CONSERVATION LAW FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

AND REPORTS ON INTERNAL CONTROL

YEARS ENDED JULY 31, 2016 AND 2015

CONSERVATION LAW FOUNDATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

For the Years Ended July 31, 2016 and 2015

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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 (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2016 and the related consolidated statements of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the 2016 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, 2016, 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.

Prior Period Financial Statements

The consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries as of July 31, 2015, were audited by other auditors whose report dated November 24, 2015, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2016 consolidating statement of activities and changes in net assets, 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. 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, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2015 consolidating information was subjected to auditing procedures applied in the 2015 audit of the basic consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2015 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 December 14, 2016, on our consideration Conservation Law Foundation, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 14, 2016

CONSERVATION LAW FOUNDATION, INC. AND SUSIDIARIES

Consolidated Statements of Financial Position
July 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	**$ 3,219,980**	$ 3,507,809
Accounts receivable	**430,968**	841,033
Current portion of contributions and grants receivable	**990,693**	1,715,349
Prepaid expenses	**86,260**	133,601
Total current assets	**4,727,901**	6,197,792
PROPERTY AND EQUIPMENT, NET	**3,437,984**	3,268,736
INVESTMENTS:		
Investments	**9,184,186**	9,111,685
Investments related to charitable gift annuities	**190,645**	201,079
Total investments	**9,374,831**	9,312,764
OTHER ASSETS:		
Beneficial interests in charitable trusts	**417,485**	351,534
Contributions and grants receivable, net of current portion	**463,412**	589,794
Security deposits	**13,144**	13,144
	894,041	954,472
Total assets	**$ 18,434,757**	$ 19,733,764

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES:		
Current portion of long-term debt	**$ 183,233**	$ 172,978
Current portion of capital lease obligations	**11,789**	10,603
Current portion of charitable annuity liability	**13,486**	13,486
Accounts payable	**562,392**	810,974
Accrued expenses	**241,245**	223,491
Deferred Revenue	**51,116**	37,607
Total current liabilities	**1,063,261**	1,269,139
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	**1,077,333**	1,257,638
Capital lease obligations, net of current portion	**17,226**	29,015
Charitable annuity liability, net of current portion	**52,981**	52,689
Security deposits	**23,016**	23,016
Total long-term liabilities	**1,170,556**	1,362,358
Total liabilities	**2,233,817**	2,631,497
NET ASSETS:		
Unrestricted	**1,785,578**	1,195,505
Board designated	**2,656,035**	2,543,366
Total unrestricted net assets	**4,441,613**	3,738,871
Temporarily restricted	**6,171,818**	7,766,836
Permanently restricted	**5,587,509**	5,596,560
Total net assets	**16,200,940**	17,102,267
Total liabilities and net assets	**$ 18,434,757**	$ 19,733,764

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended July 31, 2016 (with summarized information for the year ended July 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Contributed support:					
Grants	$ 30,428	$ 4,827,610	$ -	$ 4,858,038	$ 4,077,511
Contributions	2,000,696	215,303	-	2,215,999	4,948,998
Total contributed support	2,031,124	5,042,913	-	7,074,037	9,026,509
Earned and other revenue:					
Fees for services	1,302,978	-	-	1,302,978	1,717,089
Rent and other earned revenue	206,563	-	-	206,563	199,300
Dividend and interest income	41,884	108,682	-	150,566	181,938
Realized/unrealized gains on investments	41,315	123,965	-	165,280	607,729
Changes in the value of split-interest agreements	(13,778)	(10,671)	(9,051)	(33,500)	(11,675)
Total earned and other revenue	1,578,962	221,976	(9,051)	1,791,887	2,694,381
Net assets released from restrictions:					
Satisfaction of purpose restrictions (grants)	5,168,590	(5,168,590)	-	-	-
Satisfaction of purpose restrictions (contributions)	1,350,525	(1,350,525)	-	-	-
Satisfaction of purpose restrictions (investment income)	340,792	(340,792)	-	-	-
Total net assets released from restrictions	6,859,907	(6,859,907)	-	-	-
					-
Total earned revenue and contributed support	10,469,993	(1,595,018)	(9,051)	8,865,924	11,720,890
Functional expenses:					
Program	7,425,871	-	-	7,425,871	6,831,831
Fundraising, membership and grant procurement	824,254	-	-	824,254	743,269
General and administrative	1,517,126	-	-	1,517,126	1,672,359
Total functional expenses	9,767,251	-	-	9,767,251	9,247,459
Changes in net assets	702,742	(1,595,018)	(9,051)	(901,327)	2,473,431
Net assets at beginning of year	3,738,871	7,766,836	5,596,560	17,102,267	14,628,836
Net assets at end of year	$ 4,441,613	$ 6,171,818	$ 5,587,509	$ 16,200,940	$ 17,102,267

