

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2022 AND 2021

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
FOR THE YEARS ENDED JULY 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Conservation Law Foundation, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Conservation Law Foundation, Inc. and Subsidiaries's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Conservation Law Foundation, Inc. and Subsidiaries's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Conservation Law Foundation, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 audit 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 financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
January 12, 2023

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 10,400,265	\$ 9,613,866
Accounts receivable, net	220,720	157,367
Contributions and grants receivable, net	6,274,907	7,035,784
Employee retention tax credit receivable	1,362,710	-
Prepaid expenses and other assets	348,807	198,212
Investments, at fair value	12,299,200	14,637,351
Investments related to charitable gift annuities	220,165	228,855
Property and equipment, net	6,837,665	7,076,619
Beneficial interests in charitable trusts	418,629	491,725
Security deposits	<u>21,088</u>	<u>16,582</u>
TOTAL ASSETS	<u>\$ 38,404,156</u>	<u>\$ 39,456,361</u>

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Liabilities:		
Accounts payable	\$ 715,195	\$ 710,564
Accrued expenses	1,139,122	797,240
Note payable	-	1,538,847
Bond payable	4,047,360	4,145,448
Charitable gift annuity liability	73,688	55,424
Security deposits	<u>24,267</u>	<u>20,833</u>
Total liabilities	<u>5,999,632</u>	<u>7,268,356</u>
Net assets:		
Without donor restrictions:		
Undesignated	3,382,024	1,498,164
Board-designated	<u>6,117,255</u>	<u>6,182,243</u>
Total net assets without donor restrictions	<u>9,499,279</u>	<u>7,680,407</u>
With donor restrictions:		
Subject to expenditure for specified purpose	13,951,129	13,999,392
Subject to the passage of time	655,679	769,079
Endowment	<u>8,298,437</u>	<u>9,739,127</u>
Total net assets with donor restrictions	<u>22,905,245</u>	<u>24,507,598</u>
Total net assets	<u>32,404,524</u>	<u>32,188,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,404,156</u>	<u>\$ 39,456,361</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, 2022 AND 2021

