

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2020 AND 2019

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
YEARS ENDED JULY 31, 2020 AND 2019

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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 (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2020 and 2019, 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, 2020 and 2019, 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
December 22, 2020

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 5,371,247	\$ 6,114,457
Accounts receivable, net	327,862	318,141
Contributions and grants receivable, net	3,674,191	2,681,638
Prepaid expenses and other assets	154,847	139,212
Investments, at fair value	11,749,083	11,036,369
Investments related to charitable gift annuities	195,445	200,920
Property and equipment, net	7,276,768	7,576,064
Beneficial interests in charitable trusts	502,085	476,165
Security deposits	<u>26,527</u>	<u>27,297</u>
TOTAL ASSETS	<u>\$ 29,278,055</u>	<u>\$ 28,570,263</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Liabilities:		
Accounts payable	\$ 791,803	\$ 555,940
Accrued expenses	773,047	502,612
Note payable	1,492,378	-
Bond payable	4,239,157	4,301,679
Charitable gift annuity liability	66,975	70,359
Security deposits	<u>20,833</u>	<u>23,016</u>
Total liabilities	<u>7,384,193</u>	<u>5,453,606</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,182,076	1,246,671
Board-designated	<u>4,944,843</u>	<u>4,628,200</u>
Total net assets without donor restrictions	<u>6,126,919</u>	<u>5,874,871</u>
With donor restrictions:		
Subject to expenditure for specified purpose	6,858,358	8,910,145
Subject to the passage of time	725,070	638,538
Endowments	<u>8,183,515</u>	<u>7,693,103</u>
Total net assets with donor restrictions	<u>15,766,943</u>	<u>17,241,786</u>
Total net assets	<u>21,893,862</u>	<u>23,116,657</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,278,055</u>	<u>\$ 28,570,263</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JULY 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:						
Grants	\$ 174,000	\$ 7,228,665	\$ 7,402,665	\$ 55,000	\$ 4,962,383	\$ 5,017,383
Contributions	2,808,227	1,837,962	4,646,189	3,076,752	774,385	3,851,137
In-kind contributions	-	-	-	117,247	-	117,247
Total contributed support	<u>2,982,227</u>	<u>9,066,627</u>	<u>12,048,854</u>	<u>3,248,999</u>	<u>5,736,768</u>	<u>8,985,767</u>
Earned and other revenue:						
Fees for services	966,229	-	966,229	1,736,167	-	1,736,167
Rent and other earned revenue	138,596	-	138,596	265,422	-	265,422
Dividend and interest income	59,462	85,063	144,525	76,970	90,791	167,761
Realized/unrealized gains on investments	229,220	886,392	1,115,612	246,856	740,949	987,805
Changes in the value of split-interest agreements	7,897	7,716	15,613	12,272	4,221	16,493
Gain (loss) on disposal of property and equipment	9,404	-	9,404	(238,933)	-	(238,933)
Total earned and other revenue	<u>1,410,808</u>	<u>979,171</u>	<u>2,389,979</u>	<u>2,098,754</u>	<u>835,961</u>	<u>2,934,715</u>
Net assets released from donor restrictions:						
Satisfaction of purpose restrictions (grants)	9,582,267	(9,582,267)	-	8,057,957	(8,057,957)	-
Satisfaction of purpose restrictions (contributions)	1,536,145	(1,536,145)	-	1,407,805	(1,407,805)	-
Satisfaction of purpose restrictions (investment income)	402,229	(402,229)	-	357,408	(357,408)	-
Total net assets released from donor restrictions	<u>11,520,641</u>	<u>(11,520,641)</u>	<u>-</u>	<u>9,823,170</u>	<u>(9,823,170)</u>	<u>-</u>
Total earned revenue and contributed support	<u>15,913,676</u>	<u>(1,474,843)</u>	<u>14,438,833</u>	<u>15,170,923</u>	<u>(3,250,441)</u>	<u>11,920,482</u>
Expenses:						
Program	12,514,125	-	12,514,125	10,703,379	-	10,703,379
General and administrative	1,822,749	-	1,822,749	2,224,411	-	2,224,411
Development and member engagement	1,324,754	-	1,324,754	1,563,086	-	1,563,086
Total expenses	<u>15,661,628</u>	<u>-</u>	<u>15,661,628</u>	<u>14,490,876</u>	<u>-</u>	<u>14,490,876</u>
Changes in net assets	252,048	(1,474,843)	(1,222,795)	680,047	(3,250,441)	(2,570,394)
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 6,126,919</u>	<u>\$ 15,766,943</u>	<u>\$ 21,893,862</u>	<u>\$ 5,874,871</u>	<u>\$ 17,241,786</u>	<u>\$ 23,116,657</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating activities:		
Changes in net assets	\$ (1,222,795)	\$ (2,570,394)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	444,634	332,184
Change in value of split-interest agreements	(15,613)	(16,493)
Realized and unrealized gains on investments	(1,115,612)	(987,805)
Bad debt (recovery) expense	37,939	(11,882)
Non-cash interest	19,507	26,815
Loss on disposal of assets	(9,404)	238,933
In-kind financing fees associated with bond issuance	-	(113,830)
Changes in assets and liabilities:		
Accounts receivable	(47,660)	150,077
Contributions and grants receivable	(992,553)	2,445,046
Prepaid expenses	(15,635)	(22,742)
Security deposits	770	42,554
Investments related to charitable gift annuities	5,475	67,733
Beneficial interest in charitable trusts and gift annuities	(10,307)	4,699
Accounts payable	235,863	(110,811)
Accrued expenses	270,435	164,940
Deferred revenue	-	(500)
Charitable gift annuity obligation	10,308	(325)
Security deposits	<u>(2,183)</u>	<u>-</u>
Net cash used in operating activities	<u>(2,406,831)</u>	<u>(361,801)</u>
Investing activities:		
Proceeds from sales of investments	1,236,824	1,233,385
Purchases of investments	(833,926)	(875,273)
Purchases of property and equipment	<u>(135,934)</u>	<u>(4,656,746)</u>
Net cash provided by (used in) investing activities	<u>266,964</u>	<u>(4,298,634)</u>
Financing activities:		
Net proceeds from bond issuance	-	3,577,620
Proceeds from issuance of note payable	1,492,378	-
Payments of bond payable	(82,029)	(8,348)
Financing fees associated with bond issuance	-	(68,797)
Payments on capital lease obligations	-	(5,740)
Payments on charitable gift annuity liabilities	<u>(13,692)</u>	<u>(13,692)</u>
Net cash provided by financing activities	<u>1,396,657</u>	<u>3,481,043</u>
Net decrease in cash and cash equivalents	(743,210)	(1,179,392)
Cash and cash equivalents - beginning	<u>6,114,457</u>	<u>7,293,849</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,371,247</u>	<u>\$ 6,114,457</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>170,535</u>	\$ <u>84,695</u>
Supplemental disclosures of non-cash financing activities:		
In-kind financing fees associated with bond issuance	\$ <u>-</u>	\$ <u>113,830</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>-</u>	<u>(31,950)</u>
Net proceeds from bond issuance	\$ <u>-</u>	\$ <u>3,577,620</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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, 2020 AND 2019

