



CREATE GREATNESS
TOGETHER

Conservation Law Foundation, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended July 31, 2015 and 2014

and

Supplemental Information
Schedule of Expenditures of Federal Awards and
Reports on Compliance and Internal Control
Year Ended July 31, 2015

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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended July 31, 2015 and 2014

SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Year Ended July 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities.....	3-4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-21
Supplemental Information:	
Consolidating Schedule of Activities	22
Schedule of Temporarily Restricted Activity.....	23
Schedule of Permanently Restricted Activity.....	24
Consolidated Schedule of Expenditures of Federal Awards	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	29



10 Forbes Road West
Braintree MA 02184

444 Washington Street
Woburn MA 01801

T: 781-356-2000

F: 781-356-5450

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Conservation Law Foundation, Inc. and Subsidiaries
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conservation Law Foundation, Inc. and Subsidiaries as of July 31, 2015 and 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of activities, schedule of temporarily restricted activity and schedule of permanently restricted activity are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of Conservation Law Foundation, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conservation Law Foundation, Inc. and Subsidiaries' internal control over financial reporting and compliance.



Kirkland Albrecht & Fredrickson, LLC
Braintree, MA

November 24, 2015

CONSERVATION LAW FOUNDATION, INC. AND SUSIDIARIES

Consolidated Statements of Financial Position
 Years Ended July 31, 2015 and 2014

<u>ASSETS</u>		2015	2014
CURRENT ASSETS:			
Cash and cash equivalents	\$	3,507,809	\$ 1,588,940
Accounts receivable		841,033	144,193
Current portion of contributions and grants receivable		1,715,349	1,258,810
Prepaid expenses		133,601	85,515
Total current assets		<u>6,197,792</u>	3,077,458
PROPERTY AND EQUIPMENT, NET		<u>3,268,736</u>	3,422,185
INVESTMENTS:			
Investments		9,111,685	9,931,092
Investments related to charitable gift annuities		201,079	202,983
Total investments		<u>9,312,764</u>	10,134,075
OTHER ASSETS:			
Beneficial interests in charitable trusts		351,534	354,586
Contributions and grants receivable, net of current portion		589,794	365,000
Security deposits		13,144	9,151
Bond acquisition costs, net		18,479	21,119
Total assets		<u>\$ 19,752,243</u>	<u>\$ 17,383,574</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Current portion of long-term debt	\$	172,978	\$ 161,254
Current portion of capital lease obligations		10,603	8,727
Current portion of charitable annuity liability		13,486	13,486
Accounts payable		810,974	370,300
Accrued expenses		223,491	367,324
Deferred Revenue		37,607	271,985
Total current liabilities		<u>1,269,139</u>	1,193,076
LONG-TERM LIABILITIES:			
Long-term debt, net of current portion		1,276,117	1,450,705
Capital lease obligations, net of current portion		29,015	29,655
Charitable annuity liability, net of current portion		52,689	57,552
Security deposits		23,016	23,750
Total long-term liabilities		<u>1,380,837</u>	1,561,662
Total liabilities		<u>2,649,976</u>	2,754,738
NET ASSETS:			
Unrestricted		1,195,505	879,733
Board designated		2,543,366	2,523,649
Total unrestricted net assets		<u>3,738,871</u>	3,403,382
Temporarily restricted		7,766,836	5,780,753
Permanently restricted		5,596,560	5,444,701
Total net assets		<u>17,102,267</u>	14,628,836
Total liabilities and net assets		<u>\$ 19,752,243</u>	<u>\$ 17,383,574</u>

