CONSERVATION LAW FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JULY 31, 2018 AND 2017

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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, 2018 and 2017, 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 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, 2018 and 2017, 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.

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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 is presented for purposes of additional analysis and is 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
May 28, 2019

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2018 AND 2017

ASSETS

	2018	2017
Assets:		
Cash and cash equivalents	$ 7,293,849	$ 4,202,862
Accounts receivable, net	456,336	509,316
Contributions and grants receivable, net	5,126,684	1,599,477
Prepaid expenses and other assets	116,470	133,495
Investments	10,406,676	10,047,991
Investments related to charitable gift annuities	268,653	243,283
Property and equipment, net	3,490,435	3,303,117
Beneficial interests in charitable trusts	464,371	441,275
Security deposits	69,851	28,359
TOTAL ASSETS	$ 27,693,325	$ 20,509,175

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities:		
Accounts payable	$ 666,751	$ 228,684
Accrued expenses	337,672	272,257
Long-term debt, net	888,219	1,079,684
Capital lease obligations	5,740	17,062
Deferred revenue	500	67,558
Charitable annuity liability	84,376	86,958
Security deposits	23,016	23,016
Total liabilities	2,006,274	1,775,219
Net assets:		
Unrestricted	1,490,477	1,596,010
Board designated	3,704,347	3,582,632
Total unrestricted net assets	5,194,824	5,178,642
Temporarily restricted	15,171,534	8,250,939
Permanently restricted	5,320,693	5,304,375
Total net assets	25,687,051	18,733,956
TOTAL LIABILITIES AND NET ASSETS	$ 27,693,325	$ 20,509,175

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, 2018 (with summarized information for the year ended July 31, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Contributed support:					
Grants	$ 2,000	$ 14,355,311	$ -	$ 14,357,311	$ 7,266,441
Contributions	2,459,740	625,614	-	3,085,354	3,127,937
Total contributed support	2,461,740	14,980,925	-	17,442,665	10,394,378
Earned and other revenue:					
Fees for services	442,255	-	-	442,255	549,337
Rent and other earned revenue	199,658	-	-	199,658	293,498
Dividend and interest income	57,625	96,322	-	153,947	102,308
Realized/unrealized gains on investments	197,994	508,743	-	706,737	1,188,655
Changes in the value of split-interest agreements	(10,829)	11,492	16,318	16,981	17,286
Total earned and other revenue	886,703	616,557	16,318	1,519,578	2,151,084
Net assets released from restrictions:					
Satisfaction of purpose restrictions (grants)	7,729,568	(7,729,568)	-	-	-
Satisfaction of purpose restrictions (contributions)	681,246	(681,246)	-	-	-
Satisfaction of purpose restrictions (investment income)	266,073	(266,073)	-	-	-
Total net assets released from restrictions	8,676,887	(8,676,887)	-	-	-
Total earned revenue and contributed support	12,025,330	6,920,595	16,318	18,962,243	12,545,462
Functional expenses:					
Program	9,477,269	-	-	9,477,269	7,638,254
General and administrative	1,479,323	-	-	1,479,323	1,348,329
Fundraising, membership and grant procurement	1,052,556	-	-	1,052,556	1,025,863
Total functional expenses	12,009,148	-	-	12,009,148	10,012,446
Changes in net assets	16,182	6,920,595	16,318	6,953,095	2,533,016
Net assets - beginning	5,178,642	8,250,939	5,304,375	18,733,956	16,200,940
NET ASSETS - ENDING	$ 5,194,824	$ 15,171,534	$ 5,320,693	$ 25,687,051	$ 18,733,956

