

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2019 AND 2018

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
FOR THE YEARS ENDED JULY 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 2019 and 2018, 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, 2019 and 2018, 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
March 18, 2020

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 6,114,457	\$ 7,293,849
Accounts receivable, net	318,141	456,336
Contributions and grants receivable, net	2,681,638	5,126,684
Prepaid expenses and other assets	139,212	116,470
Investments, at fair value	11,036,369	10,406,676
Investments related to charitable gift annuities	200,920	268,653
Property and equipment, net	7,576,064	3,490,435
Beneficial interests in charitable trusts	476,165	464,371
Security deposits	<u>27,297</u>	<u>69,851</u>
TOTAL ASSETS	<u>\$ 28,570,263</u>	<u>\$ 27,693,325</u>

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Liabilities:		
Accounts payable	\$ 555,940	\$ 666,751
Accrued expenses	502,612	337,672
Long-term debt, net	4,301,679	888,219
Capital lease obligations	-	5,740
Deferred revenue	-	500
Charitable gift annuity liability	70,359	84,376
Security deposits	<u>23,016</u>	<u>23,016</u>
Total liabilities	<u>5,453,606</u>	<u>2,006,274</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,246,671	1,490,477
Board designated	<u>4,628,200</u>	<u>3,704,347</u>
Total net assets without donor restrictions	<u>5,874,871</u>	<u>5,194,824</u>
With donor restrictions:		
Subject to expenditure for specified purpose	8,910,145	12,583,030
Subject to the passage of time	638,538	642,679
Endowments	<u>7,693,103</u>	<u>7,266,518</u>
Total net assets with donor restrictions	<u>17,241,786</u>	<u>20,492,227</u>
Total net assets	<u>23,116,657</u>	<u>25,687,051</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,570,263</u>	<u>\$ 27,693,325</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 YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>			<u>2018</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:						
Grants	\$ 55,000	\$ 4,962,383	\$ 5,017,383	\$ 2,000	\$ 14,355,311	\$ 14,357,311
Contributions	3,076,752	774,385	3,851,137	2,459,740	625,614	3,085,354
In-kind contributions	<u>117,247</u>	<u>-</u>	<u>117,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total contributed support	<u>3,248,999</u>	<u>5,736,768</u>	<u>8,985,767</u>	<u>2,461,740</u>	<u>14,980,925</u>	<u>17,442,665</u>
Earned and other revenue:						
Fees for services	1,736,167	-	1,736,167	442,255	-	442,255
Rent and other earned revenue	265,422	-	265,422	199,658	-	199,658
Dividend and interest income	76,970	90,791	167,761	57,625	96,322	153,947
Realized/unrealized gains on investments	246,856	740,949	987,805	197,994	508,743	706,737
Changes in the value of split-interest agreements	12,272	4,221	16,493	(10,829)	27,810	16,981
Loss on disposal	<u>(238,933)</u>	<u>-</u>	<u>(238,933)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned and other revenue	<u>2,098,754</u>	<u>835,961</u>	<u>2,934,715</u>	<u>886,703</u>	<u>632,875</u>	<u>1,519,578</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions (grants)	8,057,957	(8,057,957)	-	7,729,568	(7,729,568)	-
Satisfaction of purpose restrictions (contributions)	1,407,805	(1,407,805)	-	681,246	(681,246)	-
Satisfaction of purpose restrictions (investment income)	<u>357,408</u>	<u>(357,408)</u>	<u>-</u>	<u>266,073</u>	<u>(266,073)</u>	<u>-</u>
Total net assets released from restrictions	<u>9,823,170</u>	<u>(9,823,170)</u>	<u>-</u>	<u>8,676,887</u>	<u>(8,676,887)</u>	<u>-</u>