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended July 31, 2015

(with summarized information for the year ended July 31, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
CONTRIBUTED SUPPORT:					
Grants	\$ 151,657	\$ 3,925,854	\$ -	\$ 4,077,511	\$ 5,183,266
Contributions	2,113,971	2,672,327	162,700	4,948,998	1,986,896
Total contributed support	2,265,628	6,598,181	162,700	9,026,509	7,170,162
EARNED AND OTHER REVENUE:					
Fees for services	1,717,089	-	-	1,717,089	724,821
Rent and other earned revenue	199,300	-	-	199,300	218,380
Dividend and interest income	61,625	120,313	-	181,938	179,967
Realized/unrealized gains on investments	196,197	411,532	-	607,729	619,434
Changes in the value of split-interest agreements	(8,623)	7,789	(10,841)	(11,675)	8,278
Total earned revenue	2,165,588	539,634	(10,841)	2,694,381	1,750,880
NET ASSETS RELEASED FROM RESTRICTIONS:					
Satisfaction of purpose restrictions (grants)	3,697,205	(3,697,205)	-	-	-
Satisfaction of purpose restrictions (contributions)	1,142,485	(1,142,485)	-	-	-
Satisfaction of purpose restrictions (investment income)	312,042	(312,042)	-	-	-
Total net assets released from restrictions	5,151,732	(5,151,732)	-	-	-
Total earned revenue and contributed support	9,582,948	1,986,083	151,859	11,720,890	8,921,042
EXPENSES:					
Program	6,831,831	-	-	6,831,831	6,666,477
Fundraising, membership and grant procurement	743,269	-	-	743,269	561,124
General and administrative	1,672,359	-	-	1,672,359	1,176,245
Total expenses	9,247,459	-	-	9,247,459	8,403,846
CHANGE IN NET ASSETS	335,489	1,986,083	151,859	2,473,431	517,196
NET ASSETS, BEGINNING OF YEAR	3,403,382	5,780,753	5,444,701	14,628,836	14,111,640
NET ASSETS, END OF YEAR	\$ 3,738,871	\$ 7,766,836	\$ 5,596,560	\$ 17,102,267	\$ 14,628,836

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended July 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTED SUPPORT:				
Grants	\$ 328,836	\$ 4,854,430	\$ -	\$ 5,183,266
Contributions	1,839,756	102,340	44,800	1,986,896
Total contributed support	2,168,592	4,956,770	44,800	7,170,162
EARNED AND OTHER REVENUE:				
Fees for services	724,821	-	-	724,821
Rent and other earned revenue	218,380	-	-	218,380
Dividend and interest income	46,755	133,212	-	179,967
Realized/unrealized gains on investments	167,697	451,737	-	619,434
Changes in the value of split interest agreements	(6,976)	9,589	5,665	8,278
Total earned revenue	1,150,677	594,538	5,665	1,750,880
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of purpose restrictions (grants)	4,140,143	(4,140,143)	-	-
Satisfaction of purpose restrictions (contributions)	148,685	(148,685)	-	-
Satisfaction of purpose restrictions (investment income)	328,260	(328,260)	-	-
Total net assets released from restrictions	4,617,088	(4,617,088)	-	-
Total revenue and contributed support	7,936,357	934,220	50,465	8,921,042
EXPENSES:				
Program	6,666,477	-	-	6,666,477
Fundraising, membership and grant procurement	561,124	-	-	561,124
General and administrative	1,176,245	-	-	1,176,245
Total Expense	8,403,846	-	-	8,403,846
CHANGE IN NET ASSETS	(467,489)	934,220	50,465	517,196
NET ASSETS, BEGINNING OF YEAR	3,870,871	4,846,533	5,394,236	14,111,640
NET ASSETS, END OF YEAR	\$ 3,403,382	\$ 5,780,753	\$ 5,444,701	\$ 14,628,836

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
 Years Ended July 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,473,431	\$ 517,196
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	228,686	246,533
Change in value of split-interest agreements	11,675	(8,278)
Realized and unrealized gains on investments	(607,729)	(619,434)
(Increase) decrease in:		
Accounts receivable	(696,840)	(48,840)
Contributions and grants receivable	(681,333)	(736,608)
Prepaid expense	(48,086)	62,612
Security deposits	(3,993)	5,214
Investments related to charitable gift annuities	1,904	(2,283)
Beneficial interest in charitable remainder trusts and gift annuities	3,052	(15,254)
Increase (decrease) in:		
Accounts payable	440,674	189,718
Accrued expenses	(143,833)	(204)
Deferred revenue	(234,378)	271,985
Security deposits	(734)	10,656
Charitable annuities obligation	(4,863)	(9,880)
Net cash provided (used) by operating activities	737,633	(136,867)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,956,401	2,158,368
Purchases of investments	(1,536,077)	(2,027,964)
Purchases of property and equipment	(62,009)	(32,451)
Net cash provided by investing activities	1,358,315	97,953
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	(162,864)	(153,985)
Payments on capital leases	(9,352)	(12,330)
Payments on charitable annuities, net	(4,863)	(6,510)
Net cash used by financing activities	(177,079)	(172,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,918,869	(211,739)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,588,940	1,800,679
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,507,809	\$ 1,588,940
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 42,677	\$ 48,635
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Property and equipment acquired through capital leases	\$ 10,588	\$ 18,664

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

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 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%.