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributed support:				
Grants	$ 36,780	$ 7,229,661	$ -	$ 7,266,441
Contributions	2,794,250	333,687	-	3,127,937
Total contributed support	2,831,030	7,563,348	-	10,394,378
Earned and other revenue:				
Fees for services	549,337	-	-	549,337
Rent and other earned revenue	293,498	-	-	293,498
Dividend and interest income	28,734	73,574	-	102,308
Realized/unrealized gains on investments	316,370	872,285	-	1,188,655
Changes in the value of split-interest agreements	7,381	5,491	4,414	17,286
Total earned and other revenue	1,195,320	951,350	4,414	2,151,084
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)	297,052	(297,052)	-	-
Total net assets released from restrictions	6,723,125	(6,435,577)	(287,548)	-
Total earned revenue and contributed support	10,749,475	2,079,121	(283,134)	12,545,462
Functional expenses:				
Program	7,638,254	-	-	7,638,254
General and administrative	1,348,329	-	-	1,348,329
Fundraising, membership and grant procurement	1,025,863	-	-	1,025,863
Total functional expenses	10,012,446	-	-	10,012,446
Changes in net assets	737,029	2,079,121	(283,134)	2,533,016
Net assets - beginning	4,441,613	6,171,818	5,587,509	16,200,940
NET ASSETS - ENDING	$ 5,178,642	$ 8,250,939	$ 5,304,375	$ 18,733,956

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	2018	2017
Operating activities:		
Changes in net assets	$ 6,953,095	$ 2,533,016
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	258,902	251,815
Change in value of split-interest agreements	(16,981)	(17,286)
Realized and unrealized gains on investments	(706,737)	(1,188,655)
Bad debt expense (recovery)	(20,262)	81,333
Non-cash interest	2,640	2,640
Changes in assets and liabilities:		
Accounts receivable	73,242	(159,681)
Contributions and grants receivable	(3,527,207)	(145,372)
Prepaid expenses	17,025	(47,235)
Security deposits	(41,492)	(15,215)
Investments related to charitable gift annuities	(25,370)	(52,638)
Beneficial interest in charitable remainder trusts and gift annuities	(6,115)	(6,504)
Accounts payable	438,067	(333,708)
Accrued expenses	65,415	31,012
Deferred revenue	(67,058)	16,442
Charitable annuities obligation	(16,570)	6,503
Net cash provided by operating activities	3,380,594	956,467
Investing activities:		
Proceeds from sales of investments	1,091,531	1,349,803
Purchases of investments	(743,479)	(1,024,953)
Purchases of property and equipment	(446,220)	(116,948)
Net cash provided by (used in) investing activities	(98,168)	207,902
Financing activities:		
Payments of long-term debt	(194,105)	(183,522)
Payments on capital lease obligations	(11,322)	(11,953)
Payments on charitable annuity liabilities	(15,298)	(15,298)
Proceeds from charitable annuity liabilities	29,286	29,286
Net cash used in financing activities	(191,439)	(181,487)
Net increase in cash and cash equivalents	3,090,987	982,882
Cash and cash equivalents - beginning	4,202,862	3,219,980
CASH AND CASH EQUIVALENTS - ENDING	$ 7,293,849	$ 4,202,862
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 41,432	$ 43,679

See accompanying notes to consolidated financial statements.

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:

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 and cash equivalents in money market in bank deposit accounts and certificates of deposits, 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 at July 31, 2018 and 2017.

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 $4,129 and $5,986, at July 31, 2018 and 2017, 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 $23,611 and $43,911, at July 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment with an expected useful life greater than one year and a cost greater than $5,000 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:

Assets	Years
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, 2018 and 2017, the Organization has determined that no long-lived assets are impaired.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017.

- Money market funds, corporate stocks, exchange traded funds 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.

- Corporate bonds - Corporate bonds represent a managed portfolio of investment grade corporate bonds. The corporate bonds are valued based on inputs that are either directly or indirectly observable. The corporate bonds are categorized as Level 2.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

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 donor-restricted funds that the Foundation 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

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 board designated endowment and temporarily restricted appreciation included in the endowment) as calculated using the spending rate were $464,172 and $468,028, for the years ended July 31, 2018 and 2017, 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 2018 and 2017.

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 trusts' terms. At the end of each 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.