Total earned revenue and contributed support	<u>15,170,923</u>	<u>(3,250,441)</u>	<u>11,920,482</u>	<u>12,025,330</u>	<u>6,936,913</u>	<u>18,962,243</u>
Expenses:						
Program	10,703,379	-	10,703,379	9,477,269	-	9,477,269
General and administrative	2,224,411	-	2,224,411	1,479,323	-	1,479,323
Development and member engagement	<u>1,563,086</u>	<u>-</u>	<u>1,563,086</u>	<u>1,052,556</u>	<u>-</u>	<u>1,052,556</u>
Total functional expenses	<u>14,490,876</u>	<u>-</u>	<u>14,490,876</u>	<u>12,009,148</u>	<u>-</u>	<u>12,009,148</u>
Changes in net assets	680,047	(3,250,441)	(2,570,394)	16,182	6,936,913	6,953,095
Net assets - beginning	<u>5,194,824</u>	<u>20,492,227</u>	<u>25,687,051</u>	<u>5,178,642</u>	<u>13,555,314</u>	<u>18,733,956</u>
NET ASSETS - ENDING	<u>\$ 5,874,871</u>	<u>\$ 17,241,786</u>	<u>\$ 23,116,657</u>	<u>\$ 5,194,824</u>	<u>\$ 20,492,227</u>	<u>\$ 25,687,051</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities:		
Changes in net assets	\$ (2,570,394)	\$ 6,953,095
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	332,184	258,902
Change in value of split-interest agreements	(16,493)	(16,981)
Realized and unrealized gains on investments	(987,805)	(706,737)
Bad debt recovery	(11,882)	(20,262)
Non-cash interest	26,815	2,640
Loss on disposal of assets	238,933	-
In-kind financing fees associated with bond issuance	(113,830)	-
Changes in assets and liabilities:		
Accounts receivable	150,077	73,242
Contributions and grants receivable	2,445,046	(3,527,207)
Prepaid expenses	(22,742)	17,025
Security deposits	42,554	(41,492)
Investments related to charitable gift annuities	67,733	(25,370)
Beneficial interest in charitable remainder trusts and gift annuities	4,699	(6,115)
Accounts payable	(110,811)	438,067
Accrued expenses	164,940	65,415
Deferred revenue	(500)	(67,058)
Charitable gift annuity obligation	<u>(325)</u>	<u>(16,570)</u>
Net cash provided by (used in) operating activities	<u>(361,801)</u>	<u>3,380,594</u>
Investing activities:		
Proceeds from sales of investments	1,233,385	1,091,531
Purchases of investments	(875,273)	(743,479)
Purchases of property and equipment	<u>(4,656,746)</u>	<u>(446,220)</u>
Net cash used in investing activities	<u>(4,298,634)</u>	<u>(98,168)</u>
Financing activities:		
Net proceeds from bond issuance	3,577,620	-
Payments of long-term debt	(8,348)	(194,105)
Financing fees associated with bond issuance	(68,797)	-
Payments on capital lease obligations	(5,740)	(11,322)
Payments on charitable gift annuity liabilities	(13,692)	(15,298)
Proceeds from charitable gift annuity liabilities	<u>-</u>	<u>29,286</u>
Net cash provided by (used in) financing activities	<u>3,481,043</u>	<u>(191,439)</u>
Net increase (decrease) in cash and cash equivalents	(1,179,392)	3,090,987
Cash and cash equivalents - beginning	<u>7,293,849</u>	<u>4,202,862</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 6,114,457</u>	<u>\$ 7,293,849</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>84,695</u>	\$ <u>41,432</u>
Supplemental disclosures of non-cash financing activities:		
In-kind financing fees associated with bond issuance	\$ <u>113,830</u>	\$ <u>-</u>
Refinance of existing bond as further described in Note 10:		
Proceeds from bond payable	\$ 4,500,000	\$ -
Repayment of bond payable	(890,430)	-
Payment of debt issuance costs	<u>(31,950)</u>	<u>-</u>
Net proceeds from bond issuance	\$ <u>3,577,620</u>	\$ <u>-</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