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. 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 Accounting Standards Codification (“FASB ASC”) Subtopic *Presentation of Financial Statements* for 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:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Use of Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 in bank deposit accounts, 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 \$15,436 and \$8,481 at July 31, 2015 and 2014, respectively.

Contributions and Grants Receivable – Contributions receivable are valued based on non-recurring fair value measurements. Multi-year pledges received during the fiscal year are recorded at their estimated fair value discounted at an appropriate discount rate commensurate with the risk involved. The unamortized discount was \$28,856 at July 31, 2015. There was no discount recorded at July 31, 2014, as the balance was not material to the consolidated financial statements as a whole.

Property and Equipment – Property and equipment with an expected useful life greater than one year 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	39
Building improvements	5-10
Furniture and equipment	3-5

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Valuation 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*. The FASB ASC Topic *Property, Plant and Equipment* require 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, 2015 and 2014, the Organization has determined that no long-lived assets are impaired.

Investments – Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Investment income, and investment gains and losses are reported as increases in unrestricted net assets or temporarily restricted net assets if restricted by the donor.

Fair Value Measurement – The Organization follows the provisions of *Fair Value Measurements and Disclosures* Topic of the FASB ASC. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The *Fair Value Measurements and Disclosures* Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

Level 1 – Quoted prices that are available in active markets for identical assets or liabilities.

Level 2 – Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Fair Value Measurement...continued – 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, 2015 and 2014.

- **Investments** – Investments whose values are based on quoted market prices in active markets are classified as Level 1. These investments primarily consist of 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.
- **Debt Securities** – The estimated fair values of debt securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available, marketable debt instruments are priced using nonbinding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data.
- **Beneficial interests in charitable trusts** – Beneficial interests in charitable trusts are non-recurring Level 3 fair value measurements. These instruments are initially recorded at the present value of future cash flows with a discount rate adjusted for any market conditions to arrive at fair value.

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 the 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 Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors 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

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued***Endowment...continued*** – Interpretation of Relevant Law

The Foundation has adopted the portion of Subtopic 205 of the FASB ASC that relates to “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds”. This FASB ASC Subtopic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws). Effective June 30, 2009, the Commonwealth of Massachusetts adopted UPMIFA in its General Laws chapter 180A. Among UPMIFA’s most significant changes is the elimination of the concept of historic dollar value threshold, the amount below which an organization cannot spend from a fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The FASB ASC Subtopic serves as a guideline for states to use in enacting legislation. This guidance also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

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 those assets of donor-restricted funds that the organization must hold in perpetuity. Under the Foundation's Investment Policy and spending rate, both of which are approved by the Board of Directors, 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 managers. The rationale for including an array of alternative strategy managers for a portion of the Foundation's portfolio is to reduce overall volatility while providing equity-like returns.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued***Endowment – Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Foundation makes monthly distributions from restricted to unrestricted net assets. Using this methodology, the Foundation established a spending rate of 5% of the market value of invested funds, calculated on a rolling three year average. Distributions are made monthly in an amount equal to the average market value of the restricted funds averaged out over a three year period. In the event that the distributions exceed net investment income, or the Foundation's Board designated endowment funds, they are deducted from unrestricted unrealized /realized gains /losses. Spending distributions (from both endowment, board designated endowment, and invested temporarily restricted funds) as calculated using the spending rate were \$460,330 and \$440,736, for the years ended July 31, 2015 and 2014, respectively.

In addition, withdrawals from board designated endowments may occur subject to the approval of the Board of Directors. Distributions of \$370,000 from board designated endowments were approved and spent during fiscal year 2014. There were no board designated endowment distributions in fiscal year 2015.

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 term. 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 recorded in the consolidated statements of financial position as temporarily restricted net assets.

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 perpetual trusts is measured using the fair value of the assets contributed to the trust. Such amounts are included in permanently restricted net assets in the accompanying consolidated statements of financial position.

Bond Issue Costs – Bond issue costs in connection with the bond issuance were deferred and are amortized on a straight-line basis over the life of the debt issue.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions and grants received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset category, and a reclassification to unrestricted net assets 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 of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

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. During the years ended July 31, 2015 and 2014, the Organization received approximately \$577,000 and \$877,000, respectively, of donated legal and other professional services. These services would not have been purchased if not donated. As such, no contribution is reflected in the consolidated statements of activities.

