

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2023 AND 2022

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
FOR THE YEARS ENDED JULY 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the consolidated financial statements, Conservation Law Foundation, Inc. and Subsidiaries adopted Accounting Standards Codification Topic 842, *Leases*, as of August 1, 2022, using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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' 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.

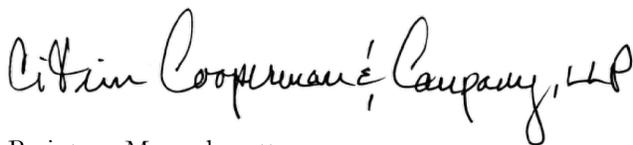
In performing an audit in accordance with generally accepted auditing standards, we:

- 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' 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.



Braintree, Massachusetts

March 1, 2024

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 4,203,117	\$ 10,400,265
Accounts receivable, net	519,290	220,720
Contributions and grants receivable, net	2,464,298	6,274,907
Employee retention tax credit receivable	-	1,362,710
Prepaid expenses and other assets	205,265	348,807
Investments, at fair value	20,554,962	12,299,200
Investments related to charitable gift annuities	167,362	220,165
Property and equipment, net	6,518,760	6,837,665
Operating lease right-of-use assets	326,081	-
Beneficial interests in charitable trusts	432,440	418,629
Security deposits	<u>21,890</u>	<u>21,088</u>
TOTAL ASSETS	<u>\$ 35,413,465</u>	<u>\$ 38,404,156</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Liabilities:		
Accounts payable	\$ 888,006	\$ 715,195
Accrued expenses	1,073,226	1,139,122
Operating lease liabilities	328,960	-
Finance lease liabilities	26,697	-
Bond payable	3,944,721	4,047,360
Charitable gift annuity liability	66,574	73,688
Security deposits	<u>24,267</u>	<u>24,267</u>
Total liabilities	<u>6,352,451</u>	<u>5,999,632</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,139,248	3,382,024
Board-designated	<u>9,067,430</u>	<u>6,117,255</u>
Total net assets without donor restrictions	<u>11,206,678</u>	<u>9,499,279</u>
With donor restrictions:		
Subject to expenditure for specified purpose	8,696,814	13,951,129
Subject to the passage of time	670,448	655,679
Endowment	<u>8,487,074</u>	<u>8,298,437</u>
Total net assets with donor restrictions	<u>17,854,336</u>	<u>22,905,245</u>
Total net assets	<u>29,061,014</u>	<u>32,404,524</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,413,465</u>	<u>\$ 38,404,156</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 YEAR ENDED JULY 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:						
Grants	\$ 770,298	\$ 4,869,034	\$ 5,639,332	\$ 1,353,923	\$ 9,147,205	\$ 10,501,128
Contributions	<u>8,475,466</u>	<u>2,222,375</u>	<u>10,697,841</u>	<u>4,488,627</u>	<u>1,690,815</u>	<u>6,179,442</u>
Total contributed support	<u>9,245,764</u>	<u>7,091,409</u>	<u>16,337,173</u>	<u>5,842,550</u>	<u>10,838,020</u>	<u>16,680,570</u>
Earned and other revenue:						
Fees for services	1,017,252	-	1,017,252	717,769	-	717,769
Rent and other earned revenue	46,064	-	46,064	83,968	-	83,968
Dividend and interest income	223,356	82,586	305,942	61,914	95,894	157,808
Realized/unrealized gains (losses) on investments	289,722	490,268	779,990	(684,125)	(1,208,227)	(1,892,352)
Change in the value of split-interest agreements	(2,804)	5,771	2,967	(52,168)	(36,607)	(88,775)
Government assistance income	-	-	-	1,362,710	-	1,362,710
Forgiveness of Paycheck Protection Program loan	-	-	-	1,538,847	-	1,538,847
Gain on disposal of property and equipment	-	-	-	3,750	-	3,750
Total earned and other revenue	<u>1,573,590</u>	<u>578,625</u>	<u>2,152,215</u>	<u>3,032,665</u>	<u>(1,148,940)</u>	<u>1,883,725</u>
Net assets released from donor restrictions:						
Satisfaction of purpose restrictions (grants)	10,596,876	(10,596,876)	-	8,908,232	(8,908,232)	-
Satisfaction of purpose restrictions (contributions)	1,748,849	(1,748,849)	-	1,978,050	(1,978,050)	-
Satisfaction of purpose restrictions (investment income)	<u>375,218</u>	<u>(375,218)</u>	<u>-</u>	<u>405,151</u>	<u>(405,151)</u>	<u>-</u>
Total net assets released from donor restrictions	<u>12,720,943</u>	<u>(12,720,943)</u>	<u>-</u>	<u>11,291,433</u>	<u>(11,291,433)</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>23,540,297</u>	<u>(5,050,909)</u>	<u>18,489,388</u>	<u>20,166,648</u>	<u>(1,602,353)</u>	<u>18,564,295</u>
Expenses:						