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 Massachusetts General Laws ("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, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor had stipulated the funds be maintained in perpetuity.

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 and 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, 2019 and 2018.

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 at July 31, 2019 and 2018. 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 \$9,686 and \$23,611, at July 31, 2019 and 2018, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Assets</u>	<u>Years</u>
Building	31-39
Building improvements	10-20
Furniture and equipment	7

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 5).

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, 2019 and 2018, 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 net assets without donor restrictions or net assets with donor restrictions if restricted by explicit donor stipulations or law.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

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, 2019 and 2018.

- 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

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 trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees 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 net assets held in perpetuity. The remaining portion of the endowment is the net appreciation, which is classified as net assets with donor restriction 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 trustees, 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 manager.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

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 net assets with donor restrictions to net assets without donor restrictions. The Foundation has a policy of annually appropriating for expenditure an amount of up to 5% of the average fair market value of the endowment, measured as of the last day of the calendar month for the thirty-six months immediately preceding the fiscal year in which the appropriation for expenditure is approved. 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 restricted appreciation included in the endowment) as calculated using the spending rate were \$474,472 and \$464,172, for the years ended July 31, 2019 and 2018, respectively.

In addition, withdrawals from board designated endowments may occur subject to the approval of the board of trustees. There were no board designated endowment distributions in fiscal years 2019 and 2018.

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 included in net assets with donor restrictions in the accompanying consolidated statements of financial position.

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 net assets with donor restrictions in the accompanying consolidated statements of financial position.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt Costs

The Foundation has capitalized the costs associated with obtaining bond financing (Note 10). 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 with donor restrictions, and a reclassification to net assets without donor restrictions 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 without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

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. The Organization received approximately \$596,000 and \$1,033,000 of donated legal and other professional services during the years ended July 31, 2019 and 2018, respectively. These services would not have been purchased if not donated. As such, no contribution is reflected in the accompanying consolidated statements of activities and changes in net assets. During the year ended July 31, 2019, the Organization received \$113,830 of donated legal services pertaining to the refinancing of the bond further described in Note 10.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Certain costs have been allocated among the programs and supporting services based on occupancy, headcount or estimated time spent.

Taxes

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 Adopted 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 has adopted the pronouncement for the year ended July 31, 2019 and retroactively applied for the year ended July 31, 2018.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements

Revenue - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods 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. ASC 606 replaces most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. For annual reporting periods, this standard is effective for the Organization on August 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is currently completing its initial assessment and evaluation of the impact that Topic 606 will have on its financial statements and related disclosures.

The Organization expects, at a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from the Organization's activities.

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 currently completing its initial assessment and evaluation of the impact that ASU 2018-08 will have on its financial statements and related disclosures and has determined that there will not be a significant impact.

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. In November 2019, the FASB issued ASU No. 2019-10 *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. ASU 2019-10 amended the effective date for *Leases (Topic 842)*. This new guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its 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, 2019, through the date which the consolidated financial statements were available to be issued, March 18, 2020, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's available financial assets as of July 31, 2019:

Financial assets at year end:

Cash and cash equivalents	\$ 6,114,457
Accounts receivable, net (due within one year)	208,626
Contributions and grants receivable, net	2,681,638
Investments, at fair value	11,036,369
Beneficial interests in charitable trusts	<u>476,165</u>
Total financial assets	<u>20,517,255</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(17,241,786)
Board designated net assets	<u>(4,628,200)</u>
	<u>(21,869,986)</u>

Add amounts available to be used within one year:

Appropriation for 2020	510,000
Net assets with purpose restrictions to be met in less than a year (estimate based on 2019)	<u>8,700,000</u>
	<u>9,210,000</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 7,857,269

The Organization's endowment funds consist of donor-restricted endowments and board designated funds acting as an endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The endowment has a spending rate of 5%. Spending distributions of approximately \$510,000 will be available within the next 12 months. Additional withdrawals from the board designated funds acting as an endowment may occur during the year to fund general expenditures subject to the approval by the board of trustees.

NOTE 4. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Gross contributions and grants receivable	\$ 2,695,453	\$ 5,154,424
Less allowance for uncollectible contributions	9,686	23,611
Less unamortized discount (2%)	<u>4,129</u>	<u>4,129</u>
Net contributions receivable	<u>\$ 2,681,638</u>	<u>\$ 5,126,684</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 4. CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 2,145,245	\$ 3,362,854
One to five years	310,208	1,551,570
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions receivable	<u>\$ 2,695,453</u>	<u>\$ 5,154,424</u>

NOTE 5. PROPERTY & EQUIPMENT

Property and equipment consisted of the following as of July 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 397,501	\$ 397,501
Building	4,550,297	4,553,136
Building improvements	5,122,813	598,012
Furniture and equipment	1,045,129	822,465
Construction in progress	<u>526</u>	<u>496,267</u>
	11,116,266	6,867,381
Less accumulated depreciation and amortization	<u>3,540,202</u>	<u>3,376,946</u>
Property and equipment, net	<u>\$ 7,576,064</u>	<u>\$ 3,490,435</u>

Depreciation and amortization expense for the years ended July 31, 2019 and 2018 totaled \$332,184 and \$258,902, respectively.

Construction in progress at July 31, 2019 consisted of architect services that will be capitalized in full in the next fiscal year. Construction in progress at July 31, 2018 consisted of architectural design costs and building renovation costs related to future leasehold improvements. During the year ended July 31, 2019, the Organization disposed of assets for a building renovation resulting in a loss of \$238,933.