Taxes – The 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 (the Code). Accordingly, no provision for income taxes has been included in the accompanying 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Taxes...continued – Accounting principles generally accepted in the United States of America require 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 has analyzed the tax positions taken by the Organization, and has concluded that as of July 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to tax examinations for years prior to July 31, 2012.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events – The Organization has evaluated all events subsequent to the consolidated statement of financial position date of July 31, 2015, through the date which the consolidated financial statements were available to be issued, November 24, 2015, and has determined there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

The balance of contributions receivable at July 31, 2015 and 2014 are as follows:

	2015	2014
	<u> </u>	<u> </u>
Gross contributions receivable	\$ 2,833,999	\$ 1,623,810
Less allowance for uncollectible contributions	500,000	-
Less unamortized discount	<u>28,856</u>	<u>-</u>
Net contributions receivable	2,305,143	1,623,810
Less current portion	<u>1,715,349</u>	<u>1,258,810</u>
Contribution receivable, net of current portion	<u>\$ 589,794</u>	<u>\$ 365,000</u>

The expected collection period for the contributions receivable at July 31, 2015 and 2014 are as follows:

	2015	2014
	<u> </u>	<u> </u>
Less than one year	\$ 1,715,349	\$ 1,258,810
One to five years	878,650	125,000
More than five years	<u>240,000</u>	<u>240,000</u>
Gross contributions receivable	<u>\$ 2,833,999</u>	<u>\$ 1,623,810</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at July 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 397,501	\$ 397,501
Building	4,553,136	4,553,136
Building improvements	343,692	319,369
Furniture and equipment	610,242	608,784
Construction in progress	24,000	-
	<u>5,928,571</u>	<u>5,878,790</u>
Less accumulated depreciation and amortization	<u>2,659,835</u>	<u>2,456,605</u>
Property and equipment, net	<u>\$ 3,268,736</u>	<u>\$ 3,422,185</u>

Depreciation expense for the years ended July 31, 2015 and 2014 totaled \$226,046 and \$243,893, respectively.

Construction in process at July 31, 2015 consisted of website development costs expected to be completed during the year ended July 31, 2016.

5. INVESTMENTS

Investments are recorded at fair value. Changes in fair values are reflected in the statement of activities as gains or losses on investments. The fair value was as follows at July 31:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 501,298	\$ 736,221
Corporate bonds	1,585,684	1,760,139
Corporate stocks	6,871,947	7,095,016
Mutual funds	353,835	542,699
Total investments	<u>\$ 9,312,764</u>	<u>\$ 10,134,075</u>

The Corporate bonds mature at various dates, with final maturity in November, 2022.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements
 Years Ended July 31, 2015 and 2014

6. FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of July 31, by level within the fair value hierarchy.

Fair Value Measurements as of July 31, 2015				
	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 501,298	\$ -	\$ -	\$ 501,298
Corporate bonds	-	1,585,684	-	1,585,684
Corporate stocks	6,871,947	-	-	6,871,947
Mutual funds	353,835	-	-	353,835
	7,727,080	1,585,684	-	9,312,764
Beneficial Interests in Charitable Trusts	-	-	351,534	351,534
	<u>\$ 7,727,080</u>	<u>\$ 1,585,684</u>	<u>\$ 351,534</u>	<u>\$ 9,664,298</u>
Fair Value Measurements as of July 31, 2014				
	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 736,221	\$ -	\$ -	\$ 736,221
Corporate bonds	-	1,760,139	-	1,760,139
Corporate stocks	7,095,016	-	-	7,095,016
Mutual funds	542,699	-	-	542,699
	8,373,936	1,760,139	-	10,134,075
Beneficial Interests in Charitable Trusts	-	-	354,586	354,586
	<u>\$ 8,373,936</u>	<u>\$ 1,760,139</u>	<u>\$ 354,586</u>	<u>\$ 10,488,661</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

6. FAIR VALUE MEASUREMENTS...continued

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) that occurred in these assets during fiscal years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 354,586	\$ 339,332
Total gains or losses included in change in net assets	<u>(3,052)</u>	<u>15,254</u>
Ending balance, July 31	<u>\$ 351,534</u>	<u>\$ 354,586</u>

