

**CONSERVATION LAW FOUNDATION, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JULY 31, 2017 AND 2016**

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES  
FOR THE YEARS ENDED JULY 31, 2017 AND 2016**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Consolidated Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 24
<b>Consolidating Supplementary Information</b>	
Consolidating Statement of Activities and Changes in Net Assets	25
Schedule of Temporarily Restricted Activity	26
Schedule of Permanently Restricted Activity	27

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Conservation Law Foundation, Inc. and Subsidiaries  
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conservation Law Foundation, Inc. and Subsidiaries as of July 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of activities and changes in net assets, schedule of temporarily restricted activity and schedule of permanently restricted activity are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
December 5, 2017

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2017 AND 2016**

**ASSETS**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Assets:		
Cash and cash equivalents	\$ 4,202,862	\$ 3,219,980
Accounts receivable	509,316	430,968
Contributions and grants receivable	1,599,477	1,454,105
Prepaid expenses and other assets	133,495	86,260
Investments	10,047,991	9,184,186
Investments related to charitable gift annuities	243,283	190,645
Property and equipment, net	3,303,117	3,437,984
Beneficial interests in charitable trusts	441,275	417,485
Security deposits	<u>28,359</u>	<u>13,144</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 20,509,175</u></b>	<b><u>\$ 18,434,757</u></b>

**LIABILITIES AND NET ASSETS**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Liabilities:		
Long-term debt	\$ 1,079,684	\$ 1,260,566
Capital lease obligations	17,062	29,015
Accounts payable	228,684	562,392
Accrued expenses	272,257	241,245
Charitable annuity liability	86,958	66,467
Deferred revenue	67,558	51,116
Security deposits	<u>23,016</u>	<u>23,016</u>
Total liabilities	<u>1,775,219</u>	<u>2,233,817</u>
Net assets:		
Unrestricted	1,596,010	1,785,578
Board designated	<u>3,582,632</u>	<u>2,656,035</u>
Total unrestricted net assets	5,178,642	4,441,613
Temporarily restricted	8,250,939	6,171,818
Permanently restricted	<u>5,304,375</u>	<u>5,587,509</u>
Total net assets	<u>18,733,956</u>	<u>16,200,940</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 20,509,175</u></b>	<b><u>\$ 18,434,757</u></b>

See accompanying notes to consolidated financial statements.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2017 (with summarized information for the year ended July 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Contributed support:					
Grants	\$ 36,780	\$ 7,229,661	\$ -	\$ 7,266,441	\$ 4,858,038
Contributions	<u>2,794,250</u>	<u>333,687</u>	<u>-</u>	<u>3,127,937</u>	<u>2,215,999</u>
Total contributed support	<u>2,831,030</u>	<u>7,563,348</u>	<u>-</u>	<u>10,394,378</u>	<u>7,074,037</u>
Earned and other revenue:					
Fees for services	549,337	-	-	549,337	1,302,978
Rent and other earned revenue	293,498	-	-	293,498	206,563
Dividend and interest income	28,734	73,574	-	102,308	150,566
Realized/unrealized gains on investments	316,370	872,285	-	1,188,655	165,280
Changes in the value of split-interest agreements	<u>7,381</u>	<u>5,491</u>	<u>4,414</u>	<u>17,286</u>	<u>(33,500)</u>
Total earned and other revenue	<u>1,195,320</u>	<u>951,350</u>	<u>4,414</u>	<u>2,151,084</u>	<u>1,791,887</u>
Net assets released from restrictions:					
Satisfaction of purpose restrictions (grants)	5,504,880	(5,504,880)	-	-	-
Satisfaction of purpose restrictions (contributions)	921,193	(633,645)	(287,548)	-	-
Satisfaction of purpose restrictions (investment income)	<u>297,052</u>	<u>(297,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>6,723,125</u>	<u>(6,435,577)</u>	<u>(287,548)</u>	<u>-</u>	<u>-</u>
Total earned revenue and contributed support	<u>10,749,475</u>	<u>2,079,121</u>	<u>(283,134)</u>	<u>12,545,462</u>	<u>8,865,924</u>
Functional expenses:					
Program	7,638,254	-	-	7,638,254	7,425,871
General and administrative	1,348,329	-	-	1,348,329	1,517,126
Fundraising, membership and grant procurement	<u>1,025,863</u>	<u>-</u>	<u>-</u>	<u>1,025,863</u>	<u>824,254</u>
Total functional expenses	<u>10,012,446</u>	<u>-</u>	<u>-</u>	<u>10,012,446</u>	<u>9,767,251</u>
Changes in net assets	737,029	2,079,121	(283,134)	2,533,016	(901,327)
Net assets - beginning	<u>4,441,613</u>	<u>6,171,818</u>	<u>5,587,509</u>	<u>16,200,940</u>	<u>17,102,267</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 5,178,642</u></u>	<u><u>\$ 8,250,939</u></u>	<u><u>\$ 5,304,375</u></u>	<u><u>\$ 18,733,956</u></u>	<u><u>\$ 16,200,940</u></u>