NOTE 6. 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, 2019 and 2018 totaled \$60,914 and \$47,413, respectively, and are netted with interest and dividends on the accompanying consolidated statements of activities and changes in net assets. The fair value was as follows, at July 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 1,111,699	\$ 829,076
Corporate bonds	2,033,420	1,933,420
Corporate stocks	7,573,520	7,303,278
Exchange traded funds	113,910	163,881
Mutual funds	<u>404,740</u>	<u>445,674</u>
Total investments	<u>\$ 11,237,289</u>	<u>\$ 10,675,329</u>

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

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 7. 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, 2019:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	\$ 1,111,699	\$ -	\$ -	\$ 1,111,699
Corporate bonds	-	2,033,420	-	2,033,420
Corporate stocks	7,573,520	-	-	7,573,520
Exchange traded funds	113,910	-	-	113,910
Mutual funds	<u>404,740</u>	<u>-</u>	<u>-</u>	<u>404,740</u>
	<u>\$ 9,203,869</u>	<u>\$ 2,033,420</u>	<u>\$ -</u>	<u>\$ 11,237,289</u>

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	<u>445,674</u>	<u>-</u>	<u>-</u>	<u>445,674</u>
	<u>\$ 8,741,909</u>	<u>\$ 1,933,420</u>	<u>\$ -</u>	<u>\$ 10,675,329</u>

NOTE 8. ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes, comprised of funds to be maintained in perpetuity and board designated funds. As required by U.S. GAAP, 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, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 7,525,760	\$ 7,525,760
Board-designated funds	<u>4,278,200</u>	<u>-</u>	<u>4,278,200</u>
	<u>\$ 4,278,200</u>	<u>\$ 7,525,760</u>	<u>\$ 11,803,960</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 8. ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of July 31, 2018:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 7,096,372	\$ 7,096,372
Board-designated funds	<u>3,704,347</u>	<u>-</u>	<u>3,704,347</u>
	<u>\$ 3,704,347</u>	<u>\$ 7,096,372</u>	<u>\$ 10,800,719</u>

Changes in Endowment Net Assets for the Year Ended July 31, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Net assets, beginning of year	<u>\$ 3,704,347</u>	<u>\$ 7,096,372</u>	<u>\$ 10,800,719</u>
Investment return:			
Investment income, net	38,340	82,188	120,528
Net appreciation	<u>312,895</u>	<u>670,742</u>	<u>983,637</u>
Total investment return	<u>351,235</u>	<u>752,930</u>	<u>1,104,165</u>
New gifts/board designations	<u>373,548</u>	<u>-</u>	<u>373,548</u>
Appropriation of endowment assets for operations (draw)	<u>(150,930)</u>	<u>(323,542)</u>	<u>(474,472)</u>
Net assets, end of year	<u>\$ 4,278,200</u>	<u>\$ 7,525,760</u>	<u>\$ 11,803,960</u>

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

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Net assets, beginning of year	<u>\$ 3,582,632</u>	<u>\$ 6,779,160</u>	<u>\$ 10,361,792</u>
Investment return:			
Investment income, net	42,626	88,368	130,994
Net appreciation	<u>225,131</u>	<u>466,732</u>	<u>691,863</u>
Total investment return	<u>267,757</u>	<u>555,100</u>	<u>822,857</u>
New gifts/board designations	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Appropriation of endowment assets for operations (draw)	<u>(151,042)</u>	<u>(237,888)</u>	<u>(388,930)</u>
Net assets, end of year	<u>\$ 3,704,347</u>	<u>\$ 7,096,372</u>	<u>\$ 10,800,719</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 8. ENDOWMENT (CONTINUED)

At July 31, 2019, the balance in the endowment included \$785,232 of cash and cash equivalents and \$11,018,728 of investments from the accompanying consolidated statement of financial position. 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.

NOTE 9. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$200,920 and \$268,653, at July 31, 2019 and 2018, respectively. The liability related to charitable gift annuities was \$70,359 and \$84,376, at July 31, 2019 and 2018, 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 \$308,822 and \$294,225 at July 31, 2019 and 2018, respectively. The beneficial interest in a perpetual trust was \$167,343 and 170,146, at July 31, 2019 and 2018, 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 10. LONG-TERM DEBT

Long-term debt consisted of the following as of July 31:

	<u>2019</u>	<u>2018</u>
Obligation with MassDevelopment, Capital Asset Program Issue, Series 0-1, variable interest rate of 0.92%, with balance due in full on June 25, 2022.	\$ -	\$ 898,778
Obligation with MassDevelopment, Conservation Law Foundation Issue, Series 2018, fixed interest rate of 3.75%, with balance due in full on October 1, 2028.	4,500,000	-
Less bond issue costs, net	<u>198,321</u>	<u>10,559</u>
Long-term debt, net	<u>\$ 4,301,679</u>	<u>\$ 888,219</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 10. LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt for the next five years at July 31, 2019, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2020	\$ 82,023
2021	113,207
2022	117,587
2023	122,137
2024	126,441
Thereafter	<u>3,938,605</u>
Total	<u>\$ 4,500,000</u>

Interest expense and fees associated with the debt were \$111,510 and \$42,834, for the years ended July 31, 2019 and 2018, respectively.

In connection with the MassDevelopment, Capital Asset Program Issue obligation, the Foundation entered into a letter of credit agreement with a financial institution totaling \$912,793. 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. As the obligation was refinanced in October 2018, the letter of credit expired on that date. The letter of credit was not renewed.

NOTE 11. 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, 2019 and 2018 and accumulated depreciation of \$51,362 and \$50,303 at July 31, 2019 and 2018, respectively. Amortization of assets held under capital leases is included with depreciation expense. The leases were paid off in full as of July 31, 2019.

NOTE 12. BOARD-DESIGNATED NET ASSETS

The board of trustees has designated net assets without donor restrictions for both long-term purposes and short-term reserve purposes. The long-term purposes include board-designated endowment funds. For financial reporting purposes, net assets associated with endowment funds, include net assets without donor restrictions designated by the board of trustees to function similarly to endowments. The board also has designated a portion of net assets without donor restrictions as board-designated reserve funds to support multiple purposes that are generally shorter term in nature than endowment including operations of the Organization, capital expenditures, special projects, one-time expenses and other initiatives that support the mission of the Organization.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 12. BOARD-DESIGNATED NET ASSETS (CONTINUED)

Board-designated net assets consisted of the following at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board-designated endowment	\$ 4,278,200	\$ 3,704,347
Operational reserves	<u>350,000</u>	<u>-</u>
Total board-designated	<u>\$ 4,628,200</u>	<u>\$ 3,704,347</u>

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Grant revenue	\$ 7,936,401	\$ 11,031,974
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	461,429	811,429
Leadership Campaign	200,203	389,300
NH initiatives	200,000	-
Michael Moskow Fund: To support the cost of volunteer attorney program	110,268	241,018
Cape Water Quality Fund	-	107,465
RI Founding Donors Fund: To support operations in RI office	<u>1,844</u>	<u>1,844</u>
	<u>8,910,145</u>	<u>12,583,030</u>
Subject to the passage of time:		
Fosters Charitable Trust: For general support	545,843	500,899
Other time restricted contributions	<u>92,695</u>	<u>141,780</u>
	<u>638,538</u>	<u>642,679</u>
Endowments		
Subject to the Organizations endowment spending policy and appropriation	2,375,213	1,945,825
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	5,150,547	5,150,547
Beneficial Interest in Trust	<u>167,343</u>	<u>170,146</u>
	<u>7,693,103</u>	<u>7,266,518</u>
	<u>\$ 17,241,786</u>	<u>\$ 20,492,227</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 14. 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. Effective January 1, 2019 the Foundation increased the employer match on a dollar for dollar basis to up to 3.5% of employees' annual compensation and changed the vesting period for participants from five to three years. 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 \$68,102 and \$127,627, for the years ended July 31, 2019 and 2018, respectively. The Foundation also used \$92,888 in forfeitures to fund employer contributions for the year ended July 31, 2019.

NOTE 15. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended July 31, 2019 are as follows:

	2019			2018	
	Program	General and Administrative	Development and Member Engagement	Total	Total
Salaries and wages	\$ 5,398,577	\$ 512,429	\$ 920,446	\$ 6,831,452	\$ 6,047,859
Payroll taxes and fringe benefits	927,083	148,233	158,556	1,233,872	1,190,605
Professional and consultant fees	2,983,334	1,033,767	64,102	4,081,203	2,956,032
Travel and meetings	165,474	76,053	175,067	416,594	320,871
Research, memberships and subscriptions	28,112	23,307	3,257	54,676	51,630
Printing, advertising and mailing	135,915	17,982	65,256	219,153	171,038
Occupancy	630,294	213,172	109,869	953,335	706,119
Supplies and miscellaneous	84,331	34,203	11,450	129,984	81,367
Depreciation and amortization	222,898	74,752	34,534	332,184	258,902
Interest, fees and taxes	<u>127,361</u>	<u>90,513</u>	<u>20,549</u>	<u>238,423</u>	<u>224,725</u>
	<u>\$10,703,379</u>	<u>\$ 2,224,411</u>	<u>\$ 1,563,086</u>	<u>\$14,490,876</u>	<u>\$12,009,148</u>