	<u>2022</u>			<u>2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:						
Grants	\$ 1,353,923	\$ 9,147,205	\$ 10,501,128	\$ 429,360	\$ 15,199,295	\$ 15,628,655
Contributions	<u>4,488,627</u>	<u>1,690,815</u>	<u>6,179,442</u>	<u>2,669,656</u>	<u>2,195,245</u>	<u>4,864,901</u>
Total contributed support	<u>5,842,550</u>	<u>10,838,020</u>	<u>16,680,570</u>	<u>3,099,016</u>	<u>17,394,540</u>	<u>20,493,556</u>
Earned and other revenue:						
Fees for services	717,769	-	717,769	1,096,837	-	1,096,837
Rent and other earned revenue	83,968	-	83,968	121,184	-	121,184
Dividend and interest income	61,914	95,894	157,808	39,806	61,881	101,687
Realized/unrealized gains (losses) on investments	(684,125)	(1,208,227)	(1,892,352)	1,212,451	2,156,825	3,369,276
Change in the value of split-interest agreements	(52,168)	(36,607)	(88,775)	47,454	38,750	86,204
Government assistance income	1,362,710	-	1,362,710	-	-	-
Forgiveness of Paycheck Protection Program loan	1,538,847	-	1,538,847	1,492,378	-	1,492,378
Gain on disposal of property and equipment	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned and other revenue	<u>3,032,665</u>	<u>(1,148,940)</u>	<u>1,883,725</u>	<u>4,010,110</u>	<u>2,257,456</u>	<u>6,267,566</u>
Net assets released from donor restrictions:						
Satisfaction of purpose restrictions (grants)	8,908,232	(8,908,232)	-	8,341,556	(8,341,556)	-
Satisfaction of purpose restrictions (contributions)	1,978,050	(1,978,050)	-	2,008,830	(2,008,830)	-
Satisfaction of purpose restrictions (investment income)	<u>405,151</u>	<u>(405,151)</u>	<u>-</u>	<u>560,955</u>	<u>(560,955)</u>	<u>-</u>
Total net assets released from donor restrictions	<u>11,291,433</u>	<u>(11,291,433)</u>	<u>-</u>	<u>10,911,341</u>	<u>(10,911,341)</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>20,166,648</u>	<u>(1,602,353)</u>	<u>18,564,295</u>	<u>18,020,467</u>	<u>8,740,655</u>	<u>26,761,122</u>
Expenses:						
Program	14,492,638	-	14,492,638	13,121,924	-	13,121,924
General and administrative	2,184,340	-	2,184,340	1,868,879	-	1,868,879
Development and member engagement	<u>1,670,798</u>	<u>-</u>	<u>1,670,798</u>	<u>1,476,176</u>	<u>-</u>	<u>1,476,176</u>
Total expenses	<u>18,347,776</u>	<u>-</u>	<u>18,347,776</u>	<u>16,466,979</u>	<u>-</u>	<u>16,466,979</u>
Changes in net assets	1,818,872	(1,602,353)	216,519	1,553,488	8,740,655	10,294,143
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 9,499,279</u>	<u>\$ 22,905,245</u>	<u>\$ 32,404,524</u>	<u>\$ 7,680,407</u>	<u>\$ 24,507,598</u>	<u>\$ 32,188,005</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Changes in net assets	\$ 216,519	\$ 10,294,143
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	462,140	449,232
Change in value of split-interest agreements	88,775	(86,204)
Realized and unrealized (gains) losses on investments	1,892,352	(3,369,276)
Bad debt expense	-	4,000
Non-cash interest	19,507	19,507
Forgiveness of Paycheck Protection Program	(1,538,847)	(1,492,378)
Employee retention tax credit recovery	(1,362,710)	-
Gain on disposal of assets	(3,750)	-
Changes in operating assets and liabilities:		
Accounts receivable	(63,353)	166,495
Contributions and grants receivable	760,877	(3,361,593)
Prepaid expenses	(150,595)	(43,365)
Security deposits	(4,506)	9,945
Investments related to charitable gift annuities	8,690	(33,410)
Beneficial interest in charitable trusts and gift annuities	(15,679)	96,564
Accounts payable	4,631	(81,238)
Accrued expenses	341,882	24,193
Charitable gift annuity obligation	30,131	316
Security deposits	<u>3,434</u>	<u>-</u>
Net cash provided by operating activities	<u>689,498</u>	<u>2,596,931</u>
Investing activities:		
Proceeds from sales of investments	695,303	785,262
Purchases of investments	(249,507)	(304,254)
Purchases of property and equipment	(223,183)	(249,084)
Proceeds from sale of property and equipment	<u>3,750</u>	<u>-</u>
Net cash provided by investing activities	<u>226,363</u>	<u>231,924</u>
Financing activities:		
Proceeds from issuance of note payable	-	1,538,847
Payments of bond payable	(117,595)	(113,216)
Payments on charitable gift annuity liabilities	<u>(11,867)</u>	<u>(11,867)</u>
Net cash provided by (used in) financing activities	<u>(129,462)</u>	<u>1,413,764</u>
Net increase in cash and cash equivalents	786,399	4,242,619
Cash and cash equivalents - beginning	<u>9,613,866</u>	<u>5,371,247</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 10,400,265</u>	<u>\$ 9,613,866</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 161,656</u>	<u>\$ 166,036</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, 2022 AND 2021

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.

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:

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

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 at July 31, 2022 and 2021. Accounts receivable was \$224,720, \$161,367 and \$327,862 as of July 31, 2022, 2021, and 2020, respectively.

Contributions and Grants Receivable

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Multi-year pledges received during the fiscal year are recorded at their estimated net realizable value discounted at an appropriate discount rate commensurate with the risk involved. The unamortized discount was \$62,093 and \$164,441 at July 31, 2022 and 2021, 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, 2022 and 2021.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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	3-7

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, 2022 and 2021, the Organization has determined that no long-lived assets are impaired.

Investments

Investments have been reported in the consolidated financial statements at fair value. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Alternative investments are carried at the net asset value per share based on the most recent valuations provided by the investment managers and respective general partners. 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, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC. This Topic defines fair value as the 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Organization reports certain investments using the net asset value per share as determined by investment managers under the "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the Organization to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. 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. The types of financial instruments included in Level 1 are marketable equity securities that are traded in an active exchange market.
- 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. Instruments included in this category include investments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- 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. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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, 2022 and 2021.

- 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

- Fixed income funds - Fixed income funds represent a managed portfolio of investment grade treasury, agency and corporate bonds. The treasury, agency and corporate bonds are valued based on inputs that are either directly or indirectly observable. The treasury, agency and corporate bonds are categorized as Level 2.
- Alternative investments and beneficial interest in perpetual trust - Alternative investments and beneficial interest in perpetual trust are reported at net asset value (the "NAV") per unit. The NAV is used as the practical expedient to estimate fair value and is based on the fair value of the underlying assets held by the fund, less its liabilities and then divided by the number of units outstanding.