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended July 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributed support:				
Grants	$ 151,657	$ 3,925,854	$ -	$ 4,077,511
Contributions	2,113,971	2,672,327	162,700	4,948,998
Total contributed support	2,265,628	6,598,181	162,700	9,026,509
Earned and other revenue:				
Fees for services	1,717,089	-	-	1,717,089
Rent and other earned revenue	199,300	-	-	199,300
Dividend and interest income	61,625	120,313	-	181,938
Realized/unrealized gains on investments	196,197	411,532	-	607,729
Changes in the value of split-interest agreements	(8,623)	7,789	(10,841)	(11,675)
Total earned and other revenue	2,165,588	539,634	(10,841)	2,694,381
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
Functional expenses:				
Program	6,831,831	-	-	6,831,831
Fundraising, membership and grant procurement	743,269	-	-	743,269
General and administrative	1,672,359	-	-	1,672,359
Total functional expenses	9,247,459	-	-	9,247,459
Changes in net assets	335,489	1,986,083	151,859	2,473,431
Net assets at beginning of year	3,403,382	5,780,753	5,444,701	14,628,836
Net assets at end of year	$ 3,738,871	$ 7,766,836	$ 5,596,560	$ 17,102,267

See accompanying notes to consolidated financial statements.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended July 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	**$ (901,327)**	$ 2,473,431
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**229,250**	228,686
Change in value of split-interest agreements	**33,500**	11,675
Realized and unrealized gains on investments	**(165,280)**	(607,729)
Changes in assets and liabilities:		
Accounts receivable	**410,065**	(696,840)
Contributions and grants receivable	**851,038**	(681,333)
Prepaid expense	**47,341**	(48,086)
Security deposits	**-**	(3,993)
Investments related to charitable gift annuities	**10,434**	1,904
Beneficial interest in charitable remainder trusts and gift annuities	**(99,451)**	3,052
Accounts payable	**(248,582)**	440,674
Accrued expenses	**17,754**	(143,833)
Deferred revenue	**13,509**	(234,378)
Security deposits	**-**	(734)
Charitable annuities obligation	**13,778**	3,760
Net cash provided by operating activities	**212,029**	746,256
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	**1,322,712**	2,956,401
Purchases of investments	**(1,229,933)**	(1,536,077)
Purchases of property and equipment	**(395,858)**	(62,009)
Net cash provided by (used in) investing activities	**(303,079)**	1,358,315
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	**(172,690)**	(162,864)
Payments on capital leases	**(10,603)**	(9,352)
Payments on charitable annuities	**(13,486)**	(13,486)
Net cash used in financing activities	**(196,779)**	(185,702)
Net increase (decrease) in cash and cash equivalents	**(287,829)**	1,918,869
Cash and cash equivalents, beginning of year	**3,507,809**	1,588,940
Cash and cash equivalents, end of year	**$ 3,219,980**	$ 3,507,809
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 39,240**	$ 42,677
Supplemental disclosure of non-cash investing activities:		
Property and equipment acquired through capital leases	**$ -**	$ 10,588

See accompanying notes to consolidated financial statements.

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 of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization, as well as funds invested in property and equipment. 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.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
July 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation…continued

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.

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, at July 31, 2016 and 2015.

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 $18,273 and $28,856, at July 31, 2016 and 2015, respectively. An allowance is made for uncollectible pledges based on management's judgment, past collection experience and other relevant factors. The allowance for doubtful pledges was $378,142 and $500,000, at July 31, 2016 and 2015, respectively.

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:

Assets	Years
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets – The Organization accounts for the valuation of long-lived assets in accordance with the FASB ASC Topic *Property, Plant and Equipment*. This Topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At July 31, 2016 and 2015, 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* 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* 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. The types of financial instruments included in Level 1 are marketable equity available for sale 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 are warrants and derivatives whose value is determined using pricing models 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.

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, 2016 and 2015.