Program	17,501,529	-	17,501,529	14,442,659	-	14,442,659
General and administrative	2,315,433	-	2,315,433	2,235,088	-	2,235,088
Development and member engagement	<u>2,015,936</u>	<u>-</u>	<u>2,015,936</u>	<u>1,670,029</u>	<u>-</u>	<u>1,670,029</u>
Total expenses	<u>21,832,898</u>	<u>-</u>	<u>21,832,898</u>	<u>18,347,776</u>	<u>-</u>	<u>18,347,776</u>
Changes in net assets	1,707,399	(5,050,909)	(3,343,510)	1,818,872	(1,602,353)	216,519
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 11,206,678</u>	<u>\$ 17,854,336</u>	<u>\$ 29,061,014</u>	<u>\$ 9,499,279</u>	<u>\$ 22,905,245</u>	<u>\$ 32,404,524</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities:		
Changes in net assets	\$ (3,343,510)	\$ 216,519
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	436,075	462,140
Change in value of split-interest agreements	(2,967)	88,775
Realized and unrealized (gains) losses on investments	(779,990)	1,892,352
Amortization of operating lease right-of-use assets	120,278	-
Bad debt expense	34,500	-
Noncash interest	19,507	19,507
Forgiveness of Paycheck Protection Program loan	-	(1,538,847)
Employee retention tax credit recovery	-	(1,362,710)
Gain on disposal of assets	-	(3,750)
Changes in operating assets and liabilities:		
Accounts receivable	(333,070)	(63,353)
Contributions and grants receivable	3,810,609	760,877
Employee retention tax credit receivable	1,362,710	-
Prepaid expenses	143,542	(150,595)
Security deposits	(802)	(4,506)
Investments related to charitable gift annuities	52,803	8,690
Beneficial interest in charitable trusts and gift annuities	(10,844)	(15,679)
Accounts payable	172,811	4,631
Accrued expenses	(65,896)	341,882
Operating lease liabilities	(117,399)	-
Charitable gift annuity obligation	4,753	30,131
Security deposits	<u>-</u>	<u>3,434</u>
Net cash provided by operating activities	<u>1,503,110</u>	<u>689,498</u>
Investing activities:		
Proceeds from sales of investments	386,474	695,303
Purchases of investments	(7,862,246)	(249,507)
Purchases of property and equipment	(79,447)	(223,183)
Proceeds from sale of property and equipment	<u>-</u>	<u>3,750</u>
Net cash provided by (used in) investing activities	<u>(7,555,219)</u>	<u>226,363</u>
Financing activities:		
Payments of bond payable	(122,146)	(117,595)
Payments on finance lease obligations	(11,026)	-
Payments on charitable gift annuity liabilities	<u>(11,867)</u>	<u>(11,867)</u>
Net cash used in financing activities	<u>(145,039)</u>	<u>(129,462)</u>
Net (decrease) increase in cash and cash equivalents	(6,197,148)	786,399
Cash and cash equivalents - beginning	<u>10,400,265</u>	<u>9,613,866</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,203,117</u>	<u>\$ 10,400,265</u>

See accompanying notes to consolidated financial statements.

**CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JULY 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Cash paid during the year for interest	\$ <u>158,100</u>	\$ <u>161,656</u>
Supplemental schedules for non-cash investing and financing activities:		
Property and equipment acquired	\$ 117,170	\$ 223,183
Property and equipment obtained in connection with finance leases	<u>37,723</u>	<u>-</u>
Cash paid to acquire property and equipment	\$ <u>79,447</u>	\$ <u>223,183</u>
Operating lease liabilities and right-of-use assets recognized in connection with implementation of ASC 842 on August 1, 2022	\$ <u>446,359</u>	\$ <u>-</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, 2023 AND 2022

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, 2023 AND 2022

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. The Organization did not have an allowance for doubtful accounts for the year ended July 31, 2023. Accounts receivable were \$519,290, \$224,720, and \$161,367 as of July 31, 2023, 2022, and 2021, 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 \$286,172 and \$62,093 at July 31, 2023 and 2022, 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, 2023 and 2022.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

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, including the Organization's right-of-use assets, in accordance with the FASB ASC Topic *Property, Plant and Equipment*. This Topic requires that long-lived assets, including the Organization's right-of-use 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, 2023 and 2022, the Organization has determined that no long-lived assets are impaired.