See accompanying notes to consolidated financial statements.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributed support:				
Grants	\$ 30,428	\$ 4,827,610	\$ -	\$ 4,858,038
Contributions	<u>2,000,696</u>	<u>215,303</u>	<u>-</u>	<u>2,215,999</u>
Total contributed support	<u>2,031,124</u>	<u>5,042,913</u>	<u>-</u>	<u>7,074,037</u>
Earned and other revenue:				
Fees for services	1,302,978	-	-	1,302,978
Rent and other earned revenue	206,563	-	-	206,563
Dividend and interest income	41,884	108,682	-	150,566
Realized/unrealized gains on investments	41,315	123,965	-	165,280
Changes in the value of split-interest agreements	<u>(13,778)</u>	<u>(10,671)</u>	<u>(9,051)</u>	<u>(33,500)</u>
Total earned and other revenue	<u>1,578,962</u>	<u>221,976</u>	<u>(9,051)</u>	<u>1,791,887</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions (grants)	5,168,590	(5,168,590)	-	-
Satisfaction of purpose restrictions (contributions)	1,350,525	(1,350,525)	-	-
Satisfaction of purpose restrictions (investment income)	<u>340,792</u>	<u>(340,792)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>6,859,907</u>	<u>(6,859,907)</u>	<u>-</u>	<u>-</u>
Total earned revenue and contributed support	<u>10,469,993</u>	<u>(1,595,018)</u>	<u>(9,051)</u>	<u>8,865,924</u>
Functional expenses:				
Program	7,425,871	-	-	7,425,871
General and administrative	1,517,126	-	-	1,517,126
Fundraising, membership and grant procurement	<u>824,254</u>	<u>-</u>	<u>-</u>	<u>824,254</u>
Total functional expenses	9,767,251	-	-	9,767,251
Changes in net assets	702,742	(1,595,018)	(9,051)	(901,327)
Net assets - beginning	<u>3,738,871</u>	<u>7,766,836</u>	<u>5,596,560</u>	<u>17,102,267</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 4,441,613</u>	<u>\$ 6,171,818</u>	<u>\$ 5,587,509</u>	<u>\$ 16,200,940</u>

See accompanying notes to consolidated financial statements.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating activities:		
Change in net assets	\$ 2,533,016	\$ (901,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	251,815	226,610
Change in value of split-interest agreements	(17,286)	33,500
Realized and unrealized gains on investments	(1,188,655)	(165,280)
Bad debt expense (recovery)	81,333	(20,858)
Non-cash interest	2,640	2,640
Changes in assets and liabilities:		
Accounts receivable	(159,681)	430,923
Contributions and grants receivable	(145,372)	851,038
Prepaid expense	(47,235)	47,341
Security deposits	(15,215)	-
Investments related to charitable gift annuities	(52,638)	10,434
Beneficial interest in charitable remainder trusts and gift annuities	(6,504)	(99,451)
Accounts payable	(333,708)	(248,582)
Accrued expenses	31,012	17,754
Deferred revenue	16,442	13,509
Charitable annuities obligation	<u>6,503</u>	<u>13,778</u>
Net cash provided by operating activities	<u>956,467</u>	<u>212,029</u>
Investing activities:		
Proceeds from sales of investments	1,349,803	1,322,712
Purchases of investments	(1,024,953)	(1,229,933)
Purchases of property and equipment	<u>(116,948)</u>	<u>(395,858)</u>
Net cash provided by (used in) investing activities	<u>207,902</u>	<u>(303,079)</u>
Financing activities:		
Payments of long-term debt	(183,522)	(172,690)
Payments on capital lease obligations	(11,953)	(10,603)
Payments on charitable annuity liabilities	(15,298)	(13,486)
Proceeds from charitable annuity liabilities	<u>29,286</u>	<u>-</u>
Net cash used in financing activities	<u>(181,487)</u>	<u>(196,779)</u>
Net increase (decrease) in cash and cash equivalents	982,882	(287,829)
Cash and cash equivalents - beginning	<u>3,219,980</u>	<u>3,507,809</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 4,202,862</u></b>	<b><u>\$ 3,219,980</u></b>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 43,679</u>	<u>\$ 41,794</u>

See accompanying notes to consolidated financial statements.



**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 1. ORGANIZATION**

Conservation Law Foundation, Inc. (the "Foundation") is a public interest environmental law organization, with its primary operating facility located in Boston, Massachusetts. The Foundation's mission is to use the law to the fullest extent to improve the management of natural resources and protect the environment and public health throughout New England. The Foundation's support comes primarily from individual contributions and foundation grants.