- **Money market funds, corporate stocks and mutual funds** – Investments whose values are based on quoted market prices in active markets are classified as Level 1. These investments include publicly traded mutual funds. The fair values of mutual funds are determined using the calculated Net Asset Value ("NAV"). Such mutual funds are registered under the Investment Company Act of 1940 and regularly transact purchases and redemptions at the NAV. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- **Corporate bonds** – 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.

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 permanently restricted net assets. The remaining portion of the endowment is the net appreciation, which is classified as temporarily restricted and board restricted net assets, which may be appropriated for expenditure consistent with donor restrictions and the Foundation's total return spending policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

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.

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 $472,732 and $460,330, for the years ended July 31, 2016 and 2015, respectively.

In addition, withdrawals from board designated endowments may occur subject to the approval of the board of directors. There were no board designated endowment distributions in fiscal years 2016 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Charitable Trusts - The Foundation is the beneficiary of two charitable remainder unitrusts. These charitable remainder unitrusts provide 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.

Long-Term Debt Costs – Long-term debt costs in connection with the bond issuance were deferred and are amortized on a straight–line basis over the life of the debt issue. Long-term debt costs are presented as a reduction in notes payable (Note 9).

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, 2016 and 2015, the Organization received approximately $609,000 and $577,000, 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 and changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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, 2016, 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 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, 2016, through the date which the consolidated financial statements were available to be issued, December 14, 2016, and has determined there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events,* other than the transaction described in Note 13.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following as of July 31, 2016 and 2015:

	2016	2015
Gross contributions and grants receivable	$ 1,850,520	$ 2,833,999
Less: allowance for uncollectible contributions	378,142	500,000
Less: unamortized discount	18,273	28,856
Net contributions receivable	1,454,105	2,305,143
Less: current portion	990,693	1,715,349
Contribution receivable, net of current portion	$ 463,412	$ 589,794

3. CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

The expected collection period for contributions and grants receivable consisted of the following as of July 31, 2016 and 2015:

	2016	2015
Less than one year	$ 990,693	$ 1,715,349
One to five years	619,827	878,650
More than five years	240,000	240,000
Gross contributions receivable	$ 1,850,520	$ 2,833,999

In a prior year, the Organization received conditional promises of $715,000. The promises are conditional on approval from donor advised funds. Revenue from conditional promises to give is not recognized until the conditions on which they depend are substantially met. As of July 31, 2016 and 2015, $250,000 and $290,000, respectively, of these pledges remains conditional.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2016 and 2015:

	2016	2015
Land	$ 397,501	$ 397,501
Building	4,553,136	4,553,136
Building improvements	598,012	343,692
Furniture and equipment	778,481	610,242
Construction in progress	-	24,000
	6,327,130	5,928,571
Less: accumulated depreciation and amortization	2,889,146	2,659,835
Property and equipment, net	$ 3,437,984	$ 3,268,736

Depreciation expense for the years ended July 31, 2016 and 2015 totaled $226,610 and $226,046, respectively.

Construction in progress at July 31, 2015 consisted of website development costs completed during the year ended July 31, 2016.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES

Notes to Consolidated Financial Statements
July 31, 2016 and 2015

5. INVESTMENTS

Investments are recorded at fair value. Changes in fair values are reflected in the statement of activities and changes in net assets as gains or losses on investments. Investment expenses for the years ended July 31, 2016 and 2015 totaled $53,398 and $56,204, respectively, and are included with gains or losses on investments. The fair value was as follows, at July 31, 2016 and 2015:

	2016	2015
Money market funds	$ 766,134	$ 501,298
Corporate bonds	1,608,640	1,585,684
Corporate stocks	6,672,802	6,871,947
Mutual funds	327,255	353,835
Total investments	$ 9,374,831	$ 9,312,764

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

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 2016, by level within the fair value hierarchy.

	Fair Value Measurements as of July 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 766,134	$ -	$ -	$ 766,134
Corporate bonds	-	1,608,640	-	1,608,640
Corporate stocks:				
Health care	1,763,278	-	-	1,763,278
Information technology	1,411,341	-	-	1,411,341
Consumer staples	962,376	-	-	962,376
Consumer discretionary	827,201	-	-	827,201
Industrial	699,827	-	-	699,827
Financials	634,895	-	-	634,895
Materials	224,922	-	-	224,922
Energy	148,962	-	-	148,962
Total corporate stocks	6,672,802	-	-	6,672,802

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
July 31, 2016 and 2015

6. FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Foreign large blend	152,368	-	-	152,368
Large blend	82,340	-	-	82,340
Intermediate-term bond	52,475	-	-	52,475
Mid-cap blend	11,369	-	-	11,369
Intermediate government	9,908	-	-	9,908
High yield bond	5,747	-	-	5,747
Multi alternative	5,703	-	-	5,703
Large growth	5,338	-	-	5,338
Short-term bond	2,007	-	-	2,007
Total mutual funds	327,255	-	-	327,255
Beneficial interests in charitable trusts	-	-	417,485	417,485
	$ 7,766,191	$ 1,608,640	$ 417,485	$ 9,792,316

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 2015, by level within the fair value hierarchy.

