

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

Conservation Law Foundation, Inc. and Subsidiaries

July 31, 2010 and 2009

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Report of Independent Certified Public Accountants

Board of Trustees
Conservation Law Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of Conservation Law Foundation, Inc. and Subsidiaries (the "Foundation") as of July 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Conservation Law Foundation, Inc. and Subsidiaries as of July 31, 2010 and 2009, and their consolidated operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Grant Thornton LLP

Boston, Massachusetts
December 23, 2010

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

July 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,848,577	1,704,644
Short term investments (note D)	1,209,948	1,398,558
Accounts receivable, net	274,435	131,433
Grants receivable	1,212,272	456,562
Contributions receivable, net (note E)	-	568,892
Prepaid expenses	29,751	34,578
Total current assets	4,574,983	4,294,667
INVESTMENTS		
Investments (note D)	8,011,615	7,614,712
Investments under charitable remainder trust and charitable gift annuity agreements	800,864	823,393
Total investments	8,812,479	8,438,105
PROPERTY AND EQUIPMENT, NET (note F)	3,765,806	3,892,237
OTHER ASSETS:		
Investments - deferred compensation plans (note H)	31,445	27,421
Security deposits	14,281	11,205
Bond acquisition costs, net	31,678	34,318
	77,404	72,944
TOTAL ASSETS	\$ 17,230,672	\$ 16,697,953
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of charitable annuity and charitable remainder trust liability	30,639	32,378
Current portion of capital lease obligations (note I)	8,576	14,811
Current portion of long-term debt (note G)	127,728	120,498
Accounts payable	232,117	31,015
Accrued expenses	195,102	175,991
Grant payable	173,440	47,101
Total current liabilities	767,602	421,794
LONG-TERM LIABILITIES:		
Capital lease payable (note I)	14,388	12,536
Long-term debt (note G)	2,048,815	2,141,188
Security deposits	13,091	2,917
Deferred compensation benefits payable (note H)	31,445	27,421
Charitable annuity and charitable remainder trust liability	92,843	104,882
Total long-term liabilities	2,200,582	2,288,944
Total liabilities	2,968,184	2,710,738
COMMITMENTS (note J)		
NET ASSETS		
Unrestricted	1,714,640	1,283,180
Board Designated	1,231,170	-
Total Unrestricted Net Assets	2,945,810	1,283,180
Temporarily restricted	6,025,900	7,463,348
Permanently restricted	5,290,778	5,240,687
Total net assets	14,262,488	13,987,215
TOTAL LIABILITIES AND NET ASSETS	\$ 17,230,672	\$ 16,697,953

The accompanying notes are an integral part of the consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended July 31, 2010

