

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2021 AND 2020

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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
January 31, 2022

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 9,613,866	\$ 5,371,247
Accounts receivable, net	157,367	327,862
Contributions and grants receivable, net	7,035,784	3,674,191
Prepaid expenses and other assets	198,212	154,847
Investments, at fair value	14,637,351	11,749,083
Investments related to charitable gift annuities	228,855	195,445
Property and equipment, net	7,076,619	7,276,768
Beneficial interests in charitable trusts	491,725	502,085
Security deposits	<u>16,582</u>	<u>26,527</u>
TOTAL ASSETS	<u>\$ 39,456,361</u>	<u>\$ 29,278,055</u>

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Liabilities:		
Accounts payable	\$ 710,564	\$ 791,803
Accrued expenses	797,240	773,047
Note payable	1,538,847	1,492,378
Bond payable	4,145,448	4,239,157
Charitable gift annuity liability	55,424	66,975
Security deposits	<u>20,833</u>	<u>20,833</u>
Total liabilities	<u>7,268,356</u>	<u>7,384,193</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,498,164	1,182,076
Board-designated	<u>6,182,243</u>	<u>4,944,843</u>
Total net assets without donor restrictions	<u>7,680,407</u>	<u>6,126,919</u>
With donor restrictions:		
Subject to expenditure for specified purpose	13,999,392	6,858,358
Subject to the passage of time	769,079	725,070
Endowment	<u>9,739,127</u>	<u>8,183,515</u>
Total net assets with donor restrictions	<u>24,507,598</u>	<u>15,766,943</u>
Total net assets	<u>32,188,005</u>	<u>21,893,862</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,456,361</u>	<u>\$ 29,278,055</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