CLF Ventures, Inc. ("CLF Ventures") was incorporated in January 1997 as a not-for-profit organization under M.G.L. Chapter 180. CLF Ventures was created to further accomplish the mission of the Foundation (its sole corporate member) by engaging in legal, consulting, community organizing and other such services to be performed with or without a fee and all with the purpose of promoting the public interest and the purposes of the Foundation. A majority of the board members of CLF Ventures are also Board members of the Foundation.

Environmental Insurance Agency (the "Agency") was incorporated in August 1997 as a for-profit organization under M.G.L. Chapter 156(B). The Agency was created to act as an agent in the marketing of personal auto insurance to environmentally conscious consumers. CLF Ventures owns 92% of the Agency with two other unrelated entities each owning 4%.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

The consolidated financial statements include the accounts of Conservation Law Foundation, Inc., CLF Ventures, Inc. and Environmental Insurance Agency (the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation. Management of the Organization has determined that noncontrolling interest is immaterial to the Organization as a whole and therefore is not disclosed on the accompanying consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Presentation of Financial Statements of Not-For-Profit entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial Statement Presentation (continued)

*Unrestricted net assets* – Net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization, as well as funds invested in property and equipment. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federal insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the need for an allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was \$5,600 and \$15,436, at July 31, 2017 and 2016, respectively.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions and Grants Receivable

Contributions receivable are valued based on non-recurring fair value measurements. Multi-year pledges received during the fiscal year are recorded at their estimated fair value discounted at an appropriate discount rate commensurate with the risk involved. The unamortized discount was \$5,986 and \$18,273, at July 31, 2017 and 2016, respectively. An allowance is made for uncollectible pledges based on management's judgment, past collection experience and other relevant factors. The allowance for doubtful pledges was \$43,911 and \$378,142, at July 31, 2017 and 2016, respectively.

Property and Equipment

Property and equipment with an expected useful life greater than one year are capitalized at cost or, if donated, at the fair value on the date of the contribution. Depreciation is computed on the straight line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvements	5 - 20
Furniture and equipment	3 - 5

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Construction in Progress

Property and equipment includes construction in progress on certain projects which have not yet been completed or placed in service (Note 4).

Impairment of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with the FASB ASC Topic *Property, Plant and Equipment*. This Topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At July 31, 2017 and 2016, the Organization has determined that no long-lived assets are impaired.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Investment income, and investment gains and losses are reported as increases in unrestricted net assets or temporarily restricted net assets if restricted by the donor.

Fair Value Measurement

The Organization follows the provisions of the FASB ASC Topic *Fair Value Measurements*. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This Topic 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 and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

**Level 1** - Quoted prices that are available in active markets for identical assets or liabilities.

**Level 2** - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at July 31, 2017 and 2016.

- Money market funds, corporate bonds, corporate stocks, and mutual funds - Investments whose values are based on quoted market prices in active markets are classified as Level 1. These investments include publicly traded mutual funds. The fair values of mutual funds are determined using the calculated Net Asset Value ("NAV"). Such mutual funds are registered under the Investment Company Act of 1940 and regularly transact purchases and redemptions at the NAV. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Measurement (continued)

- Beneficial interests in charitable trusts – Beneficial interests in charitable trusts are non-recurring Level 3 fair value measurements. These instruments are initially recorded at the present value of future cash flows with a discount rate adjusted for any market conditions to arrive at fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Endowment

The Foundation's endowment includes funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation manages its endowment consistent with the Massachusetts Act, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation's policy is to preserve the value of the original gifts as of the gift date and classify the gifts as permanently restricted net assets. The remaining portion of the endowment is the net appreciation, which is classified as temporarily restricted and board restricted net assets, which may be appropriated for expenditure consistent with donor restrictions and the Foundation's total return spending policy.

*Return Objectives and Risk Parameters* - The Foundation has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under the Foundation's investment policy and spending rate, both of which are approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Endowment (continued)

*Strategies Employed for Achieving Objectives* - To satisfy its long-term rate-of-return objectives, the Foundation relies on a both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Finance Committee of the Board is responsible for selecting the fund managers. The rationale for including an array of alternative strategy managers for a portion of the Foundation's portfolio is to reduce overall volatility while providing equity-like returns.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* - The Foundation makes monthly distributions from restricted to unrestricted net assets. Using this methodology, the Foundation established a spending rate of 5% of the market value of invested funds, calculated on a rolling three year average. Distributions are made monthly in an amount equal to the average market value of the restricted funds averaged out over a three year period. In the event that the distributions exceed net investment income, or the Foundation's board designated endowment funds, they are deducted from unrestricted unrealized /realized gains /losses. Spending distributions (from both endowment, board designated endowment, and invested temporarily restricted funds) as calculated using the spending rate were \$468,028 and \$472,732, for the years ended July 31, 2017 and 2016, respectively.