	Fair Value Measurements as of July 31, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 501,298	$ -	$ -	$ 501,298
Corporate bonds	-	1,585,684	-	1,585,684
Corporate stocks:				
Health care	1,520,098	-	-	1,520,098
Information technology	1,284,700	-	-	1,284,700
Consumer staples	967,127	-	-	967,127
Industrial	938,946	-	-	938,946
Consumer discretionary	846,977	-	-	846,977
Financials	706,856	-	-	706,856
Materials	454,026	-	-	454,026
Energy	153,217	-	-	153,217
Total corporate stocks	6,871,947	-	-	6,871,947

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
July 31, 2016 and 2015

6. FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Foreign large blend	170,105	-	-	170,105
Large blend	83,480	-	-	83,480
Intermediate-term bond	51,055	-	-	51,055
Large growth	15,525	-	-	15,525
Intermediate government	10,286	-	-	10,286
Mid-cap growth	6,324	-	-	6,324
Mid-cap blend	6,288			6,288
Multi alternative	6,234	-	-	6,234
Short-term bond	4,538	-	-	4,538
Total mutual funds	353,835	-	-	353,835
Beneficial interests in charitable trusts	-	-	351,534	351,534
	$ 7,727,080	$ 1,585,684	$ 351,534	$ 9,664,298

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 2016 and 2015:

	2016	2015
Beginning balance	$ 351,534	$ 354,586
Contributions	76,622	-
Total losses included in change in net assets	(10,671)	(3,052)
Ending balance	$ 417,485	$ 351,534

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
July 31, 2016 and 2015

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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	$ -	$ 1,013,937	$ 5,438,095	$ 6,452,032
Board-designated funds	2,656,035	-	-	2,656,035
	$ 2,656,035	$ 1,013,937	$ 5,438,095	$ 9,108,067

Endowment Net Asset Composition by Type of Fund as of July 31, 2015:

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

Changes in Endowment Net Assets for the Year Ended July 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 2,543,366	$ 1,087,967	$ 5,438,095	$ 9,069,428
Investment return:				
Investment income	40,686	104,420	-	145,106
Net appreciation	46,407	119,104	-	165,511
Total investment return	87,093	223,524	-	310,617
New gifts/board designations	263,454	-	-	263,454
Appropriation of endowment assets for operations (draw)	(175,178)	(297,554)	-	(472,732)
Additional withdrawals from board designated	(62,700)	-	-	(62,700)
Net assets, end of year	$ 2,656,035	$ 1,013,937	$ 5,438,095	$ 9,108,067

7. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended July 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	131,680	376,700	-	508,380
Total investment return	170,178	486,829	-	657,007
New gifts/board designations	319,385	-	162,700	482,085
Appropriation of endowment assets for operations (draw)	(99,846)	(285,631)	-	(385,477)
Net assets, end of year	$ 2,543,366	$ 1,087,967	$ 5,438,095	$ 9,069,428

8. SPLIT INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled $190,645 and $201,079, at July 31, 2016 and 2015, respectively. The liability related to charitable gift annuities was $66,467 and $66,175, at July 31, 2016 and 2015, 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 unitrusts was $268,071 and $193,069, at July 31, 2016 and 2015, respectively. The beneficial interest in a perpetual trust was $149,414 and $158,465, at July 31, 2016 and 2015, respectively.

9. LONG-TERM DEBT

Long-term debt consisted of the following as of July 31, 2016 and 2015:

	2016	2015
Obligation with MassDevelopment, Capital Asset Program Issue, Series 0-1, variable interest rate (0.07% at July 31, 2016 and 2015), with balance due in full on June 25, 2022.	$ 1,276,405	$ 1,449,095
Less: bond issue costs	15,839	18,479
Less: current portion	183,233	172,978
Long-term debt, net	$ 1,077,333	$ 1,257,638

9. LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt for the next five years and thereafter at July 31, 2016, are as follows:

Year ending July 31:	Amount
2017	$ 183,233
2018	194,105
2019	205,628
2020	217,843
2021	230,790
Thereafter	244,806
Total	$ 1,276,405

Interest expense and fees associated with the debt were $38,276 and $41,218, for the years ended July 31, 2016 and 2015, respectively.