	<u>2021</u>			<u>2020</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:						
Grants	\$ 429,360	\$ 15,199,295	\$ 15,628,655	\$ 174,000	\$ 7,228,665	\$ 7,402,665
Contributions	<u>2,669,656</u>	<u>2,195,245</u>	<u>4,864,901</u>	<u>2,808,227</u>	<u>1,837,962</u>	<u>4,646,189</u>
Total contributed support	<u>3,099,016</u>	<u>17,394,540</u>	<u>20,493,556</u>	<u>2,982,227</u>	<u>9,066,627</u>	<u>12,048,854</u>
Earned and other revenue:						
Fees for services	1,096,837	-	1,096,837	966,229	-	966,229
Rent and other earned revenue	121,184	-	121,184	138,596	-	138,596
Dividend and interest income	39,806	61,881	101,687	59,462	85,063	144,525
Realized/unrealized gains on investments	1,212,451	2,156,825	3,369,276	229,220	886,392	1,115,612
Change in the value of split-interest agreements	47,454	38,750	86,204	7,897	7,716	15,613
Forgiveness of Paycheck Protection Program loan	1,492,378	-	1,492,378	-	-	-
Gain on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,404</u>	<u>-</u>	<u>9,404</u>
Total earned and other revenue	<u>4,010,110</u>	<u>2,257,456</u>	<u>6,267,566</u>	<u>1,410,808</u>	<u>979,171</u>	<u>2,389,979</u>
Net assets released from donor restrictions:						
Satisfaction of purpose restrictions (grants)	8,341,556	(8,341,556)	-	9,582,267	(9,582,267)	-
Satisfaction of purpose restrictions (contributions)	2,008,830	(2,008,830)	-	1,536,145	(1,536,145)	-
Satisfaction of purpose restrictions (investment income)	<u>560,955</u>	<u>(560,955)</u>	<u>-</u>	<u>402,229</u>	<u>(402,229)</u>	<u>-</u>
Total net assets released from donor restrictions	<u>10,911,341</u>	<u>(10,911,341)</u>	<u>-</u>	<u>11,520,641</u>	<u>(11,520,641)</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>18,020,467</u>	<u>8,740,655</u>	<u>26,761,122</u>	<u>15,913,676</u>	<u>(1,474,843)</u>	<u>14,438,833</u>
Expenses:						
Program	13,121,924	-	13,121,924	12,514,125	-	12,514,125
General and administrative	1,868,879	-	1,868,879	1,822,749	-	1,822,749
Development and member engagement	<u>1,476,176</u>	<u>-</u>	<u>1,476,176</u>	<u>1,324,754</u>	<u>-</u>	<u>1,324,754</u>
Total expenses	<u>16,466,979</u>	<u>-</u>	<u>16,466,979</u>	<u>15,661,628</u>	<u>-</u>	<u>15,661,628</u>
Changes in net assets	1,553,488	8,740,655	10,294,143	252,048	(1,474,843)	(1,222,795)
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 7,680,407</u>	<u>\$ 24,507,598</u>	<u>\$ 32,188,005</u>	<u>\$ 6,126,919</u>	<u>\$ 15,766,943</u>	<u>\$ 21,893,862</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Changes in net assets	\$ 10,294,143	\$ (1,222,795)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	449,233	444,634
Change in value of split-interest agreements	(86,204)	(15,613)
Realized and unrealized gains on investments	(3,369,276)	(1,115,612)
Bad debt expense	4,000	37,939
Non-cash interest	19,507	19,507
Forgiveness of Paycheck Protection Program	(1,492,378)	-
Loss on disposal of assets	-	(9,404)
Changes in operating assets and liabilities:		
Accounts receivable	166,495	(47,660)
Contributions and grants receivable	(3,361,593)	(992,553)
Prepaid expenses	(43,365)	(15,635)
Security deposits	9,945	770
Investments related to charitable gift annuities	(33,410)	5,475
Beneficial interest in charitable trusts and gift annuities	96,564	(10,307)
Accounts payable	(81,239)	235,863
Accrued expenses	24,193	270,435
Charitable gift annuity obligation	316	10,308
Security deposits	-	(2,183)
Net cash provided by (used in) operating activities	<u>2,596,931</u>	<u>(2,406,831)</u>
Investing activities:		
Proceeds from sales of investments	785,262	1,236,824
Purchases of investments	(304,254)	(833,926)
Purchases of property and equipment	<u>(249,084)</u>	<u>(135,934)</u>
Net cash provided by investing activities	<u>231,924</u>	<u>266,964</u>
Financing activities:		
Proceeds from issuance of note payable	1,538,847	1,492,378
Payments of bond payable	(113,216)	(82,029)
Payments on charitable gift annuity liabilities	<u>(11,867)</u>	<u>(13,692)</u>
Net cash provided by financing activities	<u>1,413,764</u>	<u>1,396,657</u>
Net increase (decrease) in cash and cash equivalents	4,242,619	(743,210)
Cash and cash equivalents - beginning	<u>5,371,247</u>	<u>6,114,457</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 9,613,866</u>	<u>\$ 5,371,247</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 166,036</u>	<u>\$ 170,535</u>

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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, whereby 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 \$4,000 and \$0 at July 31, 2021 and 2020, respectively. Accounts receivable, net of allowance was \$157,367, \$327,862 and \$318,141 as of July 31, 2021, 2020, and 2019, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable

Contributions receivable are valued based on non-recurring fair value measurements. Multi-year pledges received during the fiscal year are recorded at their estimated fair value discounted at an appropriate discount rate commensurate with the risk involved. The unamortized discount was \$164,441 and \$26,854 at July 31, 2021 and 2020, 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 for the years ended July 31, 2021 and 2020.

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 6).

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, 2021 and 2020, 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
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

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, 2021 and 2020.

- 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
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

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 U.S. GAAP, 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
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy - 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. Distributions in accordance with the spending policy totaled \$502,974 and \$503,621, for the years ended July 31, 2021 and 2020, respectively. In addition distributions in accordance with the spending policy and donor stipulations from a donor restricted investment totaled \$25,638 and \$58,759 for the years ended July 31, 2021 and 2020, 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 was no additional board-designated withdrawals in fiscal year 2021.