(with summarized information for the year ended July 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
CONTRIBUTED SUPPORT					
Contributions	\$ 1,393,522	\$ -	\$ 50,000	\$ 1,443,522	\$ 2,069,922
Grants	410,381	2,305,919		2,716,300	2,437,422
Total Contributed Support	<u>1,803,903</u>	<u>2,305,919</u>	<u>50,000</u>	<u>4,159,822</u>	<u>4,507,344</u>
EARNED REVENUE					
Dividend and interest income	142,596	-	-	142,596	183,909
Realized/unrealized loss on investments	670,002	1,444	-	671,446	(791,303)
Changes in the value of split-interest agreements	(16,922)	(5,155)	91	(21,986)	(105,863)
Other earned revenue	201,574	-	-	201,574	155,863
Fees for services	677,439	-	-	677,439	557,880
Fund investment income transfers	-	-	-	-	-
Fund reclassifications	22,927	(22,927)	-	-	-
Total earned revenue	<u>1,697,616</u>	<u>(26,638)</u>	<u>91</u>	<u>1,671,069</u>	<u>486</u>
NET ASSETS RELEASED FROM RESTRICTION					
Satisfaction of purpose restrictions (grants)	1,815,692	(1,815,692)	-	-	-
Satisfaction of purpose restrictions (individual contributions)	108,504	(108,504)	-	-	-
Satisfaction of Capital Campaign Restrictions	1,257,058	(1,257,058)	-	-	-
Satisfaction of timing restrictions	535,475	(535,475)	-	-	-
Total net assets released from restriction	<u>3,716,729</u>	<u>(3,716,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and contributed support	7,218,248	(1,437,448)	50,091	5,830,891	4,507,830
EXPENSES					
Program	4,313,005	-	-	4,313,005	3,889,526
Fundraising, membership and grant procurement	544,315	-	-	544,315	580,927
General & Administrative	698,298	-	-	698,298	498,330
Total expenses	<u>5,555,618</u>	<u>-</u>	<u>-</u>	<u>5,555,618</u>	<u>4,968,783</u>
CHANGE IN NET ASSETS	1,662,630	(1,437,448)	50,091	275,273	(460,953)
NET ASSETS AT BEGINNING OF YEAR	<u>1,283,180</u>	<u>7,463,348</u>	<u>5,240,687</u>	<u>13,987,215</u>	<u>14,448,168</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,945,810</u>	<u>\$ 6,025,900</u>	<u>\$ 5,290,778</u>	<u>\$ 14,262,488</u>	<u>\$ 13,987,215</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended July 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTED SUPPORT				
Contributions	\$ 1,428,419	\$ 641,503	\$ -	\$ 2,069,922
Grants	257,122	2,180,300	-	2,437,422
Total Contributed Support	<u>1,685,541</u>	<u>2,821,803</u>	<u>-</u>	<u>4,507,344</u>
EARNED REVENUE				
Dividend and interest income	17,012	166,897	-	183,909
Realized/unrealized loss on investments	(532,441)	(258,862)	-	(791,303)
Changes in the value of split-interest agreements	(19,306)	(67,684)	(18,873)	(105,863)
Other earned revenue	155,863	-	-	155,863
Fees for services	557,880	-	-	557,880
Fund investment income transfers	408,036	(408,036)	-	-
Total earned revenue	<u>587,044</u>	<u>(567,685)</u>	<u>(18,873)</u>	<u>486</u>
NET ASSETS RELEASED FROM RESTRICTION				
Satisfaction of purpose restrictions (grants)	1,757,454	(1,757,454)	-	-
Satisfaction of purpose restrictions (individual contributions)	27,688	(27,688)	-	-
Satisfaction of Capital Campaign Restrictions	904,303	(904,303)	-	-
Satisfaction of timing restrictions	405,000	(405,000)	-	-
Total net assets released from restriction	<u>3,094,445</u>	<u>(3,094,445)</u>	<u>-</u>	<u>-</u>
Total revenue and contributed support	5,367,030	(840,327)	(18,873)	4,507,830
EXPENSES				
Program	3,889,526	-	-	3,889,526
Fundraising, membership and grant procurement	580,927	-	-	580,927
General & Administrative	498,330	-	-	498,330
Total expenses	<u>4,968,783</u>	<u>-</u>	<u>-</u>	<u>4,968,783</u>
CHANGE IN NET ASSETS	398,247	(840,327)	(18,873)	(460,953)
NET ASSETS AT BEGINNING OF YEAR	<u>884,933</u>	<u>8,303,675</u>	<u>5,259,560</u>	<u>14,448,168</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,283,180</u>	<u>\$ 7,463,348</u>	<u>\$ 5,240,687</u>	<u>\$ 13,987,215</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended July 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 275,273	\$ (460,953)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	205,525	205,161
Change in value of split-interest agreements	21,986	105,863
Net realized and unrealized loss (gain) on investments	(671,446)	782,229
Provision for uncollectible contributions	(2,881)	(32,309)
Cash receipts of permanently restricted contributions	(50,000)	-
(Increase) decrease in:		
Accounts receivable	(140,121)	131,588
Grants receivable	(755,710)	(265,770)
Contributions receivable	568,892	(146,768)
Prepaid expenses and deposits	4,827	13,074
Beneficial interest in charitable remainder trusts	22,529	122,295
Security deposits	(3,076)	-
Increase (decrease) in:		
Accounts payable	201,102	(94,295)
Accrued expenses	19,111	(7,578)
Grant payable	126,339	(76,790)
Security deposits held from tenants	10,174	-
Charitable annuities obligation	16,922	-
Net cash (used in) provided by operating activities	<u>(150,554)</u>	<u>275,747</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(76,454)	(6,158)
Purchases of investments	(3,087,058)	(2,846,297)
Proceeds from sales and maturities of investments	3,528,225	1,617,988
Net cash provided by (used in) investing activities	<u>364,713</u>	<u>(1,234,467)</u>
FINANCING ACTIVITIES:		
Cash receipts of permanently restricted contributions	50,000	-
Debt reserves	-	1,148
Payments of debt	(85,143)	(116,139)
Payments of auto loan	-	(1,749)
Payments of capital leases	(4,383)	(15,643)
Payments on charitable annuities	(30,700)	(32,378)
Net cash used in financing activities	<u>(70,226)</u>	<u>(164,761)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	143,933	(1,123,481)
Cash and cash equivalents at beginning of year	<u>1,704,644</u>	<u>2,828,125</u>
Cash and cash equivalents at end of year	<u>\$ 1,848,577</u>	<u>\$ 1,704,644</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 110,096</u>	<u>\$ 91,924</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