In connection with the MassDevelopment obligation, the Foundation entered into a letter of credit agreement with a financial institution totaling $1,295,341, expiring in fiscal year 2019. 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, 2016.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of July 31, 2016 and 2015:

	2016	2015
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	$ 794,446	$ 1,456,064
Campaign for Leadership	968,900	1,559,327
Appreciation on permanently restricted net assets	1,013,937	1,087,967
Fosters Charitable Trust: For general support (time restriction)	444,988	449,285
Grant revenue: restricted by time and/or purpose	2,681,450	3,022,430
RI Founding Donors Fund: To support operations in RI office	1,844	1,844
Other purpose and time restricted contributions	266,253	189,919
Total temporarily restricted net assets	$ 6,171,818	$ 7,766,836

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following as of July 31, 2016 and 2015:

	2016	2015
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)	149,414	158,465
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	287,548
Keith L. Miller Fund: To support operations and advocacy in NH	50,000	50,000
Total permanently restricted net assets	$ 5,587,509	$ 5,596,560

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 $60,411 and $60,769, for the years ended July 31, 2016 and 2015, 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, 2016, minimum future lease obligations are as follows:

Year ending July 31:	Amount
2017	$ 53,492
2018	44,854
2019	37,155
2020	20,103
	$ 155,604

13. OPERATING LEASE OBLIGATIONS (CONTINUED)

Rent expense for the years ended July 31, 2016 and 2015, was $111,154 and $99,637, respectively. On December 14, 2016, the Organization entered into a new three year lease agreement for its office space in Vermont with an average annual rent totaling $28,664.

14. CAPITAL LEASE OBLIGATIONS

The Organization leases six copiers under capital leases that expire at various dates through 2020. The leased equipment has a combined capitalized cost of $52,332, at July 31, 2016 and 2015 and accumulated depreciation of $28,988 and $17,815 at July 31, 2016 and 2015, 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:

Year ending July 31:	Amount
2017	$ 11,789
2018	11,486
2019	4,369
2020	1,371
Total minimum lease payments	29,015
Less: current portion	11,789
Non-current portion	$ 17,226

15. LEASING ACTIVITIES

The Foundation leases space to not-for-profit and other organizations, which were in effect at July 31, 2016. The aggregate future minimum lease receipts under the lease agreements at July 31, 2016, are as follows:

Year ending July 31:	Amount
2017	$ 154,856
2018	151,196
2019	158,781
2020	162,013
2021	138,000
Thereafter	333,500
	$ 1,098,346

SUPPLEMENTAL INFORMATION

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets

For the Year Ended July 31, 2016

	Conservation Law Foundation, Inc.				CLF Ventures			Environmental Insurance Agency, Inc.	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Total	2016 Consolidated
Contributed support:									
Grants	$ 30,428	$ 4,802,792	$ -	$ 4,833,220	$ -	$ 24,818	$ 24,818	$ -	$ 4,858,038
Contributions	1,987,696	215,303	-	2,202,999	13,000	-	13,000	-	2,215,999
Total contributed support	2,018,124	5,018,095	-	7,036,219	13,000	24,818	37,818	-	7,074,037
Earned and other revenue:									
Fees for services	655,630	-	-	655,630	598,183	-	598,183	49,165	1,302,978
Rent and other earned revenue	206,563	-	-	206,563	-	-	-	-	206,563
Dividend and interest income	41,884	108,682	-	150,566	-	-	-	-	150,566
Realized/unrealized gain on investments	41,315	123,965	-	165,280	-	-	-	-	165,280
Changes in the value of split interest agreements	(13,778)	(10,671)	(9,051)	(33,500)	-	-	-	-	(33,500)
Total earned and other revenue	931,614	221,976	(9,051)	1,144,539	598,183	-	598,183	49,165	1,791,887
Net assets released from restrictions:									
Satisfaction of purpose restrictions (grants)	4,900,338	(4,900,338)	-	-	268,252	(268,252)	-	-	-
Satisfaction of purpose restrictions (contributions)	1,350,525	(1,350,525)	-	-	-	-	-	-	-
Satisfaction of purpose restrictions (investment income)	340,792	(340,792)		-	-	-	-	-	-
Total net assets released from restriction	6,591,655	(6,591,655)	-	-	268,252	(268,252)	-	-	-
Total earned revenue and contributed support	9,541,393	(1,351,584)	(9,051)	8,180,758	879,435	(243,434)	636,001	49,165	8,865,924
Functional expenses:									
Program	6,507,027	-	-	6,507,027	880,041	-	880,041	38,803	7,425,871
Fundraising, membership and grant procurement	824,254	-	-	824,254	-	-	-	-	824,254
General and administrative	1,432,641	-	-	1,432,641	84,485	-	84,485	-	1,517,126
Total functional expenses	8,763,922	-	-	8,763,922	964,526	-	964,526	38,803	9,767,251
Changes in net assets	777,471	(1,351,584)	(9,051)	(583,164)	(85,091)	(243,434)	(328,525)	10,362	(901,327)
Net assets at beginning 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
Net assets at end of year	$ 5,353,621	$ 5,897,136	$ 5,587,509	$ 16,838,266	$ (998,870)	$ 274,682	$ (724,188)	$ 86,862	$ 16,200,940