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 a charitable remainder unitrust. This charitable remainder unitrust provides for the payment of distributions to certain designated beneficiaries over the trust's terms. At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is 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
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issuance Costs

The Foundation has capitalized the costs associated with obtaining bond financing (Note 11). 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.

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 \$843,000 and \$1,101,000 of donated legal and other professional services during the years ended July 31, 2021 and 2020, 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.

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Issued But Not Yet Effective Accounting Pronouncements

Leases - In February 2016, the FASB issued Accounting Standards Update ("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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated all events subsequent to the consolidated statement of financial position date of July 31, 2021, through the date which the consolidated financial statements were available to be issued, January 31, 2022, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's available financial assets as of July 31, 2021:

Financial assets at year end:

Cash and cash equivalents	\$ 9,613,866
Accounts receivable, net (due within one year)	145,367
Contributions and grants receivable, net	7,035,784
Investments, at fair value	14,637,351
Beneficial interests in charitable trusts	<u>491,725</u>

Total financial assets	<u>31,924,093</u>
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Less amounts not available to be used within one year:

Net assets with donor restrictions	(24,507,598)
Board-designated net assets	<u>(6,182,243)</u>
	<u>(30,689,841)</u>

Add amounts available to be used within one year:

Endowment appropriation for 2022	576,000
Net assets with time or purpose restrictions to be met in less than a year (estimate based on 2021)	<u>8,000,000</u>
	<u>8,576,000</u>

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

\$ 9,810,252

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
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NOTE 4. FISCAL SPONSORSHIP

The Organization entered into fiscal sponsorship agreements with organizations or groups organized and operated exclusively for charitable, educational, and scientific purposes. The sponsored organizations conduct activities that align with the mission and purpose of the Organization. The terms of the agreements require the Organization to collect contributions on behalf of the sponsored organizations and report them as grants or contributions on the statements of activities. In consideration of its fiscal sponsorship, the Organization will receive sponsorship fees based on the percentage of the total grants and contributions collected on behalf of sponsored organizations. This fee is calculated and paid directly from the sponsored organizations' grants and contributions annually. The Organization recognized \$217,491 and \$94,048 in fiscal sponsorship revenue for the years ended July 31, 2021 and 2020, respectively, which is recorded with fees for services on the statement of activities.

NOTE 5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Gross contributions and grants receivable	\$ 7,200,225	\$ 3,701,045
Less unamortized discount (2% - 5.5%)	<u>164,441</u>	<u>26,854</u>
Net contributions receivable	<u>\$ 7,035,784</u>	<u>\$ 3,674,191</u>

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

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 4,493,043	\$ 3,321,045
One to five years	2,467,182	140,000
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions receivable	<u>\$ 7,200,225</u>	<u>\$ 3,701,045</u>

NOTE 6. PROPERTY & EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 397,501	\$ 397,501
Building	4,550,297	4,550,297
Building improvements	5,227,957	5,227,957
Furniture and equipment	905,905	679,359
Construction in progress	<u>35,004</u>	<u>12,467</u>
	11,116,664	10,867,581
Less accumulated depreciation and amortization	<u>4,040,045</u>	<u>3,590,813</u>
Property and equipment, net	<u>\$ 7,076,619</u>	<u>\$ 7,276,768</u>

Depreciation and amortization expense for the years ended July 31, 2021 and 2020 totaled \$449,232 and \$444,634, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. 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, 2021 and 2020 totaled \$51,906 and \$63,201, 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>2021</u>	<u>2020</u>
Money market funds	\$ 1,720,731	\$ 1,456,356
Corporate bonds	1,608,350	2,031,239
Corporate stocks	11,308,270	8,261,488
Exchange traded funds	149,244	116,104
Mutual funds	<u>79,611</u>	<u>79,341</u>
Total investments	<u>\$ 14,866,206</u>	<u>\$ 11,944,528</u>