In addition, withdrawals from board designated endowments may occur subject to the approval of the board of directors. There were no board designated endowment distributions in fiscal years 2017 and 2016.

Charitable Gift Annuities

The Foundation has entered into several charitable gift annuity agreements whereby the donor contributes assets in exchange for distributions over a specific period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Foundation's use. Charitable gift annuities are recognized in the period in which the contract is executed. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue.

Beneficial Interests in Charitable Trusts

The Foundation is the beneficiary of two charitable remainder unitrusts. These charitable remainder unitrusts provide for the payment of distributions to certain designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the consolidated statements of financial position as temporarily restricted net assets.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Beneficial Interests in Charitable Trusts (continued)

The Foundation also has a beneficial interest in a perpetual trust which consists of the Foundation's proportionate share of the fair value of assets held by trustees in trust for the benefit of the Foundation in perpetuity, the income from which is available for distribution to the Foundation periodically. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair value of perpetual trust is measured using the fair value of the assets contributed to the trust and is included in permanently restricted net assets in the accompanying consolidated statements of financial position.

Long-Term Debt Costs

The Foundation has capitalized the costs associated with obtaining bond financing (Note 9). Loan acquisition costs are amortized over the life of the related loan and are presented net of the outstanding long-term debt on the accompanying statements of financial position. Amortization of deferred financing costs is reported as interest expense on the accompanying statements of activities and changes in net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions and grants received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset category, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Donated Services

The Organization recognizes contributions of services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. During the years ended July 31, 2017 and 2016, the Organization received approximately \$1,579,000 and \$609,000, respectively, of donated legal and other professional services. These services would not have been purchased if not donated. As such, no contribution is reflected in the consolidated statements of activities and changes in net assets.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Taxes

The Conservation Law Foundation and CLF Ventures are not-for-profit organizations that are exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Agency is a for-profit entity subject to federal and state income taxes. The Agency accounts for income taxes under ASC 740 *Income Taxes*. This standard requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the Agency's financial statements or tax returns.

Deferred tax liabilities and assets are determined based on the difference between the financial statements carrying amounts and tax bases of existing assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). Management believes that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recently Issued But Not Yet Effective Accounting Pronouncements

*Financial statement presentation* - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The Organization is evaluating the effect that ASU 2016-14 will have on its consolidated financial statements.

*Revenue* - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.



**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

*Leases* - In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Reclassifications

Certain amounts included in the 2016 financial statements have been reclassified to conform to the 2017 classifications. These reclassifications do not have a material effect on the prior year financial statements.

Subsequent Events

The Organization has evaluated all events subsequent to the consolidated statement of financial position date of July 31, 2017, through the date which the consolidated financial statements were available to be issued, December 5, 2017, and has determined there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

**NOTE 3. CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gross contributions and grants receivable	\$ 1,649,374	\$ 1,850,520
Less allowance for uncollectible contributions	43,911	378,142
Less unamortized discount	<u>5,986</u>	<u>18,273</u>
Net contributions receivable	<u>\$ 1,599,477</u>	<u>\$ 1,454,105</u>

The expected collection period for contributions and grants receivable consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 1,201,221	\$ 990,693
One to five years	208,153	619,827
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions receivable	<u>\$ 1,649,374</u>	<u>\$ 1,850,520</u>

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 3. CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)**

In a prior year, the Organization received conditional promises of \$715,000. The promises are conditional on approval from donor advised funds. Revenue from conditional promises to give is not recognized until the conditions on which they depend are substantially met. As of July 31, 2017 and 2016, \$110,000 and \$250,000 respectively, of these pledges remains conditional.

**NOTE 4. PROPERTY & EQUIPMENT**

Property and equipment consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 397,501	\$ 397,501
Building	4,553,136	4,553,136
Building improvements	598,012	598,012
Furniture and equipment	822,465	778,481
Construction in progress	<u>50,045</u>	<u>-</u>
	6,421,159	6,327,130
Less: accumulated depreciation and amortization	<u>3,118,042</u>	<u>2,889,146</u>
Property and equipment, net	<u>\$ 3,303,117</u>	<u>\$ 3,437,984</u>

Depreciation expense for the years ended July 31, 2017 and 2016 totaled \$251,815 and \$226,610, respectively.

Construction in progress at July 31, 2016 consisted of architectural design costs related to future leasehold improvements.