Leases

The Organization has operating lease agreements for certain office spaces under terms ranging up to six years. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the consolidated statements of financial position.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization has lease agreements with lease and nonlease components, which are generally accounted for separately with amounts allocated to the lease and nonlease components based on stand-alone prices. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

Leases may contain fixed and determinable escalation clauses for which Organization recognizes rental expense under the lease on a straight-line basis over the lease terms, which includes the period of time from when the Organization takes possession of the leased space, and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of activities and changes in net assets; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term.

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.

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

- 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, 2023 and 2022.

- 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.
- 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

- Beneficial interests in charitable trusts and Private equity fund - The fair value of the beneficial interests in charitable trusts is determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the beneficial interests in charitable trusts is based on the fair value of fund investments as reported by the trust. Private equity investment fund represents an investment designed to provide low-cost patient equity for transformative mixed-use, mixed-income real estate projects in Massachusetts. The private equity investment fund is valued based on inputs that are unobservable. The beneficial interests in charitable trusts and private equity investment fund are categorized as Level 3.
- Alternative investments - Alternative investments are reported at 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 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

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.

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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Revenue Recognition

The Organization derives revenue and support primarily from grants, contributions, fees for services and rental revenue.

Grants and Contributions

Grants and 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.

Grants and contributions with grantor-imposed or donor-imposed time or purpose restrictions are recorded as revenues with donor restrictions when received and are released from restriction to net assets without donor restrictions upon expiration of the restriction or satisfaction of the purpose restriction. Grants and contributions subject to grantor-imposed or donor-imposed stipulations that are met in the same reporting period are reported as revenues without donor restrictions.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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.

Fees for Services

Revenues from these services are recognized over the period the services are rendered. Legal fees recovered are recognized when the Organization is the prevailing party, and at the point the court enters a final judgment or approves settlement; or the parties settle out of court. 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.

Rental Revenue

Rental revenue is attributable to a commercial lease. The commercial lease is for a period of five years and is recorded when due, generally upon the first day of each month.

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 \$275,000 and \$297,000 of donated legal and other professional services during the years ended July 31, 2023 and 2022, 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, 2023 AND 2022

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.

Reclassifications

Certain amounts included in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on previously reported net assets or the change in net assets.

Recently Implemented Accounting Pronouncements

Leases - In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842") as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities and changes in net assets. The Organization adopted ASC 842 under the modified retrospective method as of August 1, 2022.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Implemented Accounting Pronouncements (continued)

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for impairment. The Organization made the accounting policy elections to not recognize short-term leases on the statement of activities and changes in net assets and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

The Organization performed an analysis of contracts containing leases as of August 1, 2022 and recorded operating lease right-of-use assets and aggregate operating lease liabilities in the amount of \$446,359.

Recently Issued But Not Yet Effective Accounting Pronouncements

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for private companies for fiscal years beginning after December 15, 2022, including interim periods within those annual reporting periods, with early adoption permitted. The Organization is currently evaluating the impact of the new standard on its consolidated financial statements and related disclosures.

Subsequent Events

The Organization has evaluated all events subsequent to the consolidated statement of financial position date of July 31, 2023, through the date which the consolidated financial statements were available to be issued, March 1, 2024, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's available financial assets as of July 31, 2023:

Financial assets at year end:

Cash and cash equivalents	\$ 4,203,117
Accounts receivable, net	519,290
Contributions and grants receivable, net	2,464,298
Investments, at fair value	20,554,962
Investments related to charitable gift annuities	167,362
Beneficial interests in charitable trusts	<u>432,440</u>
Total financial assets	<u>28,341,469</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(17,854,336)
Board-designated net assets	<u>(9,067,430)</u>
	<u>(26,921,766)</u>

Add amounts available to be used within one year:

Endowment appropriation for 2024	640,000
Net assets with time or purpose restrictions to be met in less than a year (estimate based on 2023)	<u>9,000,000</u>
	<u>9,640,000</u>

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

\$ 11,059,703

The Organization's endowment funds consist of donor-restricted endowments and board-designated funds acting as an endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The endowment has a spending policy of 5% of the average fair value of the endowment over the preceding 36 months. Additional withdrawals from the board-designated funds acting as an endowment may occur during the year to fund general expenditures subject to the approval by the board of trustees.