The Organization uses net asset value ("NAV") to determine the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Such investments are excluded from the fair value hierarchy in accordance with U.S. GAAP.

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

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.

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.

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, 2022 AND 2021

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 as a direct reduction 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 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 \$297,000 and \$843,000 of donated legal and other professional services during the years ended July 31, 2022 and 2021, 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.

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes (continued)

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

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

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 Implemented Accounting Pronouncements

In-kind Contributions - In September 2020, FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization has determined that the application of the amendments of ASU 2020-07 did not have a material impact on the Organization's 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 consolidated statement of financial 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 consolidated statement of financial position. 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
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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, 2022, through the date which the consolidated financial statements were available to be issued, January 12, 2023, 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, 2022:

Financial assets at year end:

Cash and cash equivalents	\$ 10,400,265
Accounts receivable, net	220,720
Contributions and grants receivable, net	6,274,907
Employee retention tax credit receivable	1,362,710
Investments, at fair value	12,299,200
Investments related to charitable gift annuities	220,165
Beneficial interests in charitable trusts	<u>418,629</u>
Total financial assets	<u>31,196,596</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(22,905,245)
Board-designated net assets	<u>(6,117,255)</u>
	<u>(29,022,500)</u>

Add amounts available to be used within one year:

Endowment appropriation for 2023	625,000
Net assets with time or purpose restrictions to be met in less than a year (estimate based on 2022)	<u>8,600,000</u>
	<u>9,225,000</u>

Financial assets available to meet cash needs for

general expenditures within one year	\$ <u>11,399,096</u>
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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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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 \$55,424 and \$217,491 in fiscal sponsorship revenue for the years ended July 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Gross contributions and grants receivable	\$ 6,337,000	\$ 7,200,225
Less unamortized discount (2% - 5.5%)	<u>62,093</u>	<u>164,441</u>
Net contributions receivable	<u>\$ 6,274,907</u>	<u>\$ 7,035,784</u>

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

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 5,107,000	\$ 4,493,043
One to five years	990,000	2,467,182
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions and grants receivable	<u>\$ 6,337,000</u>	<u>\$ 7,200,225</u>

NOTE 6. PROPERTY & EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 397,501	\$ 397,501
Building	4,550,297	4,550,297
Building improvements	5,227,957	5,227,957
Furniture and equipment	981,088	905,905
Construction in progress	<u>171,714</u>	<u>35,004</u>
	11,328,557	11,116,664
Less accumulated depreciation and amortization	<u>4,490,892</u>	<u>4,040,045</u>
Property and equipment, net	<u>\$ 6,837,665</u>	<u>\$ 7,076,619</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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, 2022:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Other Investments Measured at NAV (a)	Total
Money market funds	\$ 191,186	\$ -	\$ -	\$ -	\$ 191,186
U.S. treasuries	-	456,901	-	-	456,901
Government agency securities	-	603,703	-	-	603,703
Corporate bonds					
AAA	-	176,116	-	-	176,116
AA+	-	189,926	-	-	189,926
AA-	-	278,368	-	-	278,368
A+	-	203,709	-	-	203,709
A-	-	659,905	-	-	659,905
A	-	165,956	-	-	165,956
BBB+	-	472,263	-	-	472,263
BBB	-	292,508	-	-	292,508
NR	<u>-</u>	<u>57,419</u>	<u>-</u>	<u>-</u>	<u>57,419</u>
Total corporate bonds	-	2,496,170	-	-	2,496,170
Corporate stocks					
Utilities	73,834	-	-	-	73,834
Financials	626,887	-	-	-	626,887
Real estate	287,100	-	-	-	287,100
Consumer staples	593,854	-	-	-	593,854
Consumer discretionary	703,705	-	-	-	703,705
Communication services	576,867	-	-	-	576,867
Industrials	474,483	-	-	-	474,483
Materials	99,911	-	-	-	99,911
Technology	1,997,806	-	-	-	1,997,806
Healthcare	<u>888,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,255</u>
Total corporate stocks	6,322,702	-	-	-	6,322,702
Alternative investments (b)	-	-	-	2,245,923	2,245,923
Exchange traded funds	129,674	-	-	-	129,674
Mutual funds	<u>73,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,106</u>
	<u>\$ 6,716,668</u>	<u>\$3,556,774</u>	<u>\$ -</u>	<u>\$ 2,245,923</u>	<u>\$12,519,365</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 7. 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, 2021:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Other Investments Measured at NAV (a)	Total
Money market funds	\$ 1,720,731	\$ -	\$ -	\$ -	\$ 1,720,731
Corporate bonds	-	1,608,350	-	-	1,608,350
Corporate stocks					
Financials	1,264,576	-	-	-	1,264,576
Real estate	127,691	-	-	-	127,691
Consumer staples	762,370	-	-	-	762,370
Consumer discretionary	1,569,029	-	-	-	1,569,029
Communication services	809,843	-	-	-	809,843
Industrials	1,152,154	-	-	-	1,152,154
Materials	470,922	-	-	-	470,922
Technology	2,557,536	-	-	-	2,557,536
Healthcare	<u>2,594,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,594,149</u>
Total 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>-</u>	<u>79,611</u>
	<u>\$13,257,856</u>	<u>\$1,608,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,866,206</u>