**NOTE 5. INVESTMENTS**

Investments are recorded at fair value. Changes in fair values are reflected in the statement of activities and changes in net assets as gains or losses on investments. Investment expenses for the years ended July 31, 2017 and 2016 totaled \$56,602 and \$53,398, respectively, and are included with interests and dividends. The fair value was as follows, at July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 677,067	\$ 766,134
Corporate bonds	1,699,670	1,608,640
Corporate stocks	7,511,871	6,672,802
Mutual funds	<u>402,666</u>	<u>327,255</u>
Total investments	<u>\$ 10,291,274</u>	<u>\$ 9,374,831</u>

The Corporate bonds mature at various dates, with final maturity in August, 2025.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 6. FAIR VALUE MEASUREMENTS**

The following fair value hierarchy table presents information about the Organization's financial assets and liabilities that were measured at fair value on a recurring basis as of July 31, 2017:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	\$ 677,067	\$ -	\$ -	\$ 677,067
Corporate bonds	1,699,670	-	-	1,699,670
Corporate stocks:				
Information technology	1,679,081	-	-	-
Health care	1,571,929	-	-	1,571,929
Financials	1,258,931	-	-	1,258,931
Consumer discretionary	1,035,670	-	-	1,035,670
Industrial	811,808	-	-	811,808
Consumer staples	777,369	-	-	777,369
Materials	250,173	-	-	250,173
Energy	126,910	-	-	126,910
Total corporate stocks	7,511,871	-	-	7,511,871
Mutual funds:				
Foreign large blend	177,572	-	-	177,572
Large blend	93,987	-	-	93,987
Intermediate-term bond	69,129	-	-	69,129
Mid-cap blend	18,559	-	-	18,559
Large growth	13,697	-	-	13,697
Intermediate government	11,050	-	-	11,050
Short-term bond	10,097	-	-	10,097
Multi alternative	4,967	-	-	4,967
High yield bond	3,608	-	-	3,608
Total mutual funds	402,666	-	-	402,666
Beneficial interests in charitable trusts	-	-	441,275	441,275
	<u>\$ 10,291,274</u>	<u>\$ -</u>	<u>\$ 441,275</u>	<u>\$ 10,732,549</u>

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following fair value hierarchy table presents information about the Organization's financial assets and liabilities that were measured at fair value on a recurring basis as of July 31, 2016:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	\$ 766,134	\$ -	\$ -	\$ 766,134
Corporate bonds	<u>1,608,640</u>	-	-	<u>1,608,640</u>
Corporate stocks:				
Health care	1,763,278	-	-	1,763,278
Information technology	1,411,341	-	-	1,411,341
Consumer staples	962,376	-	-	962,376
Industrial	827,201	-	-	827,201
Consumer discretionary	699,827	-	-	699,827
Financials	634,895	-	-	634,895
Materials	224,922	-	-	224,922
Energy	<u>148,962</u>	-	-	<u>148,962</u>
Total corporate stocks	<u>6,672,802</u>	-	-	<u>6,672,802</u>
Mutual funds:				
Foreign large blend	152,368	-	-	152,368
Large blend	82,340	-	-	82,340
Intermediate-term bond	52,475	-	-	52,475
Mid-cap blend	11,369	-	-	11,369
Intermediate government	9,908	-	-	9,908
High yield bond	5,747	-	-	5,747
Multi alternative	5,703	-	-	5,703
Large growth	5,338	-	-	5,338
Short-term bond	<u>2,007</u>	-	-	<u>2,007</u>
Total mutual funds	<u>327,255</u>	-	-	<u>327,255</u>
Beneficial interests in charitable trusts	-	-	417,485	417,485
	<u>\$ 9,374,831</u>	<u>\$ -</u>	<u>\$ 417,485</u>	<u>\$ 9,792,316</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) that occurred in these assets during fiscal years 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 417,485	\$ 351,534
Contributions	-	76,622
Total gains (losses) included in change in net assets	<u>23,790</u>	<u>(10,671)</u>
Ending balance	<u>\$ 441,275</u>	<u>\$ 417,485</u>

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 7. ENDOWMENT**

The Foundation's endowment consists of eleven individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and board designated funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of July 31, 2017:

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 1,628,613	\$ 5,150,547	\$ 6,779,160
Board-designated funds	<u>3,582,632</u>	-	-	<u>3,582,632</u>
	<u>\$ 3,582,632</u>	<u>\$ 1,628,613</u>	<u>\$ 5,150,547</u>	<u>\$ 10,361,792</u>

Endowment Net Asset Composition by Type of Fund as of July 31, 2016:

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 1,013,937	\$ 5,438,095	\$ 6,452,032
Board-designated funds	<u>2,656,035</u>	-	-	<u>2,656,035</u>
	<u>\$ 2,656,035</u>	<u>\$ 1,013,937</u>	<u>\$ 5,438,095</u>	<u>\$ 9,108,067</u>