7. ENDOWMENT

The Foundation's endowment consists of eleven individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and board designated funds. As required by accounting principles generally accepted in the United States, 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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 1,087,967	\$ 5,438,095	\$ 6,526,062
Board-designated funds	<u>2,543,366</u>	<u>-</u>	<u>-</u>	<u>2,543,366</u>
	<u>\$ 2,543,366</u>	<u>\$ 1,087,967</u>	<u>\$ 5,438,095</u>	<u>\$ 9,069,428</u>

Endowment Net Asset Composition by Type of Fund are of July 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 886,769	\$ 5,275,395	\$ 6,162,164
Board-designated funds	<u>2,153,649</u>	<u>-</u>	<u>-</u>	<u>2,153,649</u>
	<u>\$ 2,153,649</u>	<u>\$ 886,769</u>	<u>\$ 5,275,395</u>	<u>\$ 8,315,813</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

7. ENDOWMENT...continuedChanges in Endowment Net Assets for the Year Ended July 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 2,153,649	\$ 886,769	\$ 5,275,395	\$ 8,315,813
Investment return:				
Investment income	38,498	110,129	-	148,627
Net appreciation	<u>131,680</u>	<u>376,700</u>	<u>-</u>	<u>508,380</u>
Total investment return	<u>170,178</u>	<u>486,829</u>	<u>-</u>	<u>657,007</u>
New gifts/board designations	319,385	-	162,700	482,085
Appropriation of endowment assets for operations (draw)	<u>(99,846)</u>	<u>(285,631)</u>	<u>-</u>	<u>(385,477)</u>
Net assets, end of year	<u>\$ 2,543,366</u>	<u>\$ 1,087,967</u>	<u>\$ 5,438,095</u>	<u>\$ 9,069,428</u>

Changes in Endowment Net Assets for the Year Ended July 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 2,405,367	\$ 695,458	\$ 5,230,595	\$ 8,331,420
Investment return:				
Investment income	45,644	99,284	-	144,928
Net appreciation	<u>154,784</u>	<u>336,680</u>	<u>-</u>	<u>491,464</u>
Total investment return	<u>200,428</u>	<u>435,964</u>	<u>-</u>	<u>636,392</u>
New gifts/board designations	30,330	-	44,800	75,130
Appropriation of endowment assets for operations (draw)	(112,476)	(244,653)	-	(357,129)
Additional withdrawals from board designated	<u>(370,000)</u>	<u>-</u>	<u>-</u>	<u>(370,000)</u>
Net assets, end of year	<u>\$ 2,153,649</u>	<u>\$ 886,769</u>	<u>\$ 5,275,395</u>	<u>\$ 8,315,813</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements
Years Ended July 31, 2015 and 2014

8. SPLIT INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled \$201,079 and \$202,983 at July 31, 2015 and 2014, respectively. The liability related to charitable gift annuities was \$66,175 and \$71,038 at July 31, 2015 and 2014, respectively.

The assets recorded under beneficial interests in charitable trusts are included in the Foundation's Consolidated Statements of Financial Position. The beneficial interest in the charitable remainder unitrust was \$193,069 and \$185,280 at July 31, 2015 and 2014, respectively. The beneficial interest in a perpetual trust was \$158,465 and \$169,306 at July 31, 2015 and 2014, respectively.

9. LONG-TERM DEBT

Long-term debt consists of the following on July 31:

	<u>2015</u>	<u>2014</u>
Obligation with MassDevelopment (formerly Massachusetts Health and Educational Facilities Authority ("MHEFA"), Capital Asset Program Issue, Series 0-1, variable interest rate (0.07% at July 31, 2015), with balance due in full on June 25, 2022.	\$ 1,449,095	\$ 1,611,959
Less current portion	<u>172,978</u>	<u>161,254</u>
Non-current portion	<u>\$ 1,276,117</u>	<u>\$ 1,450,705</u>

Principal payments on debt are due for the years ended July 31, as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 172,978
2017	183,233
2018	194,105
2019	205,628
2020	217,843
Thereafter	<u>475,308</u>
Total	<u>\$ 1,449,095</u>

Interest expense and fees associated with the debt were \$41,218 and \$45,782 for the years ended July 31, 2015 and 2014, respectively.