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 Organization did not have an allowance for doubtful accounts at July 31, 2020. The allowance for doubtful accounts was \$5,600 at July 31, 2019.

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 \$26,854 and \$4,129 at July 31, 2020 and 2019, respectively. An allowance is made for uncollectible pledges based on management's judgment, past collection experience and other relevant factors. The Organization did not have an allowance for doubtful pledges at July 31, 2020. The allowance for doubtful pledges was \$9,686 at July 31, 2019.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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, 2020 and 2019, 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, 2020 AND 2019

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, 2020 and 2019.

- 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, 2020 AND 2019

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, 2020 AND 2019

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 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 \$503,621 and \$474,472, for the years ended July 31, 2020 and 2019, respectively.

In addition, withdrawals from board-designated endowments may occur subject to the approval of the board of trustees. There was \$160,000 of additional board-designated withdrawals approved in fiscal year 2020. There were no additional board-designated withdrawals in fiscal year 2019.

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, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issuance 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 bond payable 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 \$1,101,000 and \$596,000 of donated legal and other professional services during the years ended July 31, 2020 and 2019, 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. These costs were capitalized as bond issuance costs and are presented net of the related bond on the consolidated statements of financial position (Note 10).

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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 such as salaries and related expenses, are allocated on the basis of time and effort. Expenses such as depreciation, rent, and travel are allocated based on square footage and mileage.

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.