(a) - In accordance with ASC Subtopic 820-10, *Fair Value Measurements*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

(b) - The Organization invests in a limited liability company, which seeks to achieve long-term capital appreciation by investing primarily in a diversified portfolio of primarily non-U.S. stocks of high quality companies that are selected with regard for both financial and sustainability criteria, while avoiding investments in companies primarily engaged in industries related to fossil fuel production. There are no unfunded commitments at July 31, 2022 and 2021, and redemptions are made daily and require a 1 -30 day notice.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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, 2022:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 8,124,609	\$ 8,124,609
Board-designated funds	<u>4,537,671</u>	<u>-</u>	<u>4,537,671</u>
	<u>\$ 4,537,671</u>	<u>\$ 8,124,609</u>	<u>\$ 12,662,280</u>

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	<u>5,358,337</u>	<u>-</u>	<u>5,358,337</u>
	<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 31, 2022:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Net assets, beginning of year	<u>\$ 5,358,337</u>	<u>\$ 9,528,693</u>	<u>\$ 14,887,030</u>
Investment return:			
Investment income, net	51,860	88,728	140,588
Net depreciation	<u>(653,417)</u>	<u>(1,117,937)</u>	<u>(1,771,354)</u>
Total investment return	<u>(601,557)</u>	<u>(1,029,209)</u>	<u>(1,630,766)</u>
Appropriation of endowment assets for operations (draw)	<u>(219,109)</u>	<u>(374,875)</u>	<u>(593,984)</u>
Net assets, end of year	<u>\$ 4,537,671</u>	<u>\$ 8,124,609</u>	<u>\$ 12,662,280</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 8. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended July 30, 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	<u>-</u>	<u>(217,832)</u>	<u>(217,832)</u>
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>

Endowment assets were comprised of the following at July 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 363,080	\$ 249,679
Investments	<u>12,299,200</u>	<u>14,637,351</u>
	<u>\$ 12,662,280</u>	<u>\$ 14,887,030</u>

In addition, withdrawals from board-designated endowments may occur subject to the approval of the board of trustees. There were no additional board-designated withdrawals for the years ended July 31, 2022 and 2021.

NOTE 9. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$220,165 and \$228,855, at July 31, 2022 and 2021, respectively. The liability related to charitable gift annuities was \$73,688 and \$55,424, at July 31, 2022 and 2021, 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 \$244,801 and \$281,291 at July 31, 2022 and 2021, respectively. The beneficial interest in a perpetual trust was \$173,828 and 210,434, at July 31, 2022 and 2021, 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. There are no unfunded commitments or redemption restrictions on the split-interest agreements measured at NAV for the years ended July 31, 2022 and 2021.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 10. BOND PAYABLE

Bond payable consisted of the following as of July 31:

	<u>2022</u>	<u>2021</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.	\$ 4,187,160	\$ 4,304,755
Less bond issuance costs, net	<u>139,800</u>	<u>159,307</u>
Bond payable, net	<u>\$ 4,047,360</u>	<u>\$ 4,145,448</u>

Maturities of bond payable for the next five years at July 31, 2022, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2023	\$ 122,137
2024	126,441
2025	131,755
2026	136,852
2027	142,147
Thereafter	<u>3,527,828</u>
Total	<u>\$ 4,187,160</u>

Interest expense and fees associated with the debt were \$180,773 and \$185,153, for the years ended July 31, 2022 and 2021, respectively.