In connection with the NIFIEFA obligation, the Foundation entered into a letter of credit agreement with a financial institution totaling \$2,720,000, expiring in fiscal year 2023. The letter of credit is secured by all business assets of the Foundation including a first mortgage on the buildings and contains certain covenants, the most restrictive of which are debt service coverage and leverage ratios. In addition, the Foundation must maintain unrestricted cash and eligible investment levels, as defined in the agreement, of \$1,000,000 on a consolidated basis. The Foundation was in compliance with all covenants at July 31, 2015.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	\$ 1,456,064	\$ 1,460,225
Campaign for Leadership	1,559,327	-
Appreciation on permanently restricted net assets	1,087,967	886,769
Fosters Charitable Trust: For general support (time restriction)	449,285	430,680
Grant revenue: restricted by time and/or purpose	3,022,430	2,793,781
RI Founding Donors Fund: To support operations in RI office	1,844	29,177
Other purpose and time restricted contributions	<u>189,919</u>	<u>180,121</u>
Total temporarily restricted net assets	<u>\$ 7,766,836</u>	<u>\$ 5,780,753</u>

11. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes:

	<u>2015</u>	<u>2014</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: 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: To support ongoing advocacy and major cases	494,189	494,189
Beneficial Interest in Trust (held by donor's financial institution)	158,465	169,306
The Brush Fund: To support general operations on fund	130,121	130,121
Michael Moskow Fund: To support the cost of volunteer attorney program	287,548	124,848
Keith L. Miller Fund: To support operations and advocacy in NH	<u>50,000</u>	<u>50,000</u>
Total permanently restricted net assets	<u>\$ 5,596,560</u>	<u>\$ 5,444,701</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

12. 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 2% 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 \$60,769 and \$59,482 for the years ended July 31, 2015 and 2014, respectively.

13. OPERATING LEASE OBLIGATIONS

The Organization leases office space and equipment under operation lease agreements that have initial or non-cancelable lease terms in excess of one year. At July 31, 2015, minimum future lease obligations are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 46,332
2017	28,592
2018	19,954
2019	20,555
2020	<u>20,103</u>
	<u>\$ 135,536</u>

Rent expense for the years ended July 31, 2015 and 2014 was \$99,637 and \$104,512, respectively.

14. CAPITAL LEASE OBLIGATIONS

The Organization leases six copiers under capital leases that expire at various dates through 2020. The equipment has a combined capitalized cost of \$52,332 and \$61,583 at July 31, 2015 and 2014, respectively. Accumulated depreciation in Note 4 included \$17,815 and \$27,253 relating to the leased equipment at July 31, 2015 and 2014, respectively. Amortization of assets held under capital leases is included with depreciation expense. Minimum future lease payments for the years ended July 31, exclusive of interest and fees, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 10,603
2017	11,789
2018	11,486
2019	4,369
2020	<u>1,371</u>
Total minimum lease payments	39,618
Less current portion	<u>10,603</u>
Non-current portion	<u>\$ 29,015</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements

Years Ended July 31, 2015 and 2014

15. LEASING ACTIVITIES

The Foundation leases space to not-for-profit and other organizations which were in effect at July 31, 2015.

The following schedule shows the aggregate future minimum lease receipts required by year, for the next five years and thereafter, under the lease agreements:

<u>Year</u>	<u>Amount</u>
2015	\$ 154,856
2016	154,856
2017	151,196
2018	158,781
2019	162,013
Thereafter	<u>471,500</u>
	<u>\$ 1,253,202</u>

SUPPLEMENTAL INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Combining Schedule of Activities