July 31, 2010 and 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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. The Foundation received approximately 9% and 11% of its earned revenue and contributed support from one individual separately for each of the years ended July 31, 2010 and 2009, respectively.

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Financial Statement Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements also include the accounts of CLF Ventures, Inc. ("CLF Ventures") and Environmental Insurance Agency, Inc. (the "Agency").

CLF Ventures was incorporated in January 1997 as a not-for-profit organization under M.G.L. Chapter 180. CLF Ventures is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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 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%.

All significant intercompany transactions have been eliminated in consolidation.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

July 31, 2010 and 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Continued

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Permanently restricted - A donor-imposed restriction that stipulates that original resources be maintained permanently, but permits the Foundation to use or expend the economic benefits derived from the donated assets. Unless otherwise noted, interest and dividends are unrestricted, the principal is permanently restricted, and fund appreciation is temporarily restricted. Appreciation on permanently restricted funds is held in corresponding temporarily restricted appreciation funds.

Permanently restricted net assets are restricted for the following at July 31:

	<u>2010</u>	<u>2009</u>
Campaign for CLF State Endowment Funds: To strengthen CLF's financial position and security.	\$ 3,070,337	\$ 3,070,337
The Advocates Endowment Fund: Loan fund to support ongoing projects that have depleted their resources and to support new initiatives	952,545	952,545
Dave Cavers Fund: To support the hire of summer legal interns	453,355	453,355
Urgent Action Fund: Loan fund to support ongoing advocacy and major cases	494,189	494,189
The Brush Fund: To support general operations from income on fund	130,121	130,121
Beneficial Interest in Trust (held by donor's financial institution)	140,231	140,140
Keith L. Miller Fund: To support operations and advocacy in NH	<u>50,000</u>	<u>-</u>
	<u>\$ 5,290,778</u>	<u>\$ 5,240,687</u>

The Foundation used \$399,504 and \$408,036 during the year ending July 31, 2010 and 2009, respectively, with its spending policy for endowment.

In order to protect the inviolate nature of the original corpus of permanently restricted gifts against potential market declines in the future, the Foundation does not distribute all cumulative net unrealized and realized gains on permanently restricted net assets. As a result, the cumulative net unrealized and realized appreciation on investments is accounted for as restricted and is not available for distribution except by the express action of the Board of Trustees of the Foundation.