NOTE 4. 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 \$181,356 and \$55,424 in fiscal sponsorship revenue for the years ended July 31, 2023 and 2022, respectively, which is recorded with fees for services on the statement of activities.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Gross contributions and grants receivable	\$ 2,750,470	\$ 6,337,000
Less unamortized discount (3.25% - 8.5%)	<u>286,172</u>	<u>62,093</u>
Net contributions receivable	<u>\$ 2,464,298</u>	<u>\$ 6,274,907</u>

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

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 2,410,470	\$ 5,107,000
One to five years	340,000	990,000
More than five years	<u>-</u>	<u>240,000</u>
Gross contributions and grants receivable	<u>\$ 2,750,470</u>	<u>\$ 6,337,000</u>

NOTE 6. PROPERTY & EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 397,501	\$ 397,501
Building	4,550,297	4,550,297
Building improvements	5,227,957	5,227,957
Furniture and equipment	889,357	981,088
Construction in progress	<u>-</u>	<u>171,714</u>
	11,065,112	11,328,557
Less accumulated depreciation and amortization	<u>4,546,352</u>	<u>4,490,892</u>
Property and equipment, net	<u>\$ 6,518,760</u>	<u>\$ 6,837,665</u>

These amounts include \$37,723 related to equipment under finance leases for the year ended July 31, 2023. Accumulated amortization associated with assets under finance leases for the year ended July 31, 2023, was \$11,429. The Organization did not have assets under finance leases for the year ended July 31, 2022.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

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, 2023:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Other Investments Measured at NAV (a)	Total
Money market funds	\$ 271,937	\$ -	\$ -	\$ -	\$ 271,937
U.S. treasuries	-	7,900,192	-	-	7,900,192
Government agency securities	-	963,790	-	-	963,790
Corporate bonds					
AAA	-	168,533	-	-	168,533
AA+	-	187,054	-	-	187,054
AA-	-	173,499	-	-	173,499
A+	-	192,403	-	-	192,403
A-	-	421,219	-	-	421,219
A	-	367,487	-	-	367,487
BBB+	-	445,906	-	-	445,906
BBB	-	289,559	-	-	289,559
NR	-	92,284	-	-	92,284
Total corporate bonds	-	2,337,944	-	-	2,337,944
Corporate stocks					
Utilities	239,248	-	-	-	239,248
Financials	573,509	-	-	-	573,509
Real estate	183,490	-	-	-	183,490
Consumer staples	747,023	-	-	-	747,023
Consumer discretionary	469,814	-	-	-	469,814
Communication services	533,908	-	-	-	533,908
Industrials	607,156	-	-	-	607,156
Materials	105,305	-	-	-	105,305
Technology	2,077,396	-	-	-	2,077,396
Healthcare	930,529	-	-	-	930,529
Total corporate stocks	6,467,378	-	-	-	6,467,378
Alternative investments (b)	-	-	-	2,524,223	2,524,223
Beneficial interests in charitable trusts	-	-	432,440	-	432,440
Private equity	-	-	99,876	-	99,876
Exchange traded funds	96,490	-	-	-	96,490
Mutual funds	60,494	-	-	-	60,494
	<u>\$ 6,896,299</u>	<u>\$ 11,201,926</u>	<u>\$ 532,316</u>	<u>\$ 2,524,223</u>	<u>\$ 21,154,764</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

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, 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	-	57,419	-	-	57,419
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	888,255	-	-	-	888,255
Total corporate stocks	6,322,702	-	-	-	6,322,702
Alternative investments (b)	-	-	-	2,245,923	2,245,923
Beneficial interests in charitable trusts	-	-	418,629	-	418,629
Exchange traded funds	129,674	-	-	-	129,674
Mutual funds	73,106	-	-	-	73,106
	<u>\$ 6,716,668</u>	<u>\$ 3,556,774</u>	<u>\$ 418,629</u>	<u>\$ 2,245,923</u>	<u>\$ 12,937,994</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

(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, 2023 and 2022, and redemptions are made daily and require a 1-30 day notice.