Year ended July 31, 2015

	Conservation Law Foundation, Inc.			CLF Ventures			Environmental Insurance Agency, Inc.	Consolidated Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total		Unrestricted
CONTRIBUTED SUPPORT:									
Grants	\$ 151,657	\$ 3,349,077	\$ -	\$ 3,500,734	\$ -	\$ 576,777	\$ 576,777	\$ -	\$ 4,077,511
Contributions	2,113,471	2,672,327	162,700	4,948,498	500	-	500	-	4,948,998
Total contributed support	2,265,128	6,021,404	162,700	8,449,232	500	576,777	577,277	-	9,026,509
EARNED AND OTHER REVENUE:									
Fees for services	569,686	-	-	569,686	1,094,845	-	1,094,845	52,558	1,717,089
Rent and other earned revenue	199,300	-	-	199,300	-	-	-	-	199,300
Dividend and interest income	61,625	120,313	-	181,938	-	-	-	-	181,938
Realized/unrealized gains on investments	196,197	411,532	-	607,729	-	-	-	-	607,729
Changes in the value of split interest agreements	(8,623)	7,789	(10,841)	(11,675)	-	-	-	-	(11,675)
Total earned revenue	1,018,185	539,634	(10,841)	1,546,978	1,094,845	-	1,094,845	52,558	2,694,381
NET ASSETS RELEASED FROM RESTRICTIONS:									
Satisfaction of purpose restrictions (grants)	3,614,736	(3,614,736)	-	-	82,469	(82,469)	-	-	-
Satisfaction of purpose restrictions (contributions)	1,142,485	(1,142,485)	-	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	312,042	(312,042)	-	-	-	-	-	-	-
Total net assets released from restrictions	5,069,263	(5,069,263)	-	-	82,469	(82,469)	-	-	-
Total earned revenue and contributed support	8,352,576	1,491,775	151,859	9,996,210	1,177,814	494,308	1,672,122	52,558	11,720,890
EXPENSES:									
Program	5,620,833	-	-	5,620,833	1,162,116	-	1,162,116	48,882	6,831,831
Fundraising, membership and grant procurement	743,269	-	-	743,269	-	-	-	-	743,269
General & administrative	1,565,181	-	-	1,565,181	107,178	-	107,178	-	1,672,359
Total expenses	7,929,283	-	-	7,929,283	1,269,294	-	1,269,294	48,882	9,247,459
CHANGES IN NET ASSETS	423,293	1,491,775	151,859	2,066,927	(91,480)	494,308	402,828	3,676	2,473,431
NET ASSETS, BEGINNING OF YEAR	4,152,857	5,756,945	5,444,701	15,354,503	(822,299)	23,808	(798,491)	72,824	14,628,836
NET ASSETS, END OF YEAR	\$ 4,576,150	\$ 7,248,720	\$ 5,596,560	\$ 17,421,430	\$ (913,779)	\$ 518,116	\$ (395,663)	\$ 76,500	\$ 17,102,267

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Schedule of Temporarily Restricted Activity

Year ended July 31, 2015

	Temporarily Restricted							Total
	Fosters Charitable	Campaign For CLF	Leadership Campaign	RI Founding Donor Fund	Individual Giving	Grants	Appreciation Fund	
CONTRIBUTED SUPPORT:								
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,925,854	\$ -	\$ 3,925,854
Contributions	-	-	2,655,327	-	17,000	-	-	2,672,327
Total contributed support	-	-	2,655,327	-	17,000	3,925,854	-	6,598,181
EARNED AND OTHER REVENUE:								
Dividend and interest income	10,184	-	-	-	-	-	110,129	120,313
Realized/unrealized gains on investments	34,832	-	-	-	-	-	376,700	411,532
Change in the value of split interest agreements	-	7,789	-	-	-	-	-	7,789
Total earned revenue	45,016	7,789	-	-	-	-	486,829	539,634
NET ASSETS RELEASED FROM RESTRICTIONS:								
Satisfaction of purpose restrictions (grants)	-	-	-	-	-	(3,697,205)	-	(3,697,205)
Satisfaction of purpose restrictions (contributions)	-	(11,950)	(1,096,000)	(27,333)	(7,202)	-	-	(1,142,485)
Satisfaction of purpose restrictions (investment income)	(26,411)	-	-	-	-	-	(285,631)	(312,042)
Total net assets released from restrictions	(26,411)	(11,950)	(1,096,000)	(27,333)	(7,202)	(3,697,205)	(285,631)	(5,151,732)
CHANGE IN NET ASSETS	18,605	(4,161)	1,559,327	(27,333)	9,798	228,649	201,198	1,986,083
NET ASSETS, BEGINNING OF YEAR	430,680	1,460,225	-	29,177	180,121	2,793,781	886,769	5,780,753
NET ASSETS, END OF YEAR	<u>\$ 449,285</u>	<u>\$ 1,456,064</u>	<u>\$ 1,559,327</u>	<u>\$ 1,844</u>	<u>\$ 189,919</u>	<u>\$ 3,022,430</u>	<u>\$ 1,087,967</u>	<u>\$ 7,766,836</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Schedule of Permanently Restricted Activity