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

Realized and unrealized gains on investments consists of the following for the years ended July 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Realized gain	\$ 295,614	\$ 581,363
Unrealized gain	<u>3,073,662</u>	<u>534,249</u>
	<u>\$ 3,369,276</u>	<u>\$ 1,115,612</u>

NOTE 8. 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, 2021:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	\$ 1,720,731	\$ -	\$ -	\$ 1,720,731
Corporate bonds	-	1,608,350	-	1,608,350
Corporate stocks	11,308,270	-	-	11,308,270
Exchange traded funds	149,244	-	-	149,244
Mutual funds	<u>79,611</u>	<u>-</u>	<u>-</u>	<u>79,611</u>
	<u>\$ 13,257,856</u>	<u>\$ 1,608,350</u>	<u>\$ -</u>	<u>\$ 14,866,206</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
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NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following fair value hierarchy table presents information about the Organization's financial assets and liabilities that were measured at fair value on a recurring basis as of July 31, 2020:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
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	79,341	-	-	79,341
	<u>\$ 9,913,289</u>	<u>\$ 2,031,239</u>	<u>\$ -</u>	<u>\$ 11,944,528</u>

NOTE 9. 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, 2021:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 9,528,693	\$ 9,528,693
Board-designated funds	5,358,337	-	5,358,337
	<u>\$ 5,358,337</u>	<u>\$ 9,528,693</u>	<u>\$ 14,887,030</u>

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	4,344,843	-	4,344,843
	<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
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NOTE 9. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended July 31, 2021:

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 4,344,843	\$ 8,011,831	\$ 12,356,674
Investment return:			
Investment income, net	33,452	57,257	90,709
Net appreciation	<u>1,165,531</u>	<u>1,994,922</u>	<u>3,160,453</u>
Total investment return	<u>1,198,983</u>	<u>2,052,179</u>	<u>3,251,162</u>
Releases from restrictions	-	(217,832)	(217,832)
Appropriation of endowment assets for operations (draw)	<u>(185,489)</u>	<u>(317,485)</u>	<u>(502,974)</u>
Net assets, end of year	<u>\$ 5,358,337</u>	<u>\$ 9,528,693</u>	<u>\$ 14,887,030</u>

Changes in Endowment Net Assets for the Year Ended July 30, 2020:

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

Endowment assets were comprised of the following at July 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 249,679	\$ 607,591
Investments	<u>14,637,351</u>	<u>11,749,083</u>
	<u>\$ 14,887,030</u>	<u>\$ 12,356,674</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$228,855 and \$195,445, at July 31, 2021 and 2020, respectively. The liability related to charitable gift annuities was \$55,424 and \$66,975, at July 31, 2021 and 2020, 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 unitrust was \$281,291 and \$330,401 at July 31, 2021 and 2020, respectively. The beneficial interest in a perpetual trust was \$210,434 and 171,684, at July 31, 2021 and 2020, 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 11. BOND PAYABLE

Bond payable consisted of the following as of July 31:

	<u>2021</u>	<u>2020</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.	\$ 4,304,755	\$ 4,417,971
Less bond issuance costs, net	<u>159,307</u>	<u>178,814</u>
Bond payable, net	<u>\$ 4,145,448</u>	<u>\$ 4,239,157</u>

Maturities of bond payable for the next five years at July 31, 2021, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2022	\$ 117,587
2023	122,137
2024	126,441
2025	131,755
2026	136,852
Thereafter	<u>3,669,983</u>
Total	<u>\$ 4,304,755</u>

Interest expense and fees associated with the debt were \$185,153 and \$190,042, for the years ended July 31, 2021 and 2020, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 12. NOTE PAYABLE

Paycheck Protection Program Loan

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.

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.