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 the 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statements of financial position. Amortization of deferred financing costs is reported as interest expense on the accompanying consolidated 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 the 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, 2018 and 2017, the Organization received approximately $1,033,000 and $1,579,000, 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes (continued)

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 Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured using NAV per share (or its equivalent) using the practical expedient under FASB ASC Topic 820, Fair Value Measurement. The amendments in this ASU are effective for the Organization for its fiscal years beginning after December 15, 2016. The Organization has adopted this ASU and the adoption is reflected in the fair value hierarchy table where the investments in the investment funds reports at net asset value per share as a practical expedient of fair value are not categorized in the fair value hierarchy.

Recently Issued But Not Yet Effective Accounting Pronouncements

Financial statement presentation - In August 2016, the FASB issued 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

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.

Contributions - In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2018-08 will have on its consolidated financial statements and related disclosures.

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 consolidated statement of financial 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.

Subsequent Events

The Organization has evaluated all events subsequent to the consolidated statement of financial position date of July 31, 2018, through the date which the consolidated financial statements were available to be issued, May 28, 2019, and has determined that, except for those events disclosed in Note 9, 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, 2018 and 2017:

	2018	2017
Gross contributions and grants receivable	$ 5,154,424	$ 1,649,374
Less allowance for uncollectible contributions	23,611	43,911
Less unamortized discount (2%)	4,129	5,986
Net contributions receivable	$ 5,126,684	$ 1,599,477

NOTE 3. CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

The expected collection period for contributions and grants receivable consisted of the following as of July 31, 2018 and 2017:

	2018	2017
Less than one year	$ 3,362,854	$ 1,201,221
One to five years	1,551,570	208,153
More than five years	240,000	240,000
Gross contributions receivable	$ 5,154,424	$ 1,649,374

NOTE 4. PROPERTY & EQUIPMENT

Property and equipment consisted of the following as of July 31, 2018 and 2017:

	2018	2017
Land	$ 397,501	$ 397,501
Building	4,553,136	4,553,136
Building improvements	598,012	598,012
Furniture and equipment	822,465	822,465
Construction in progress	496,267	50,045
	6,867,381	6,421,159
Less accumulated depreciation and amortization	3,376,946	3,118,042
Property and equipment, net	$ 3,490,435	$ 3,303,117

Depreciation expense for the years ended July 31, 2018 and 2017 totaled $258,902 and $251,815, respectively.

Construction in progress at July 31, 2018 consisted of architectural design costs and building renovation costs related to future leasehold improvements. Construction in progress at July 31, 2017 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 consolidated statements of activities and changes in net assets as gains or losses on investments. Investment expenses for the years ended July 31, 2018 and 2017 totaled $47,413 and $56,602, respectively, and are netted with interest and dividends. The fair value was as follows, at July 31, 2018 and 2017:

	2018	2017
Money market funds	$ 829,076	$ 677,067
Corporate bonds	1,933,420	1,699,670
Corporate stocks	7,303,278	7,511,871
Exchange traded funds	163,881	-
Mutual funds	445,674	402,666
Total investments	$ 10,675,329	$ 10,291,274

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

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, 2018:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	$ 829,076	$ -	$ -	$ 829,076
Corporate bonds	-	1,933,420	-	1,933,420
Corporate stocks	7,303,278	-	-	7,303,278
Exchange traded funds	163,881	-	-	163,881
Mutual funds	445,674	-	-	445,674
	$ 8,741,909	$ 1,933,420	$ -	$ 10,675,329

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	7,511,871	-	-	7,511,871
Mutual funds	402,666	-	-	402,666
	$ 8,591,604	$ 1,699,670	$ -	$ 10,291,274

NOTE 7. ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes, comprised of permanently restricted 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, 2018:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 1,945,825	$ 5,150,547	$ 7,096,372
Board-designated funds	3,704,347	-	-	3,704,347
	$ 3,704,347	$ 1,945,825	$ 5,150,547	$ 10,800,719

NOTE 7. ENDOWMENT (CONTINUED)