Year ended July 31, 2015

	Permanently Restricted								Total
	Advocates	Beneficial Interest in Trust	Brush	Cavers	Urgent Action	State Endowments	Keith L. Miller Fund	Michael Moskow Fund	
CONTRIBUTED SUPPORT:									
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,700	\$ 162,700
Total contributed support	-	-	-	-	-	-	-	162,700	162,700
EARNED AND OTHER REVENUE:									
Change in the value of split interest agreements	-	(10,841)	-	-	-	-	-	-	(10,841)
Total earned revenue	-	(10,841)	-	-	-	-	-	-	(10,841)
CHANGE IN NET ASSETS	-	(10,841)	-	-	-	-	-	162,700	151,859
NET ASSETS, BEGINNING OF YEAR	952,545	169,306	130,121	453,355	494,189	3,070,337	50,000	124,848	5,444,701
NET ASSETS, END OF YEAR	<u>\$ 952,545</u>	<u>\$ 158,465</u>	<u>\$ 130,121</u>	<u>\$ 453,355</u>	<u>\$ 494,189</u>	<u>\$ 3,070,337</u>	<u>\$ 50,000</u>	<u>\$ 287,548</u>	<u>\$ 5,596,560</u>

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Consolidated Schedule of Expenditures of Federal Awards

Year Ended July 31, 2015

Federal Grantor/Pass-through Grantor/Programs Title/Pass - Through Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Pass-through programs from:		
Wholesome Wave		
Rural Community Development Initiative	10.446	\$ 16,250
U.S. Department of Commerce:		
Pass-through programs from:		
Restore Americas Estuaries		
Habitat Conservation	11.463	44,109
U.S. Department of Transportation:		
Pass-through programs from:		
Commonwealth of Massachusetts Highway Planning and Research		
Highway Planning and Construction	20.205	4,731
Environmental Protection Agency:		
Direct programs:		
National Clean Diesel Emissions Reduction Program (ARRA)	66.039	<u>954,662</u>
Total Expenditures of Federal Awards		<u>\$ 1,019,752</u>

NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDSBasis of Presentation

The accompanying Consolidated Schedule of Expenditures of Federal Awards includes the federal assistance activity of Conservation Law Foundation, Inc. and Subsidiaries (the "Organization") under programs of the federal government for the year ended July 31, 2014 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.



10 Forbes Road West
Braintree MA 02184
444 Washington Street
Woburn MA 01801
T: 781-356-2000
F: 781-356-5450

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Boards of Directors
Conservation Law Foundation, Inc. and Subsidiaries
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Conservation Law Foundation, Inc. and Subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended July 31, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conservation Law Foundation, Inc. and Subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, Conservation Law Foundation, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2015.

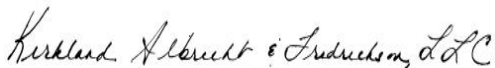
Report on Internal Control over Compliance

Management of Conservation Law Foundation, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conservation Law Foundation, Inc. and Subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

November 24, 2015



CREATE GREATNESS
TOGETHER

10 Forbes Road West
Braintree MA 02184

444 Washington Street
Woburn MA 01801

T: 781-356-2000

F: 781-356-5450

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Boards of Directors
Conservation Law Foundation, Inc. and Subsidiaries
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Conservation Law Foundation, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

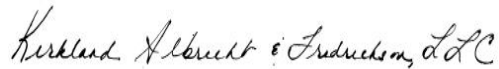
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conservation Law Foundation, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

November 24, 2015

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Schedule of Findings and Questioned Costs

Year Ended July 31, 2015

A. SUMMARY OF AUDIT RESULTSFinancial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------------------|
| 4. Internal control over major programs: | |
| Material weakness(es) identified? | No |
| c. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 5. Type of auditor's report issued on compliance for major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>Name of Federal Program or Cluster</u> | <u>CFDA</u> |
| National Clean Diesel Emissions Reduction Program | <u>Number</u>
66.039 |
| 8. Dollar threshold used to distinguish between Type A programs and Type B programs: | \$300,000 |
| 9. Auditee qualifies as a low risk auditee? | Yes |

B. FINANCIAL STATEMENT FINDINGS

None

C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Summary Schedule of Prior Audit Findings

Years Ended July 31, 2015 and 2014

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

A. FINANCIAL STATEMENT FINDINGS

None

B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None