See independent auditor's report.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Schedule of Temporarily Restricted Activity
For the Year Ended July 31, 2016

	Temporarily Restricted							
	Fosters Charitable	Campaign For CLF	Campaign for Leadership	RI Founding Donor Fund	Individual Giving	Grants	Appreciation Fund	Total
Contributed support:								
Grants	$ -	$ -	$ -	$ -	$ -	$ 4,827,610	$ -	$ 4,827,610
Contributions	-	-	62,630	-	152,673	-	-	215,303
Total contributed support	-	-	62,630	-	152,673	4,827,610	-	5,042,913
Earned and other revenue:								
Dividend and interest income	4,262	-	-	-	-	-	104,420	108,682
Realized/unrealized gains on investments	4,861	-	-	-	-	-	119,104	123,965
Changes in the value of split-interest agreements	-	(10,671)	-	-	-	-	-	(10,671)
Total earned and other revenue	9,123	(10,671)	-	-	-	-	223,524	221,976
Net assets released from restrictions:								
Satisfaction of purpose restrictions (grants)	-	-	-	-	-	(5,168,590)	-	(5,168,590)
Satisfaction of purpose restrictions (contributions)	-	(605,747)	(653,057)	-	(76,339)	-	(15,382)	(1,350,525)
Satisfaction of purpose restrictions (investment income)	(13,420)	(45,200)	-	-	-	-	(282,172)	(340,792)
Total net assets released from restrictions	(13,420)	(650,947)	(653,057)	-	(76,339)	(5,168,590)	(297,554)	(6,859,907)
Changes in net assets	(4,297)	(661,618)	(590,427)	-	76,334	(340,980)	(74,030)	(1,595,018)
Net assets at beginning of year	449,285	1,456,064	1,559,327	1,844	189,919	3,022,430	1,087,967	7,766,836
Net assets at end of year	$ 444,988	$ 794,446	$ 968,900	$ 1,844	$ 266,253	$ 2,681,450	$ 1,013,937	$ 6,171,818

See independent auditor's report.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Schedule of Permanently Restricted Activity
For the Year Ended July 31, 2016

	Permanently Restricted								
	Advocates	Beneficial Interest in Trust	Brush	Cavers	Urgent Action	State Endowments	Keith L. Miller Fund	Michael Moskow Fund	Total
Contributed support:									
Grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions	-	-	-	-	-	-	-	-	-
Total contributed support	-	-	-	-	-	-	-	-	-
Earned and other revenue:									
Change in value of split-interest agreements	-	(9,051)	-	-	-	-	-	-	(9,051)
Changes in net assets	-	(9,051)	-	-	-	-	-	-	(9,051)
Net assets at beginning of year	952,545	158,465	130,121	453,355	494,189	3,070,337	50,000	287,548	5,596,560
Net assets at end of year	$ 952,545	$ 149,414	$ 130,121	$ 453,355	$ 494,189	$ 3,070,337	$ 50,000	$ 287,548	$ 5,587,509

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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*

Board 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 consolidated 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 (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 Conservation Law Foundation, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservation Law Foundation, Inc. and Subsidiaries' 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conservation Law Foundation, Inc. and Subsidiaries' consolidated financial statements are free of 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 14, 2016