NOTE 11. NOTE PAYABLE

Paycheck Protection Program Loan

On April 2020, the Foundation 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 11. NOTE PAYABLE (CONTINUED)

Paycheck Protection Program Loan (continued)

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 Foundation has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Foundation 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 Foundation has been legally released from its obligation by the lender. The Foundation 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 Foundation, mainly related to the third-party approval process for forgiveness.

The Foundation applied for PPP loan forgiveness and received approval from the Small Business Administration ("SBA") in April 2021. The Foundation 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. If it is determined that the Foundation was not eligible to receive the PPP Loan or that the Foundation has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Foundation could be subject to penalties and could be required to repay the amounts previously forgiven.

Paycheck Protection Program Second Draw Loan

On February 26, 2021, the Foundation received loan proceeds of \$1,538,847 under the Paycheck Protection Program Second Draw Loans ("PPP SD"). The PPP-SD which was established as part of the Consolidated Appropriations Act, 2021 ("CAA), which 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 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, certain other covered costs and maintains its payroll levels. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

The Foundation applied for PPP SD loan forgiveness and received approval from the SBA in March, 2022. The Foundation recognized \$1,538,847 in forgiveness under the PPP SD loan program during the year ended July 31, 2022, which is included on the accompanying statements of activities and changes in net assets. If it is determined that the Foundation was not eligible to receive the PPP SD loan or that the Foundation was not adequately complied with the rules, regulations, and procedures applicable to the SBA's Loan Program, the Foundation could be subject to penalties and could be required to repay the amounts previously forgiven.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 12. GOVERNMENT ASSISTANCE INCOME

The employee retention tax credit (“ERTC”), as it existed under the CARES Act, was not available to businesses that received a PPP loan. Provisions in the Consolidated Appropriations act (the "CAA"), which was signed into law on December 27, 2020, removed this restriction and allowed businesses that qualify for the ERTC to retroactively apply for the ERTC so long as the same wages are not used for both PPP loan forgiveness and the ERTC. Management has determined that the Foundation is eligible, and meets all the conditions to qualify, for the ERTC. In March 2022, the Foundation submitted amended quarterly payroll tax returns claiming to recover \$1,362,710 in ERTCs for amounts paid during the first and second quarters of 2021. The Foundation recognized \$1,362,710 in government assistance income on the consolidated statement of activities and changes in net assets for the year ended July 31, 2022. However, there can be no assurances that the Foundation will ultimately meet the conditions of the ERTC or realize the amount of the credits claimed, 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 Foundation, capital expenditures, special projects, one-time expenses and other initiatives that support the mission of the Foundation.

Board-designated net assets consisted of the following at July 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board-designated endowment	\$ 4,537,671	\$ 5,358,337
Operational reserves	<u>1,579,584</u>	<u>823,906</u>
Total board-designated	<u>\$ 6,117,255</u>	<u>\$ 6,182,243</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Grant revenue	\$ 12,679,509	\$ 12,440,537
Campaign for CLF	211,429	211,429
Clean Energy Climate Change program	178,209	244,720
Oceans program	162,160	12,500
Healthy & Resilient Communities program	103,556	277,381
Environmental Justice program	102,569	357,982
NH initiatives	101,000	117,500
Hall Moskow Fund: To support the cost of volunteer senior fellows program	97,821	118,993
Savitz Fellowship	69,650	69,650
Communications activities	61,750	78,700
VT initiatives	60,000	20,000
Internships	58,476	-
Cape Water Quality fund	50,000	50,000
ME initiatives	7,500	-
MA initiatives	7,500	-
	<u>13,951,129</u>	<u>13,999,392</u>
Subject to the passage of time:		
Fosters Charitable Trust: For general support	655,679	769,079
	<u>655,679</u>	<u>769,079</u>
Endowments:		
Subject to the Foundations endowment spending policy and appropriation	2,974,062	4,378,146
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	5,150,547	5,150,547
Beneficial interest in trust	173,828	210,434
	<u>8,298,437</u>	<u>9,739,127</u>
	<u>\$ 22,905,245</u>	<u>\$ 24,507,598</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 \$269,445 and \$273,269, for the years ended July 31, 2022 and 2021, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 16. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended July 31, 2022 are as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Development and Member Engagement</u>	<u>Total</u>
Salaries and wages	\$ 7,796,365	\$ 942,281	\$ 1,079,054	\$ 9,817,700
Professional and consultant fees	3,310,602	774,858	130,519	4,215,979
Payroll taxes and fringe benefits	1,490,882	291,669	208,679	1,991,230
Occupancy	799,564	57,109	69,898	926,571
Research, memberships and subscriptions	71,964	-	8,481	80,445
Depreciation and amortization	369,712	55,457	36,971	462,140
Travel and meetings	207,817	15,400	59,522	282,739
Printing, advertising and mailing	207,957	6,223	47,663	261,843
Interest, fees and taxes	204,994	26,082	25,346	256,422
Supplies and miscellaneous	<u>32,781</u>	<u>15,261</u>	<u>4,665</u>	<u>52,707</u>
	<u>\$ 14,492,638</u>	<u>\$ 2,184,340</u>	<u>\$ 1,670,798</u>	<u>\$ 18,347,776</u>