Changes in Endowment Net Assets for the Year Ended July 31, 2017:

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	<u>\$ 2,656,035</u>	<u>\$ 1,013,937</u>	<u>\$ 5,438,095</u>	<u>\$ 9,108,067</u>
Investment return:				
Investment income	28,557	69,368	-	97,925
Net appreciation	<u>338,572</u>	<u>822,429</u>	-	<u>1,161,001</u>
Total investment return	<u>367,129</u>	<u>891,797</u>	-	<u>1,258,926</u>
New gifts/board designations	462,827	-	-	462,827
Appropriation of endowment assets for operations (draw)	(190,907)	(277,121)	-	(468,028)
Transfers	<u>287,548</u>	-	<u>(287,548)</u>	-
Net assets, end of year	<u>\$ 3,582,632</u>	<u>\$ 1,628,613</u>	<u>\$ 5,150,547</u>	<u>\$ 10,361,792</u>

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 7. ENDOWMENT (CONTINUED)**

Changes in Endowment Net Assets for the Year Ended July 31, 2016:

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ <u>2,543,366</u>	\$ <u>1,087,967</u>	\$ <u>5,438,095</u>	\$ <u>9,069,428</u>
Investment return:	-	-	-	-
Investment income	40,686	104,420	-	145,106
Net appreciation	<u>46,407</u>	<u>119,104</u>	<u>-</u>	<u>165,511</u>
Total investment return	<u>87,093</u>	<u>223,524</u>	<u>-</u>	<u>310,617</u>
New gifts/board designations	263,454	-	-	263,454
Appropriation of endowment assets for operations (draw)	(175,178)	(297,554)	-	(472,732)
Additional withdrawals from board designated	<u>(62,700)</u>	<u>-</u>	<u>-</u>	<u>(62,700)</u>
Net assets, end of year	\$ <u>2,656,035</u>	\$ <u>1,013,937</u>	\$ <u>5,438,095</u>	\$ <u>9,108,067</u>

At July 31, 2017, the balance in the endowment included \$406,684 of cash and cash equivalents and \$9,955,108 of investments from the accompanying consolidated statement of financial position. At July 31, 2016, the balance in the endowment included \$9,108,067 of investments from the accompanying consolidated statement of financial position.

**NOTE 8. SPLIT INTEREST AGREEMENTS**

Assets that relate to charitable gift annuities totaled \$243,283 and \$190,645, at July 31, 2017 and 2016, respectively. The liability related to charitable gift annuities was \$86,958 and \$66,467, at July 31, 2017 and 2016, respectively.

The assets recorded under beneficial interests in charitable trusts are included in the Foundation's consolidated statements of financial position. The beneficial interest in the charitable remainder unitrusts was \$277,976 and \$268,071 at July 31, 2017 and 2016, respectively. The beneficial interest in a perpetual trust was \$163,299 and 149,414, at July 31, 2017 and 2016, respectively.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 9. LONG-TERM DEBT**

Long-term debt consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Obligation with MassDevelopment, Capital Asset Program Issue, Series 0-1, variable interest rate (0.86 and .48% at July 31, 2017 and 2016, respectively), with balance due in full on June 25, 2022.	\$ 1,092,883	\$ 1,276,405
Less bond issue costs	<u>13,199</u>	<u>15,839</u>
Long-term debt, net	<u>\$ 1,079,684</u>	<u>\$ 1,260,566</u>

Maturities of long-term debt for the next five years at July 31, 2017, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2018	\$ 194,105
2019	205,628
2020	217,843
2021	230,790
2022	<u>244,517</u>
Total	<u>\$ 1,092,883</u>

Interest expense and fees associated with the debt were \$44,015 and \$40,916, for the years ended July 31, 2017 and 2016, respectively.

In connection with the MassDevelopment obligation, the Foundation entered into a letter of credit agreement with a financial institution totaling \$1,109,639, expiring in fiscal year 2019. The letter of credit is secured by all business assets of the Foundation including a first mortgage on the buildings and contains certain covenants, the most restrictive of which are debt service coverage and leverage ratios. In addition, the Foundation must maintain unrestricted cash and eligible investment levels, as defined in the agreement, of \$1,000,000 on a consolidated basis. The Foundation was in compliance with all covenants at July 31, 2017.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 10. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	\$ 799,937	\$ 794,446
Campaign for Leadership	519,300	968,900
Appreciation on permanently restricted net assets	1,628,613	1,013,937
Fosters Charitable Trust: For general support (time restriction)	479,119	444,988
Grant revenue: restricted by time and/or purpose	4,406,231	2,681,450
Michael Moskow Fund: To support the cost of volunteer attorney program	249,469	-
Cape Water Quality Fund	1,000	-
RI Founding Donors Fund: To support operations in RI office	1,844	1,844
Other purpose and time restricted contributions	<u>165,426</u>	<u>266,253</u>
Total temporarily restricted net assets	<u>\$ 8,250,939</u>	<u>\$ 6,171,818</u>