The changes in investments measured at fair value for which the Organization has used unobservable inputs (Level 3) to determine fair value are as follows:

	Beneficial interests in charitable trusts	Private equity	Total
	<u> </u>	<u> </u>	<u> </u>
Balance at August 1, 2021	\$ 491,725	\$ -	\$ 491,725
Investment loss	<u>(73,096)</u>	<u>-</u>	<u>(73,096)</u>
Balance at July 31, 2022	418,629	-	418,629
Investment income	13,811	-	13,811
Purchases of investments	<u>-</u>	<u>99,876</u>	<u>99,876</u>
Balance at July 31, 2023	<u>\$ 432,440</u>	<u>\$ 99,876</u>	<u>\$ 532,316</u>

The following is quantitative information about unobservable inputs (Level 3) for the Organization as of July 31, 2023:

Investments	Fair Value	Unfunded Commitments	Valuation Technique	Unobservable Input	Price per Unit
<u> </u>					
Private equity	\$ 99,876	\$ 150,124	Cost	N/A	N/A

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

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, 2023:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 8,307,475	\$ 8,307,475
Board-designated funds	<u>4,644,554</u>	<u>-</u>	<u>4,644,554</u>
	<u>\$ 4,644,554</u>	<u>\$ 8,307,475</u>	<u>\$ 12,952,029</u>

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>

Changes in Endowment Net Assets for the Year Ended July 31, 2023:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Net assets, beginning of year	\$ <u>4,537,671</u>	\$ <u>8,124,609</u>	\$ <u>12,662,280</u>
Investment return:			
Investment income, net	44,663	76,414	121,077
Net appreciation	<u>265,142</u>	<u>453,631</u>	<u>718,773</u>
Total investment return	<u>309,805</u>	<u>530,045</u>	<u>839,850</u>
Appropriation of endowment assets for operations (draw)	<u>(202,922)</u>	<u>(347,179)</u>	<u>(550,101)</u>
Net assets, end of year	<u>\$ 4,644,554</u>	<u>\$ 8,307,475</u>	<u>\$ 12,952,029</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended July 31, 2022:

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 5,358,337	\$ 9,528,693	\$ 14,887,030
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>

Endowment assets were comprised of the following at July 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 87,410	\$ 363,080
Investments	<u>12,864,619</u>	<u>12,299,200</u>
	<u>\$ 12,952,029</u>	<u>\$ 12,662,280</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, 2023 and 2022.

NOTE 9. SPLIT-INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$167,362 and \$220,165, at July 31, 2023 and 2022, respectively. The liability related to charitable gift annuities was \$66,574 and \$73,688, at July 31, 2023 and 2022, 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 \$252,841 and \$244,801, at July 31, 2023 and 2022, respectively. The beneficial interest in a perpetual trust was \$179,599 and 173,828, at July 31, 2023 and 2022, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 10. BOND PAYABLE

Bond payable consisted of the following as of July 31:

	<u>2023</u>	<u>2022</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.	\$ 4,065,014	\$ 4,187,160
Less bond issuance costs, net	<u>120,293</u>	<u>139,800</u>
Bond payable, net	<u>\$ 3,944,721</u>	<u>\$ 4,047,360</u>

Maturities of bond payable for the next five years at July 31, 2023, are as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2024	\$ 126,441
2025	131,755
2026	136,852
2027	142,147
2028	147,283
Thereafter	<u>3,380,536</u>
Total	<u>\$ 4,065,014</u>

Interest expense and fees associated with the debt were \$176,613 and \$181,163, for the years ended July 31, 2023 and 2022, respectively.

NOTE 11. NOTE PAYABLE

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 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 11. NOTE PAYABLE (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 allows 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 SD 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 SD 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 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 consolidated 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.