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

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

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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 \$130,787 in 2022 and \$124,600 in 2021. Minimum future lease obligations are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2023	\$ 126,275
2024	106,150
2025	76,008
2026	42,916
2027	43,846
2028	<u>9,590</u>
	<u>\$ 404,785</u>

NOTE 18. LEASING ACTIVITIES

The Foundation leases space to one other company which was in effect at July 31, 2022. The aggregate future minimum lease receipts under the lease agreement is as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2023	\$ 138,000
2024	<u>46,000</u>
	<u>\$ 184,000</u>

SUPPLEMENTARY INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2022

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2022 Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Contributed support:								
Grants	\$ 1,185,500	\$ 9,147,205	\$ 10,332,705	\$ 168,423	\$ -	\$ 168,423	\$ -	\$ 10,501,128
Contributions	<u>4,488,627</u>	<u>1,690,815</u>	<u>6,179,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,179,442</u>
Total contributed support	<u>5,674,127</u>	<u>10,838,020</u>	<u>16,512,147</u>	<u>168,423</u>	<u>-</u>	<u>168,423</u>	<u>-</u>	<u>16,680,570</u>
Earned and other revenue:								
Fees for services	591,253	-	591,253	73,963	-	73,963	52,553	717,769
Rent and other earned revenue	83,968	-	83,968	-	-	-	-	83,968
Dividend and interest income	61,914	95,894	157,808	-	-	-	-	157,808
Realized/unrealized gains (losses) on investments	(684,125)	(1,208,227)	(1,892,352)	-	-	-	-	(1,892,352)
Change in the value of split-interest agreements	(52,168)	(36,607)	(88,775)	-	-	-	-	(88,775)
Government assistance income	1,362,710	-	1,362,710	-	-	-	-	1,362,710
Forgiveness of Paycheck Protection Program loan	1,538,847	-	1,538,847	-	-	-	-	1,538,847
Gain on disposal of property and equipment	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>
Total earned and other revenue	<u>2,906,149</u>	<u>(1,148,940)</u>	<u>1,757,209</u>	<u>73,963</u>	<u>-</u>	<u>73,963</u>	<u>52,553</u>	<u>1,883,725</u>
Net assets released from donor restrictions:								
Satisfaction of purpose restrictions (grants)	8,908,232	(8,908,232)	-	-	-	-	-	-
Satisfaction of purpose restrictions (contributions)	1,978,050	(1,978,050)	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	<u>405,151</u>	<u>(405,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from donor restrictions	<u>11,291,433</u>	<u>(11,291,433)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>19,871,709</u>	<u>(1,602,353)</u>	<u>18,269,356</u>	<u>242,386</u>	<u>-</u>	<u>242,386</u>	<u>52,553</u>	<u>18,564,295</u>
Expenses:								
Program	14,156,640	-	14,156,640	284,325	-	284,325	51,673	14,492,638
General and administrative	2,183,184	-	2,183,184	1,156	-	1,156	-	2,184,340
Development and member engagement	<u>1,670,027</u>	<u>-</u>	<u>1,670,027</u>	<u>771</u>	<u>-</u>	<u>771</u>	<u>-</u>	<u>1,670,798</u>
Total expenses	<u>18,009,851</u>	<u>-</u>	<u>18,009,851</u>	<u>286,252</u>	<u>-</u>	<u>286,252</u>	<u>51,673</u>	<u>18,347,776</u>
Changes in net assets	1,861,858	(1,602,353)	259,505	(43,866)	-	(43,866)	880	216,519
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 10,750,327</u>	<u>\$ 22,905,245</u>	<u>\$ 33,655,572</u>	<u>\$ (1,374,648)</u>	<u>\$ -</u>	<u>\$ (1,374,648)</u>	<u>\$ 123,600</u>	<u>\$ 32,404,524</u>

See independent auditor's report.