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	3,582,632	-	-	3,582,632
	$ 3,582,632	$ 1,628,613	$ 5,150,547	$ 10,361,792

Changes in Endowment Net Assets for the Year Ended July 31, 2018:

	Unrestricted Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 3,582,632	$ 1,628,613	$ 5,150,547	$ 10,361,792
Investment return:				
Investment income, net	42,626	88,368	-	130,994
Net appreciation	225,131	466,732	-	691,863
Total investment return	267,757	555,100	-	822,857
New gifts/board designations	5,000	-	-	5,000
Appropriation of endowment assets for operations (draw)	(151,042)	(237,888)	-	(388,930)
Net assets, end of year	$ 3,704,347	$ 1,945,825	$ 5,150,547	$ 10,800,719

NOTE 7. ENDOWMENT (CONTINUED)

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

At July 31, 2018, the balance in the endowment included $411,684 of cash and cash equivalents and $10,389,035 of investments from the accompanying consolidated statement of financial position. 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.

NOTE 8. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled $268,653 and $243,283, at July 31, 2018 and 2017, respectively. The liability related to charitable gift annuities was $84,376 and $86,958, at July 31, 2018 and 2017, respectively.

The assets recorded under beneficial interests in charitable trusts are included in the consolidated statements of financial position. The beneficial interest in the charitable remainder unitrusts was $294,225 and $277,976 at July 31, 2018 and 2017, respectively. The beneficial interest in a perpetual trust was $170,146 and 163,299, at July 31, 2018 and 2017, respectively.

Beneficial interests in assets held by others are measured at NAV per unit, as determined by the trustees. The NAV is used as a practical expedient to estimate fair value and is based on the fair value of the underlying funds, less liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

NOTE 9. LONG-TERM DEBT

Long-term debt consisted of the following as of July 31, 2018 and 2017:

	2018	2017
Obligation with MassDevelopment, Capital Asset Program Issue, Series 0-1, variable interest rate (0.92 and .86% at July 31, 2018 and 2017, respectively), with balance due in full on June 25, 2022.	$ 898,778	$ 1,092,883
Less bond issue costs, net	10,559	13,199
Long-term debt, net	$ 888,219	$ 1,079,684

Maturities of long-term debt for the next five years at July 31, 2018, are as follows:

Year ending July 31:	Amount
2019	$ 205,630
2020	217,843
2021	230,790
2022	244,515
Total	$ 898,778

Interest expense and fees associated with the debt were $42,834 and $44,015, for the years ended July 31, 2018 and 2017, respectively.

In connection with the MassDevelopment obligation, the Foundation entered into a letter of credit agreement with a financial institution totaling $912,793, expiring in fiscal year 2020. 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, 2018.

In October 2018, the Foundation refinanced their long-term debt through the issuance of a Series 2018 Massachusetts Development Finance Agency Revenue Bond. The bond allows for draws up to $4,500,000. Monthly principal and interest payments at a fixed rate of 3.75% are due through October 2028.

NOTE 10. 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, 2018 and 2017 and accumulated depreciation of $50,303 and $40,160 at July 31, 2018 and 2017, 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 $4,369 in 2019 and $1,371 in 2020.

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of July 31, 2018 and 2017:

	2018	2017
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	$ 811,429	$ 799,937
Campaign for Leadership	389,300	519,300
Appreciation on permanently restricted net assets	1,945,825	1,628,613
Fosters Charitable Trust: For general support (time restriction)	500,899	479,119
Grant revenue: restricted by time and/or purpose	11,031,974	4,406,231
Michael Moskow Fund: To support the cost of volunteer attorney program	241,018	249,469
Cape Water Quality Fund	107,465	1,000
RI Founding Donors Fund: To support operations in RI office	1,844	1,844
Other purpose and time restricted contributions	141,780	165,426
Total temporarily restricted net assets	$ 15,171,534	$ 8,250,939

NOTE 12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following as of July 31, 2018 and 2017:

	2018	2017
Endowment funds - the investment return from which is restricted for specific purposes	$ 5,150,547	$ 5,150,547
Beneficial Interest in Trust (held by donor's financial institution)	170,146	153,828
Total permanently restricted net assets	$ 5,320,693	$ 5,304,375

NOTE 13. 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 3% 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 $127,627 and $94,048, for the years ended July 31, 2018 and 2017, respectively.