**NOTE 11. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Campaign for CLF State Endowment Funds: To strengthen CLF's financial position and security	\$ 3,070,337	\$ 3,070,337
The Advocates Endowment Fund: To support ongoing projects that have depleted their resources and to support new initiatives	952,545	952,545
Dave Cavers Fund: To support the hire of summer legal interns	453,355	453,355
Urgent Action Fund: To support ongoing advocacy and major cases	494,189	494,189
Beneficial Interest in Trust (held by donor's financial institution)	153,828	149,414
The Brush Fund: To support general operations on fund	130,121	130,121
Michael Moskow Fund: To support the cost of volunteer attorney program	-	287,548
Keith L. Miller Fund: To support operations and advocacy in NH	<u>50,000</u>	<u>50,000</u>
Total permanently restricted net assets	<u>\$ 5,304,375</u>	<u>\$ 5,587,509</u>



**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 12. BENEFIT PLANS**

The Foundation maintains a thrift plan under Internal Revenue Code Section 403(b)(7) for eligible employees who elect to participate. The Foundation matches employee contributions on a dollar for dollar basis up to 2% of their annual compensation. An employee becomes eligible for the employer match after one year of service to the Foundation. The Foundation retains the right to change employer matching contribution amounts. Total employer contributions were \$94,048 and \$60,411, for the years ended July 31, 2017 and 2016, respectively.

**NOTE 13. OPERATING LEASE OBLIGATIONS**

The Organization leases office space and equipment under operation lease agreements that have initial or non-cancelable lease terms in excess of one year. At July 31, 2017, minimum future lease obligations are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2018	\$ 105,770
2019	99,287
2020	65,737
2021	30,861
2022	34,414
Thereafter	<u>2,895</u>
	<u>\$ 338,964</u>

Rent expense for the years ended July 31, 2017 and 2016, was \$123,392 and \$111,154, respectively.

**NOTE 14. CAPITAL LEASE OBLIGATIONS**

The Organization leases six copiers under capital leases that expire at various dates through 2020. The leased equipment has a combined capitalized cost of \$52,332, at July 31, 2017 and 2016 and accumulated depreciation of \$40,160 and \$28,988 at July 31, 2017 and 2016, respectively. Amortization of assets held under capital leases is included with depreciation expense. Minimum future lease payments for the years ended July 31, exclusive of interest and fees, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2018	\$ 11,486
2019	4,205
2020	1,166
2021	<u>205</u>
Total minimum lease payments	<u>\$ 17,062</u>

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2017 AND 2016**

**NOTE 15. LEASING ACTIVITIES**

The Foundation leases space to not-for-profit and other organizations, which were in effect at July 31, 2017. The aggregate future minimum lease receipts under the lease agreements at July 31, 2017, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2018	\$ 151,196
2019	158,781
2020	162,013
2021	138,000
2022	138,000
Thereafter	<u>195,500</u>
	\$ <u>943,490</u>

## **SUPPLEMENTARY INFORMATION**

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2017**

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2017 Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	
Contributed support:								
Grants	\$ 36,780	\$ 7,229,661	\$ -	\$ 7,266,441	\$ -	\$ -	\$ -	\$ 7,266,441
Contributions	2,771,650	333,687	-	3,105,337	22,600	-	22,600	3,127,937
Total contributed support	2,808,430	7,563,348	-	10,371,778	22,600	-	22,600	10,394,378
Earned and other revenue:								
Fees for services	369,643	-	-	369,643	132,041	-	132,041	549,337
Rent and other earned revenue	293,498	-	-	293,498	-	-	-	293,498
Dividend and interest income	28,734	73,574	-	102,308	-	-	-	102,308
Realized/unrealized gains on investments	316,370	872,285	-	1,188,655	-	-	-	1,188,655
Changes in the value of split-interest agreements	7,381	5,491	4,414	17,286	-	-	-	17,286
Total earned and other revenue	1,015,626	951,350	4,414	1,971,390	132,041	-	132,041	2,151,084
Net assets released from restrictions:								
Satisfaction of purpose restrictions (grants)	5,251,923	(5,251,923)	-	-	252,957	(252,957)	-	-
Satisfaction of purpose restrictions (contributions)	921,193	(633,645)	(287,548)	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	297,052	(297,052)	-	-	-	-	-	-
Total net assets released from restrictions	6,470,168	(6,182,620)	(287,548)	-	252,957	(252,957)	-	-
Total earned revenue and contributed support	10,294,224	2,332,078	(283,134)	12,343,168	407,598	(252,957)	154,641	12,545,462
Functional expenses:								
Program	7,133,941	-	-	7,133,941	473,970	-	473,970	7,638,254
General and administrative	1,299,067	-	-	1,299,067	38,188	-	38,188	1,348,329
Fundraising, membership and grant procurement	1,025,863	-	-	1,025,863	-	-	-	1,025,863
Total functional expenses	9,458,871	-	-	9,458,871	512,158	-	512,158	10,012,446
Changes in net assets	835,353	2,332,078	(283,134)	2,884,297	(104,560)	(252,957)	(357,517)	2,533,016
Net assets - beginning	5,353,621	5,897,136	5,587,509	16,838,266	(998,870)	274,682	(724,188)	16,200,940
<b>NET ASSETS - ENDING</b>	<b>\$ 6,188,974</b>	<b>\$ 8,229,214</b>	<b>\$ 5,304,375</b>	<b>\$ 19,722,563</b>	<b>\$ (1,103,430)</b>	<b>\$ 21,725</b>	<b>\$ (1,081,705)</b>	<b>\$ 18,733,956</b>