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. The Foundation had met the conditions of the ERTC and received payment in full during the year ended July 31, 2023.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Board-designated endowment	\$ 4,644,554	\$ 4,537,671
Operational reserves	<u>4,422,876</u>	<u>1,579,584</u>
Total board-designated	<u>\$ 9,067,430</u>	<u>\$ 6,117,255</u>

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Grant revenue	\$ 6,951,669	\$ 12,679,509
Hall Moskow Fund: To support the cost of volunteer senior fellows program	595,444	97,821
Campaign for New England's Future	261,239	-
Campaign for CLF	211,429	211,429
Oceans program	136,250	162,160
Internships	132,676	58,476
Savitz Fellowship	100,000	69,650
Communications activities	90,900	61,750
NH initiatives	50,000	101,000
Cape Water Quality fund	50,000	50,000
Clean Energy Climate Change program	48,750	178,209
Environmental Justice program	30,000	102,569
Healthy & Resilient Communities program	20,002	103,556
VT initiatives	18,455	60,000
ME initiatives	-	7,500
MA initiatives	-	7,500
	<u>8,696,814</u>	<u>13,951,129</u>
Subject to the passage of time:		
Fosters Charitable Trust: For general support	<u>670,448</u>	<u>655,679</u>
	<u>670,448</u>	<u>655,679</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Endowments:		
Subject to the Foundations endowment spending policy and appropriation	3,156,928	2,974,062
Restricted in perpetuity:		
Endowment funds restricted in perpetuity	5,150,547	5,150,547
Beneficial interest in trust	<u>179,599</u>	<u>173,828</u>
	<u>8,487,074</u>	<u>8,298,437</u>
	<u>\$ 17,854,336</u>	<u>\$ 22,905,245</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. Effective September 2022, all employees enrolled in the plan were immediately eligible to receive matching contributions upon hire. The Foundation retains the right to change employer matching contribution amounts. Total employer contributions were \$365,976 and \$269,445, for the years ended July 31, 2023 and 2022, respectively.

NOTE 16. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended July 31, 2023 are as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Development and Member Engagement</u>	<u>Total</u>
Salaries and wages	\$ 8,944,818	\$ 1,263,073	\$ 1,184,635	\$ 11,392,526
Professional and consultant fees	4,389,303	625,455	203,980	5,218,738
Payroll taxes and fringe benefits	1,992,372	244,344	268,025	2,504,741
Occupancy	737,357	67,270	95,703	900,330
Research, memberships and subscriptions	138,559	342	9,487	148,388
Travel and meetings	439,000	19,605	109,537	568,142
Depreciation and amortization	332,728	53,274	50,073	436,075
Interest, fees and taxes	258,109	25,409	32,375	315,893
Printing, advertising and mailing	229,069	5,446	59,372	293,887
Supplies and miscellaneous	<u>40,214</u>	<u>11,215</u>	<u>2,749</u>	<u>54,178</u>
	<u>\$ 17,501,529</u>	<u>\$ 2,315,433</u>	<u>\$ 2,015,936</u>	<u>\$ 21,832,898</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 16. FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

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	\$ 7,784,853	\$ 953,792	\$ 1,079,055	\$ 9,817,700
Professional and consultant fees	3,293,443	792,017	130,519	4,215,979
Payroll taxes and fringe benefits	1,488,698	293,853	208,679	1,991,230
Occupancy	788,146	68,527	69,898	926,571
Research, memberships and subscriptions	71,964	-	8,481	80,445
Depreciation and amortization	362,318	63,590	36,232	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	204,682	26,425	25,315	256,422
Supplies and miscellaneous	<u>32,781</u>	<u>15,261</u>	<u>4,665</u>	<u>52,707</u>
	<u>\$ 14,442,659</u>	<u>\$ 2,235,088</u>	<u>\$ 1,670,029</u>	<u>\$ 18,347,776</u>

NOTE 17. LEASING ACTIVITIES

Finance Leases

The Organization leases two copiers under finance leases with interest rates varying from 2.82% to 3.18%, and expiring at various dates through July 2027. The underlying assets associated with these finance leases are included in property and equipment in the accompanying consolidated statements of financial position.

Components of finance lease expense for the year ended July 31, 2023 are as follows:

Finance lease costs:

Amortization of finance lease liabilities	\$ 11,429
Interest on lease liabilities	<u>994</u>
Total finance lease costs	<u>\$ 12,423</u>

Operating Leases

In addition to finance leases, the Organization also has various operating leases for its administrative offices. These leases expire at various dates through October 2027. Total operating lease expense for the years ended July 31, 2023 and 2022 were \$130,778 and \$126,162, respectively. Total short-term and variable lease costs not included in the operating lease agreements for the years ended July 31, 2023 and 2022 were \$31,042 and \$20,514, respectively.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