NOTE 14. OPERATING LEASE OBLIGATIONS

The Organization leases office space and equipment under lease agreements that have initial or non-cancelable lease terms in excess of one year. Rent expense was $110,508 in 2018 and $103,383 in 2017. Minimum future lease obligations are as follows:

Year ending July 31:	Amount
2019	$ 111,538
2020	96,577
2021	61,701
2022	54,974
2023	2,896
	$ 327,686

NOTE 15. LEASING ACTIVITIES

The Foundation leases space to not-for-profit and other organizations, which were in effect at July 31, 2018. The aggregate future minimum lease receipts under the lease agreements are as follows:

Year ending July 31:	Amount
2019	$ 136,951
2020	138,000
2021	138,000
2022	138,000
2023	138,000
Thereafter	57,500
	$ 746,451

SUPPLEMENTARY INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2018

	Conservation Law Foundation, Inc.				CLF Ventures			Environmental Insurance Agency, Inc.	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Total	2018 Consolidated
Contributed support:									
Grants	$ 2,000	$ 14,185,599	$ -	$ 14,187,599	$ -	$ 169,712	$ 169,712	$ -	$ 14,357,311
Contributions	2,459,740	625,614	-	3,085,354	-	-	-	-	3,085,354
Total contributed support	2,461,740	14,811,213	-	17,272,953	-	169,712	169,712	-	17,442,665
Earned and other revenue:									
Fees for services	52,301	-	-	52,301	343,950	-	343,950	46,004	442,255
Rent and other earned revenue	199,658	-	-	199,658	-	-	-	-	199,658
Dividend and interest income	57,625	96,322	-	153,947	-	-	-	-	153,947
Realized/unrealized gains on investments	197,994	508,743	-	706,737	-	-	-	-	706,737
Changes in the value of split-interest agreements	(10,829)	11,492	16,318	16,981	-	-	-	-	16,981
Total earned and other revenue	496,749	616,557	16,318	1,129,624	343,950	-	343,950	46,004	1,519,578
Net assets released from restrictions:									
Satisfaction of purpose restrictions (grants)	7,538,131	(7,538,131)	-	-	191,437	(191,437)	-	-	-
Satisfaction of purpose restrictions (contributions)	681,246	(681,246)	-	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	266,073	(266,073)	-	-	-	-	-	-	-
Total net assets released from restrictions	8,485,450	(8,485,450)	-	-	191,437	(191,437)	-	-	-
Total earned revenue and contributed support	11,443,939	6,942,320	16,318	18,402,577	535,387	(21,725)	513,662	46,004	18,962,243
Functional expenses:									
Program	8,887,844	-	-	8,887,844	560,414	-	560,414	29,011	9,477,269
General and administrative	1,446,950	-	-	1,446,950	20,748	-	20,748	11,625	1,479,323
Fundraising, membership and grant procurement	1,052,556	-	-	1,052,556	-	-	-	-	1,052,556
Total functional expenses	11,387,350	-	-	11,387,350	581,162	-	581,162	40,636	12,009,148
Changes in net assets	56,589	6,942,320	16,318	7,015,227	(45,775)	(21,725)	(67,500)	5,368	6,953,095
Net assets - beginning	6,188,974	8,229,214	5,304,375	19,722,563	(1,103,430)	21,725	(1,081,705)	93,098	18,733,956
NET ASSETS - ENDING	$ 6,245,563	$ 15,171,534	$ 5,320,693	$ 26,737,790	$ (1,149,205)	$ -	$ (1,149,205)	$ 98,466	$ 25,687,051

See independent auditor's report.