U.S. GAAP requires 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

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 adopted ASU 2018-08 effective August 1, 2019 using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Organization has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Organization's consolidated financial statements and related disclosures.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (continued)

Financial instruments - In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which changes the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2018-03"). In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"), to clarify certain aspects of 2016-01. The Organization has determined that the application of the amendments of ASU 2016-01 did not have a material impact on the Organization's consolidated financial statements and related disclosures.

Recently Issued But Not Yet Effective Accounting Pronouncements

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 enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842* and ASU No. 2018-11, *Leases: Targeted Improvements* which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition.

The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Organization to use its effective date as the date of initial application without restating the comparative period consolidated financial statements and recognizing any cumulative effect adjustment to the opening balance sheet. In June 2020, the FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. 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, 2020, through the date which the consolidated financial statements were available to be issued, December 22, 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, 2020 AND 2019

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's available financial assets as of July 31, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 5,371,247
Accounts receivable, net (due within one year)	168,862
Contributions and grants receivable, net	3,674,191
Investments, at fair value	11,749,083
Beneficial interests in charitable trusts	<u>502,085</u>
Total financial assets	<u>21,465,468</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(15,766,943)
Board-designated net assets	<u>(4,944,843)</u>
	<u>(20,711,786)</u>

Add amounts available to be used within one year:

Endowment appropriation for 2021	365,000
Net assets with time or purpose restrictions to be met in less than a year (estimate based on 2020)	<u>7,000,000</u>
	<u>7,365,000</u>

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

\$ 8,118,682

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 policy of 5% of the average fair value of the endowment over the preceding 36 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>2020</u>	<u>2019</u>
Gross contributions and grants receivable	\$ 3,701,045	\$ 2,695,453
Less allowance for uncollectible contributions	-	9,686
Less unamortized discount (2% - 5.5%)	<u>26,854</u>	<u>4,129</u>
Net contributions receivable	<u>\$ 3,674,191</u>	<u>\$ 2,681,638</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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>2020</u>	<u>2019</u>
Less than one year	\$ 3,321,045	\$ 2,145,245
One to five years	140,000	310,208
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions receivable	<u>\$ 3,701,045</u>	<u>\$ 2,695,453</u>

NOTE 5. PROPERTY & EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 397,501	\$ 397,501
Building	4,550,297	4,550,297
Building improvements	5,227,957	5,122,813
Furniture and equipment	679,359	1,045,129
Construction in progress	<u>12,467</u>	<u>526</u>
	10,867,581	11,116,266
Less accumulated depreciation and amortization	<u>3,590,813</u>	<u>3,540,202</u>
Property and equipment, net	<u>\$ 7,276,768</u>	<u>\$ 7,576,064</u>

Depreciation and amortization expense for the years ended July 31, 2020 and 2019 totaled \$444,634 and \$332,184, respectively.

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, 2020 and 2019 totaled \$63,201 and \$60,914, 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>2020</u>	<u>2019</u>
Money market funds	\$ 1,456,356	\$ 1,111,699
Corporate bonds	2,031,239	2,033,420
Corporate stocks	8,261,488	7,573,520
Exchange traded funds	116,104	113,910
Mutual funds	<u>79,341</u>	<u>404,740</u>
Total investments	<u>\$ 11,944,528</u>	<u>\$ 11,237,289</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, 2020 AND 2019

NOTE 6. INVESTMENTS (CONTINUED)

Realized and unrealized gains on investments consists of the following for the years ended July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Realized gain	\$ 581,363	\$ 652,521
Unrealized gain	<u>534,249</u>	<u>335,284</u>
	<u>\$ 1,115,612</u>	<u>\$ 987,805</u>

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, 2020:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 1,456,356	\$ -	\$ -	\$ 1,456,356
Corporate bonds	-	2,031,239	-	2,031,239
Corporate stocks	8,261,488	-	-	8,261,488
Exchange traded funds	116,104	-	-	116,104
Mutual funds	<u>79,341</u>	<u>-</u>	<u>-</u>	<u>79,341</u>
	<u>\$ 9,913,289</u>	<u>\$ 2,031,239</u>	<u>\$ -</u>	<u>\$ 11,944,528</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, 2019:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
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>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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, 2020:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 8,011,831	\$ 8,011,831
Board-designated funds	<u>4,344,843</u>	<u>-</u>	<u>4,344,843</u>
	<u>\$ 4,344,843</u>	<u>\$ 8,011,831</u>	<u>\$ 12,356,674</u>