The Organization applied for PPP loan forgiveness and received approval from the Small Business Administration (“SBA”) in April 2021. The Organization recognized \$1,492,378 in forgiveness under the PPP loan program during the year ended July 31, 2021, which is included in Forgiveness of Paycheck Protection Program loan on the statements of activities and changes in net assets. As outlined by the SBA, the Organization must retain all records relating to the PPP loan, including those related to application, eligibility, and forgiveness to demonstrate the Organization’s material compliance with the PPP requirements, in its files for six years after the date the loan is forgiven and permit authorized representatives of the SBA, including representatives of the Office of Inspector General, to review such files upon request. It is management’s opinion that the Organization is in compliance with the PPP requirements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 12. NOTE PAYABLE (CONTINUED)

Paycheck Protection Program Second Draw Loan

On February 26, 2021, the Organization received loan proceeds of \$1,538,847 under the Paycheck Protection Program Second Draw Loans (“PPP SD”). The second round of PPP funding, which was established as part of the Consolidated Appropriations Act, provides 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 twenty-four 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. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

The PPP SD loan matures five years from the date of first disbursement of proceeds to the Organization (the “PPP SD Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for the covered period plus ten months and payable in fifty (50) equal consecutive monthly installments of principal and interest commencing on the eleventh month anniversary of the end of the covered period.

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

NOTE 13. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Board-designated endowment	\$ 5,358,337	\$ 4,344,843
Operational reserves	<u>823,906</u>	<u>600,000</u>
Total board-designated	<u>\$ 6,182,243</u>	<u>\$ 4,944,843</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Grant revenue	\$ 12,440,537	\$ 5,582,798
Environmental Justice program	357,982	250,000
Healthy & Resilient Communities program	277,381	-
Clean Energy Climate Change program	244,720	400,000
Campaign for CLF	211,429	211,429
Hall Moskow Fund: To support the cost of volunteer senior fellows program	118,993	137,794
NH initiatives	117,500	150,000
Communications activities	78,700	10,000
Savitz Fellowship	69,650	11,750
Cape Water Quality fund	50,000	100,000
VT initiatives	20,000	-
Oceans program	12,500	-
Leadership Campaign	-	2,743
RI Founding Donors fund	-	1,844
	<u>13,999,392</u>	<u>6,858,358</u>
Subject to the passage of time:		
Fosters Charitable Trust: For general support	769,079	628,998
Other time restricted contributions	-	96,072
	<u>769,079</u>	<u>725,070</u>
Endowments:		
Subject to the Organizations endowment spending policy and appropriation	4,378,146	2,861,284
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	5,150,547	5,150,547
Beneficial interest in trust	210,434	171,684
	<u>9,739,127</u>	<u>8,183,515</u>
	<u>\$ 24,507,598</u>	<u>\$ 15,766,943</u>

NOTE 15. 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 4.0% 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 \$273,269 and \$198,858, for the years ended July 31, 2021 and 2020, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 16. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended July 31, 2021 are as follows:

	2021			
	Program	General and Administrative	Development and Member Engagement	Total
Salaries and wages	\$ 6,698,475	\$ 809,941	\$ 957,890	\$ 8,466,306
Payroll taxes and fringe benefits	1,319,283	165,202	179,803	1,664,288
Professional and consultant fees	3,571,723	701,708	132,549	4,405,980
Travel and meetings	88,451	3,261	10,530	102,242
Research, memberships and subscriptions	55,072	1,758	-	56,830
Printing, advertising and mailing	117,563	17,815	56,473	191,851
Occupancy	606,895	70,863	71,311	749,069
Supplies and miscellaneous	50,647	15,656	6,693	72,996
Depreciation and amortization	359,385	53,908	35,939	449,232
Interest, fees and taxes	<u>254,430</u>	<u>28,767</u>	<u>24,988</u>	<u>308,185</u>
	<u>\$13,121,924</u>	<u>\$ 1,868,879</u>	<u>\$ 1,476,176</u>	<u>\$16,466,979</u>

