinea
Peru
Solomon Islands
Venezuela

* The Nature Conservancy maintains bank accounts in order to do business in foreign currencies and as required by local law.

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 3
FORM 990-T, SCHEDULE E - 3(B)**

Expenses

Arlington VA

	<u>HO Bldg</u>	<u>HO Bldg</u>
Management Co expenses:	2,039,485	
Interest expenses	<u>792,477</u>	
Total expenses	2,831,962	
Allocable Total based on rentable space	@39.23%	<u><u>1,111,060</u></u>

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652

**STATEMENT 4
FORM 990-T, SCHEDULE E - 4**

HO Bldg-Arlington, VA
Average Acq. Indebt July-10 to June-11

Debt Financing	16,523,000
<hr/>	
Total	16,523,000
Allocable Total based on rentable space	<u><u>6,482,447</u></u>

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242662

**STATEMENT 5
FORM 990-T, SCHEDULE E - 5**

**HO Bldg-Arlington, VA
Average Basis July-09 to June-10**

Land for Ops	3,932,805
Land Improvements	0
Construction in Progress	6,451
Building	20,671,849
Total	24,611,104

Allocable Total based on rentable space: **9,655,642**

**THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

53-0242652.

**STATEMENT 6
FORM 990-T, Part 5 Line 1**

List of Countries Where TNC Maintains Signature Authority Over a Financial Account*

Argentina
Australia
Bahamas
Belize
Bolivia
Brazil
Chile
China
Colombia
Costa Rica
Dominican Republic
Ecuador
Federated State of Micronesia
Guatemala
Honduras
Hong Kong
Indonesia
Jamaica
Mexico
Mongolia
Nicaragua
Palau
Panama
Papua-New Guinea
Peru
Solomon Islands
Venezuela

* The Nature Conservancy maintains bank accounts in order to do business in foreign currencies and as required by local law.

THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012

53-0242652

STATEMENT 1
FORM 990-T, Line 6
Income (loss) from partnerships and S corporations

Description	Portfolio Advisors					Total
	Private Equity Fund II, LP	New Castle Partners, LP	Flag Venture Partners V, LP	Chrysalis Ventures III, LP	Starion Bancorporation	
Ordinary Income (loss) from trade or business activities	12,459		(2,856)		43	9,646
Interest Income	6,590	292	45	194		7,121
Dividend Income	3	93				96
Royalties	2,787					2,787
Other Income (loss)	8,310	41,143	28,719	(112,218)	(9)	(33,047)
Total	30,149	41,628	26,908	(112,022)	40	(13,397)

THE NATURE CONSERVANCY
FORM 990-T
ADDITIONAL STATEMENTS
YEAR ENDED JUNE 30, 2012

53-0242852

STATEMENT 2
FORM 990-T, SCHEDULE E - 3(A)

<u>Asset Description</u>	<u>Building @Arlington, VA</u>		
	<u>BOY NBV</u>	<u>Current Yr Depr./Amort.</u>	<u>Book Value</u>
Land For Operations	\$3,932,805		\$3,932,805
Land Improvements	0	0	0
Construction in Progress	0		0
Buildings for Operations	20,729,192	754,407	19,974,785
Total	\$24,661,997	\$754,407	\$23,907,590
Allocable Total based on rentable space		<u>295,975</u>	