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>

Changes in Endowment Net Assets for the Year Ended July 31, 2020:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Net assets, beginning of year	<u>\$ 4,278,200</u>	<u>\$ 7,525,760</u>	<u>\$ 11,803,960</u>
Investment return:			
Investment income, net	33,868	72,636	106,504
Net appreciation	<u>352,926</u>	<u>756,905</u>	<u>1,109,831</u>
Total investment return	<u>386,794</u>	<u>829,541</u>	<u>1,216,335</u>
New gifts/board designations	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for operations (draw)	<u>(320,151)</u>	<u>(343,470)</u>	<u>(663,621)</u>
Net assets, end of year	<u>\$ 4,344,843</u>	<u>\$ 8,011,831</u>	<u>\$ 12,356,674</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 8. ENDOWMENT (CONTINUED)

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

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

At July 31, 2020, the balance in the endowment included \$625,232 of cash and cash equivalents and \$11,731,442 of investments from the accompanying consolidated statement of financial position. 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.

NOTE 9. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$195,445 and \$200,920, at July 31, 2020 and 2019, respectively. The liability related to charitable gift annuities was \$66,975 and \$70,359, at July 31, 2020 and 2019, 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 \$330,401 and \$308,822 at July 31, 2020 and 2019, respectively. The beneficial interest in a perpetual trust was \$171,684 and 167,343, at July 31, 2020 and 2019, 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 10. BOND PAYABLE

Bond payable consisted of the following as of July 31:

	<u>2020</u>	<u>2019</u>
Obligation with MassDevelopment, Conservation Law Foundation Issue, Series 2018, fixed interest rate of 3.75%, with balance due in full on October 1, 2028.	4,417,971	4,500,000
Less bond issuance costs, net	<u>178,814</u>	<u>198,321</u>
Bond payable, net	<u>\$ 4,239,157</u>	<u>\$ 4,301,679</u>

Maturities of bond payable for the next five years at July 31, 2020, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2021	\$ 113,207
2022	117,587
2023	122,137
2024	126,441
2025	131,755
Thereafter	<u>3,806,844</u>
Total	<u>\$ 4,417,971</u>

Interest expense and fees associated with the debt were \$190,042 and \$111,510, for the years ended July 31, 2020 and 2019, respectively.

NOTE 11. NOTE PAYABLE

In April 2020, the Organization received loan proceeds of \$1,492,378 under the Paycheck Protection Program (“PPP”). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan to be eligible for forgiveness.

The PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the “PPP Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in 18 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 11. NOTE PAYABLE (CONTINUED)

The Organization currently is using the proceeds for purposes consistent with the PPP, however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that the Organization will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

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.

Board-designated net assets consisted of the following at July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board-designated endowment	\$ 4,344,843	\$ 4,278,200
Operational reserves	<u>600,000</u>	<u>350,000</u>
Total board-designated	<u>\$ 4,944,843</u>	<u>\$ 4,628,200</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Grant revenue	\$ 5,582,798	\$ 7,936,401
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	211,429	461,429
Leadership Campaign	2,743	200,203
NH initiatives	150,000	200,000
Hall Moskow Fund: To support the cost of volunteer attorney program	137,794	110,268
Cape Water Quality Fund	100,000	-
Zero Waste	250,000	-
Clean Energy and Climate Change	400,000	-
Communications	10,000	-
Savitz Fellowship	11,750	-
RI Founding Donors Fund: To support operations in RI office	<u>1,844</u>	<u>1,844</u>
	<u>6,858,358</u>	<u>8,910,145</u>
Subject to the passage of time:		
Fosters Charitable Trust: For general support	628,998	545,843
Other time restricted contributions	<u>96,072</u>	<u>92,695</u>
	<u>725,070</u>	<u>638,538</u>
Endowments		
Subject to the Organizations endowment spending policy and appropriation	2,861,284	2,375,213
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	5,150,547	5,150,547
Beneficial interest in trust	<u>171,684</u>	<u>167,343</u>
	<u>8,183,515</u>	<u>7,693,103</u>
	<u>\$ 15,766,943</u>	<u>\$ 17,241,786</u>

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 3.5% 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 \$198,858 and \$68,102, for the years ended July 31, 2020 and 2019, respectively. The Foundation also used \$92,888 in forfeitures to fund employer contributions for the year ended July 31, 2019.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

NOTE 15. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended July 31, 2020 are as follows:

	2020			
	Program	General and Administrative	Development and Member Engagement	Total
Salaries and wages	\$ 6,165,332	\$ 434,118	\$ 895,534	\$ 7,494,984
Payroll taxes and fringe benefits	1,094,031	96,565	152,051	1,342,647
Professional and consultant fees	3,565,148	1,008,462	47,784	4,621,394
Travel and meetings	166,152	77,510	20,596	264,258
Research, memberships and subscriptions	44,393	5,693	355	50,441
Printing, advertising and mailing	189,544	1,445	61,512	252,501
Occupancy	644,242	84,638	76,590	805,470
Supplies and miscellaneous	83,106	19,432	7,458	109,996
Depreciation and amortization	355,707	53,356	35,571	444,634
Interest, fees and taxes	206,470	41,530	27,303	275,303
	<u>\$ 12,514,125</u>	<u>\$ 1,822,749</u>	<u>\$ 1,324,754</u>	<u>\$ 15,661,628</u>

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

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

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2020 AND 2019

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 \$122,686 in 2020 and \$114,452 in 2019. Minimum future lease obligations are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2021	\$ 93,603
2022	86,639
2023	<u>16,239</u>
	<u>\$ 196,481</u>

NOTE 17. LEASING ACTIVITIES

The Foundation leases space to one other company which was in effect at July 31, 2020. The aggregate future minimum lease receipts under the lease agreement is as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2021	\$ 131,100
2022	131,100
2023	131,100
2024	<u>43,700</u>
	<u>\$ 437,000</u>

NOTE 18. CONTINGENCIES

During the 2020 fiscal year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". Due to the uncertainty of the situation, long-term operational disruption and related financial impacts, if any, cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JULY 31, 2020

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2020 Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Contributed support:								
Grants	\$ 174,000	\$ 7,228,665	\$ 7,402,665	\$ -	\$ -	\$ -	\$ -	\$ 7,402,665
Contributions	<u>2,808,227</u>	<u>1,837,962</u>	<u>4,646,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,646,189</u>
Total contributed support	<u>2,982,227</u>	<u>9,066,627</u>	<u>12,048,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,048,854</u>
Earned and other revenue:								
Fees for services	836,643	-	836,643	82,954	-	82,954	46,632	966,229
Rent and other earned revenue	138,596	-	138,596	-	-	-	-	138,596
Dividend and interest income	59,462	85,063	144,525	-	-	-	-	144,525
Realized/unrealized gains on investments	229,220	886,392	1,115,612	-	-	-	-	1,115,612
Changes in the value of split-interest agreements	7,897	7,716	15,613	-	-	-	-	15,613
Gain on disposal of property and equipment	<u>9,404</u>	<u>-</u>	<u>9,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,404</u>
Total earned and other revenue	<u>1,281,222</u>	<u>979,171</u>	<u>2,260,393</u>	<u>82,954</u>	<u>-</u>	<u>82,954</u>	<u>46,632</u>	<u>2,389,979</u>
Net assets released from donor restrictions:								
Satisfaction of purpose restrictions (grants)	9,582,267	(9,582,267)	-	-	-	-	-	-
Satisfaction of purpose restrictions (contributions)	1,536,145	(1,536,145)	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	<u>402,229</u>	<u>(402,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from donor restrictions	<u>11,520,641</u>	<u>(11,520,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned revenue and contributed support	<u>15,784,090</u>	<u>(1,474,843)</u>	<u>14,309,247</u>	<u>82,954</u>	<u>-</u>	<u>82,954</u>	<u>46,632</u>	<u>14,438,833</u>
Expenses:								
Program	12,350,738	-	12,350,738	128,411	-	128,411	34,976	12,514,125
General and administrative	1,807,214	-	1,807,214	15,535	-	15,535	-	1,822,749
Development and member engagement	<u>1,324,754</u>	<u>-</u>	<u>1,324,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,324,754</u>
Total expenses	<u>15,482,706</u>	<u>-</u>	<u>15,482,706</u>	<u>143,946</u>	<u>-</u>	<u>143,946</u>	<u>34,976</u>	<u>15,661,628</u>
Changes in net assets	301,384	(1,474,843)	(1,173,459)	(60,992)	-	(60,992)	11,656	(1,222,795)
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 7,258,698</u>	<u>\$ 15,766,943</u>	<u>\$ 23,025,641</u>	<u>\$ (1,252,559)</u>	<u>\$ -</u>	<u>\$ (1,252,559)</u>	<u>\$ 120,780</u>	<u>\$ 21,893,862</u>

See independent auditor's report.