NOTE 16. 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 \$114,452 in 2019 and \$110,508 in 2018. Minimum future lease obligations are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2020	\$ 96,577
2021	61,701
2022	54,974
2023	<u>2,896</u>
	<u>\$ 216,148</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

NOTE 17. LEASING ACTIVITIES

The Foundation leases space to one other company which was in effect at July 31, 2019. The aggregate future minimum lease receipts under the lease agreement is as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2020	\$ 138,000
2021	138,000
2022	138,000
2023	138,000
2024	<u>57,500</u>
	<u>\$ 609,500</u>

SUPPLEMENTARY INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2019

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2019 Consolidated
	Net assets without Donor Restrictions	With Donor Restrictions	Total	Net assets without Donor Restrictions	With Donor Restrictions	Total	Total	
Contributed support:								
Grants	\$ 55,000	\$ 4,962,383	\$ 5,017,383	\$ -	\$ -	\$ -	\$ -	\$ 5,017,383
Contributions	3,076,752	774,385	3,851,137	-	-	-	-	3,851,137
In-kind contributions	<u>117,247</u>	<u>-</u>	<u>117,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,247</u>
Total contributed support	<u>3,248,999</u>	<u>5,736,768</u>	<u>8,985,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,985,767</u>
Earned and other revenue:								
Fees for services	1,334,714	-	1,334,714	357,831	-	357,831	43,622	1,736,167
Rent and other earned revenue	265,422	-	265,422	-	-	-	-	265,422
Dividend and interest income	76,970	90,791	167,761	-	-	-	-	167,761
Realized/unrealized gains on investments	246,856	740,949	987,805	-	-	-	-	987,805
Changes in the value of split-interest agreements	12,272	4,221	16,493	-	-	-	-	16,493
Loss on disposal	<u>(238,933)</u>	<u>-</u>	<u>(238,933)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(238,933)</u>
Total earned and other revenue	<u>1,697,301</u>	<u>835,961</u>	<u>2,533,262</u>	<u>357,831</u>	<u>-</u>	<u>357,831</u>	<u>43,622</u>	<u>2,934,715</u>
Net assets released from restrictions:								
Satisfaction of purpose restrictions (grants)	8,057,957	(8,057,957)	-	-	-	-	-	-
Satisfaction of purpose restrictions (contributions)	1,407,805	(1,407,805)	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	<u>357,408</u>	<u>(357,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>9,823,170</u>	<u>(9,823,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned revenue and contributed support	<u>14,769,470</u>	<u>(3,250,441)</u>	<u>11,519,029</u>	<u>357,831</u>	<u>-</u>	<u>357,831</u>	<u>43,622</u>	<u>11,920,482</u>
Expenses:								
Program	10,365,040	-	10,365,040	305,375	-	305,375	32,964	10,703,379
General and administrative	2,129,971	-	2,129,971	94,440	-	94,440	-	2,224,411
Development and member engagement	<u>1,562,708</u>	<u>-</u>	<u>1,562,708</u>	<u>378</u>	<u>-</u>	<u>378</u>	<u>-</u>	<u>1,563,086</u>
Total functional expenses	<u>14,057,719</u>	<u>-</u>	<u>14,057,719</u>	<u>400,193</u>	<u>-</u>	<u>400,193</u>	<u>32,964</u>	<u>14,490,876</u>
Changes in net assets	711,751	(3,250,441)	(2,538,690)	(42,362)	-	(42,362)	10,658	(2,570,394)
Net assets - beginning	<u>6,245,563</u>	<u>20,492,227</u>	<u>26,737,790</u>	<u>(1,149,205)</u>	<u>-</u>	<u>(1,149,205)</u>	<u>98,466</u>	<u>25,687,051</u>
NET ASSETS - ENDING	<u>\$ 6,957,314</u>	<u>\$ 17,241,786</u>	<u>\$ 24,199,100</u>	<u>\$ (1,191,567)</u>	<u>\$ -</u>	<u>\$ (1,191,567)</u>	<u>\$ 109,124</u>	<u>\$ 23,116,657</u>

See independent auditor's report.