See independent auditor's report.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF TEMPORARILY RESTRICTED ACTIVITY**  
**FOR THE YEAR ENDED JULY 31, 2017**

	Temporarily Restricted									
	Fosters Charitable	Campaign for CLF	Campaign for Leadership	RI Founding Donor Fund	Michael Moskow Fund	Cape Water Quality Fund	Individual Giving	Grants	Appreciation Fund	Total
Contributed support:										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,229,661	\$ -	\$ 7,229,661
Contributions	-	-	150,400	-	50,000	1,000	132,287	-	-	333,687
Total contributed support	-	-	150,400	-	50,000	1,000	132,287	7,229,661	-	7,563,348
Earned and other revenue:										
Dividend and interest income	4,206	-	-	-	-	-	-	-	69,368	73,574
Realized/unrealized gains on investments	49,856	-	-	-	-	-	-	-	822,429	872,285
Changes in the value of split-interest agreements	-	5,491	-	-	-	-	-	-	-	5,491
Total earned and other revenue	54,062	5,491	-	-	-	-	-	-	891,797	951,350
Net assets released from restrictions:										
Satisfaction of purpose restrictions (grants)	-	-	-	-	-	-	-	(5,504,880)	-	(5,504,880)
Satisfaction of purpose restrictions (contributions)	-	-	(600,000)	-	199,469	-	(233,114)	-	-	(633,645)
Satisfaction of purpose restrictions (investment income)	(19,931)	-	-	-	-	-	-	-	(277,121)	(297,052)
Total net assets released from restrictions	(19,931)	-	(600,000)	-	199,469	-	(233,114)	(5,504,880)	(277,121)	(6,435,577)
Changes in net assets	34,131	5,491	(449,600)	-	249,469	1,000	(100,827)	1,724,781	614,676	2,079,121
Net assets - beginning	444,988	794,446	968,900	1,844	-	-	266,253	2,681,450	1,013,937	6,171,818
<b>NET ASSETS - ENDING</b>	<b>\$ 479,119</b>	<b>\$ 799,937</b>	<b>\$ 519,300</b>	<b>\$ 1,844</b>	<b>\$ 249,469</b>	<b>\$ 1,000</b>	<b>\$ 165,426</b>	<b>\$ 4,406,231</b>	<b>\$ 1,628,613</b>	<b>\$ 8,250,939</b>

See independent auditor's report.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PERMANENTLY RESTRICTED ACTIVITY**  
**FOR THE YEAR ENDED JULY 31, 2017**

	Permanently Restricted								
	Advocates	Beneficial Interest in Trust	Brush	Cavers	Urgent Action	State Endowments	Keith L. Miller Fund	Michael Moskow Fund	Total
Earned and other revenue:									
Changes in the value of split-interest agreements	\$ -	\$ 4,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,414
Net assets released from restrictions:									
Satisfaction of purpose restrictions (contributions)	-	-	-	-	-	-	-	(287,548)	(287,548)
Changes in net assets	-	4,414	-	-	-	-	-	(287,548)	(283,134)
Net assets - beginning	<u>952,545</u>	<u>149,414</u>	<u>130,121</u>	<u>453,355</u>	<u>494,189</u>	<u>3,070,337</u>	<u>50,000</u>	<u>287,548</u>	<u>5,587,509</u>
<b>NET ASSETS - ENDING</b>	<b><u>\$ 952,545</u></b>	<b><u>\$ 153,828</u></b>	<b><u>\$ 130,121</u></b>	<b><u>\$ 453,355</u></b>	<b><u>\$ 494,189</u></b>	<b><u>\$ 3,070,337</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,304,375</u></b>

See independent auditor's report.