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	<u>206,470</u>	<u>41,530</u>	<u>27,303</u>	<u>275,303</u>
	<u>\$12,514,125</u>	<u>\$ 1,822,749</u>	<u>\$ 1,324,754</u>	<u>\$15,661,628</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

NOTE 17. 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 \$124,600 in 2021 and \$122,686 in 2020. Minimum future lease obligations are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2022	\$ 130,247
2023	59,247
2024	32,027
2025	<u>12,000</u>
	<u>\$ 233,521</u>

NOTE 18. LEASING ACTIVITIES

The Foundation leases space to one other company which was in effect at July 31, 2021. The aggregate future minimum lease receipts under the lease agreement is as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2022	\$ 109,250
2023	138,000
2024	<u>46,000</u>
	<u>\$ 293,250</u>

NOTE 19. CONTINGENCIES

During the 2020 fiscal year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". The Organization temporarily closed its facilities and moved to a virtual environment. 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
FOR THE YEARS ENDED JULY 31, 2021

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2021 Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Contributed support:								
Grants	\$ 45,000	\$ 15,199,295	\$ 15,244,295	\$ 384,360	\$ -	\$ 384,360	\$ -	\$ 15,628,655
Contributions	<u>2,669,656</u>	<u>2,195,245</u>	<u>4,864,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,864,901</u>
Total contributed support	<u>2,714,656</u>	<u>17,394,540</u>	<u>20,109,196</u>	<u>384,360</u>	<u>-</u>	<u>384,360</u>	<u>-</u>	<u>20,493,556</u>
Earned and other revenue:								
Fees for services	1,040,300	-	1,040,300	-	-	-	56,537	1,096,837
Rent and other earned revenue	121,184	-	121,184	-	-	-	-	121,184
Dividend and interest income	39,806	61,881	101,687	-	-	-	-	101,687
Realized/unrealized gains on investments	1,212,451	2,156,825	3,369,276	-	-	-	-	3,369,276
Change in the value of split-interest agreements	47,454	38,750	86,204	-	-	-	-	86,204
Forgiveness of Paycheck Protection Program loan	<u>1,492,378</u>	<u>-</u>	<u>1,492,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,492,378</u>
Total earned and other revenue	<u>3,953,573</u>	<u>2,257,456</u>	<u>6,211,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,537</u>	<u>6,267,566</u>
Net assets released from donor restrictions:								
Satisfaction of purpose restrictions (grants)	8,341,556	(8,341,556)	-	-	-	-	-	-
Satisfaction of purpose restrictions (contributions)	2,008,830	(2,008,830)	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	<u>560,955</u>	<u>(560,955)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from donor restrictions	<u>10,911,341</u>	<u>(10,911,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>17,579,570</u>	<u>8,740,655</u>	<u>26,320,225</u>	<u>384,360</u>	<u>-</u>	<u>384,360</u>	<u>56,537</u>	<u>26,761,122</u>
Expenses:								
Program	12,652,898	-	12,652,898	414,429	-	414,429	54,597	13,121,924
General and administrative	1,820,725	-	1,820,725	48,154	-	48,154	-	1,868,879
Development and member engagement	<u>1,476,176</u>	<u>-</u>	<u>1,476,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,476,176</u>
Total expenses	<u>15,949,799</u>	<u>-</u>	<u>15,949,799</u>	<u>462,583</u>	<u>-</u>	<u>462,583</u>	<u>54,597</u>	<u>16,466,979</u>
Changes in net assets	1,629,771	8,740,655	10,370,426	(78,223)	-	(78,223)	1,940	10,294,143
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 8,888,469</u>	<u>\$ 24,507,598</u>	<u>\$ 33,396,067</u>	<u>\$ (1,330,782)</u>	<u>\$ -</u>	<u>\$ (1,330,782)</u>	<u>\$ 122,720</u>	<u>\$ 32,188,005</u>

See independent auditor's report.