NOTE 17. LEASING ACTIVITIES (CONTINUED)

As of July 31, 2023, the Organization's future minimum payments on operating and finance leases, including interest, are as follows:

<u>Year ending July 31:</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 129,550	\$ 10,969
2025	108,446	5,720
2026	55,375	5,720
2027	39,630	5,720
2028	<u>9,591</u>	<u>-</u>
Net minimum lease payments	342,592	28,129
Less interest	<u>13,632</u>	<u>1,432</u>
Present value of lease liabilities	<u>\$ 328,960</u>	<u>\$ 26,697</u>

Supplemental cash flow information related to leases was as follows for the year ended July 31, 2023:

Cash paid for amount included in measurement of lease liabilities:

Operating cash flows from operating leases	127,900
Operating cash flows from finance leases	994
Financing cash flows from finance leases	11,026

Average lease terms and discount rates were as follows:

Weighted-average remaining lease term (in years):

Operating leases	3.10
Finance leases	3.40

Weighted-average discount rate (%):

Operating leases	2.74 %
Finance leases	3.11 %

Rental Income

The Organization leases space to one other company which was in effect at July 31, 2023. The aggregate future minimum lease receipts under the lease agreement is as follows:

<u>Year ending July 31:</u>	<u>Amount</u>
2024	\$ 97,909
2025	123,375
2026	127,875
2027	132,375
2028	136,875
Thereafter	<u>34,500</u>
	<u>\$ 652,909</u>

SUPPLEMENTARY INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2023

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	2023 Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Contributed support:								
Grants	\$ 285,288	\$ 4,869,034	\$ 5,154,322	\$ 485,010	\$ -	\$ 485,010	\$ -	\$ 5,639,332
Contributions	<u>8,475,466</u>	<u>2,222,375</u>	<u>10,697,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,697,841</u>
Total contributed support	<u>8,760,754</u>	<u>7,091,409</u>	<u>15,852,163</u>	<u>485,010</u>	<u>-</u>	<u>485,010</u>	<u>-</u>	<u>16,337,173</u>
Earned and other revenue:								
Fees for services	794,409	-	794,409	149,945	-	149,945	72,898	1,017,252
Rent and other earned revenue	46,064	-	46,064	-	-	-	-	46,064
Dividend and interest income	223,356	82,586	305,942	-	-	-	-	305,942
Realized/unrealized gains on investments	289,722	490,268	779,990	-	-	-	-	779,990
Change in the value of split-interest agreements	<u>(2,804)</u>	<u>5,771</u>	<u>2,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,967</u>
Total earned and other revenue	<u>1,350,747</u>	<u>578,625</u>	<u>1,929,372</u>	<u>149,945</u>	<u>-</u>	<u>149,945</u>	<u>72,898</u>	<u>2,152,215</u>
Net assets released from donor restrictions:								
Satisfaction of purpose restrictions (grants)	10,596,876	(10,596,876)	-	-	-	-	-	-
Satisfaction of purpose restrictions (contributions)	1,748,849	(1,748,849)	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	<u>375,218</u>	<u>(375,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from donor restrictions	<u>12,720,943</u>	<u>(12,720,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total earned revenue, contributed support, and other revenue	<u>22,832,444</u>	<u>(5,050,909)</u>	<u>17,781,535</u>	<u>634,955</u>	<u>-</u>	<u>634,955</u>	<u>72,898</u>	<u>18,489,388</u>
Expenses:								
Program	16,898,400	-	16,898,400	557,053	-	557,053	46,076	17,501,529
General and administrative	2,263,114	-	2,263,114	52,319	-	52,319	-	2,315,433
Development and member engagement	<u>2,015,936</u>	<u>-</u>	<u>2,015,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,015,936</u>
Total expenses	<u>21,177,450</u>	<u>-</u>	<u>21,177,450</u>	<u>609,372</u>	<u>-</u>	<u>609,372</u>	<u>46,076</u>	<u>21,832,898</u>
Changes in net assets	1,654,994	(5,050,909)	(3,395,915)	25,583	-	25,583	26,822	(3,343,510)
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 12,405,321</u>	<u>\$ 17,854,336</u>	<u>\$ 30,259,657</u>	<u>\$ (1,349,065)</u>	<u>\$ -</u>	<u>\$ (1,349,065)</u>	<u>\$ 150,422</u>	<u>\$ 29,061,014</u>

See independent auditor's report.