Conservation Law Foundation, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended July 31, 2014 and 2013

and

Supplemental Information
Year Ended July 31, 2014

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
Years Ended July 31, 2014 and 2013
AND
SUPPLEMENTAL INFORMATION
Year Ended July 31, 2014

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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 (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2014, and the related consolidated statements of activities 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.

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, 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

Prior Year Financial Statements

The consolidated financial statements of Conservation Law Foundation, Inc. and Subsidiaries as of July 31, 2013, were audited by other auditors whose report dated December 27, 2013 expressed an unmodified opinion on those statements.

Other Information

Our audit was 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 April 14, 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

Kirkland Albrecht & Fredrickson, LLC
Braintree, MA

April 14, 2015

CONSERVATION LAW FOUNDATION, INC. AND SUSIDIARIES

Consolidated Statements of Financial Position
Years Ended July 31, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,588,940**	$ 1,800,679
Accounts receivable	**144,193**	95,353
Current portion of contributions and grants receivable	**1,258,810**	647,202
Prepaid expenses	**85,515**	148,127
Total current assets	**3,077,458**	2,691,361
PROPERTY AND EQUIPMENT, NET	**3,422,185**	3,614,963
INVESTMENTS:		
Investments	**9,931,092**	9,423,904
Investments related to charitable gift annuities	**202,983**	200,700
Total investments	**10,134,075**	9,624,604
OTHER ASSETS:		
Beneficial interests in charitable trusts	**354,586**	339,332
Contributions and grants receivable, net of current portion	**365,000**	240,000
Security deposits	**9,151**	14,365
Bond acquisition costs, net	**21,119**	23,759
	749,856	617,456
Total assets	**$ 17,383,574**	$ 16,548,384

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Current portion of long-term debt	**$ 161,254**	$ 152,126
Current portion of capital lease obligations	**8,727**	11,581
Current portion of charitable annuity liability	**13,486**	10,116
Accounts payable	**370,300**	180,582
Accrued expenses	**367,324**	367,528
Deferred Revenue	**271,985**	-
Total current liabilities	**1,193,076**	721,933
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	**1,450,705**	1,613,818
Capital lease obligations, net of current portion	**29,655**	20,467
Security deposits	**23,750**	13,094
Charitable annuity liability, net of current portion	**57,552**	67,432
Total long-term liabilities	**1,561,662**	1,714,811
Total liabilities	**2,754,738**	2,436,744
NET ASSETS:		
Unrestricted	**879,733**	1,465,504
Board designated	**2,523,649**	2,405,367
Total unrestricted net assets	**3,403,382**	3,870,871
Temporarily restricted	**5,780,753**	4,846,533
Permanently restricted	**5,444,701**	5,394,236
Total net assets	**14,628,836**	14,111,640
Total liabilities and net assets	**$ 17,383,574**	$ 16,548,384

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities
Year Ended July 31, 2014
(with summarized information for the year ended July 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
CONTRIBUTED SUPPORT:					
Grants	$ 328,836	$ 4,854,430	$ -	$ 5,183,266	$ 4,067,385
Contributions	1,839,756	102,340	44,800	1,986,896	2,036,984
Total contributed support	2,168,592	4,956,770	44,800	7,170,162	6,104,369
EARNED AND OTHER REVENUE:					
Fees for services	724,821	-	-	724,821	1,339,657
Other earned revenue	218,380	-	-	218,380	187,346
Dividend and interest income	46,755	133,212	-	179,967	195,941
Realized/unrealized gains on investments	167,697	451,737	-	619,434	1,181,030
Changes in the value of split-interest agreements	(6,976)	9,589	5,665	8,278	(53,655)
Total earned revenue	1,150,677	594,538	5,665	1,750,880	2,850,319
NET ASSETS RELEASED FROM RESTRICTION:					
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 restriction	4,617,088	(4,617,088)	-	-	-
Total earned revenue and contributed support	7,936,357	934,220	50,465	8,921,042	8,954,688
EXPENSES:					
Program	6,666,477	-	-	6,666,477	7,158,492
Fundraising, membership and grant procurement	561,124	-	-	561,124	446,048
General and administrative	1,176,245	-	-	1,176,245	431,363
Total expenses	8,403,846	-	-	8,403,846	8,035,903
CHANGE IN NET ASSETS	(467,489)	934,220	50,465	517,196	918,785
NET ASSETS, BEGINNING OF YEAR	3,870,871	4,846,533	5,394,236	14,111,640	13,764,848
NET ASSETS, END OF YEAR	$ 3,403,382	$ 5,780,753	$ 5,444,701	$ 14,628,836	$ 14,111,640

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities
Year Ended July 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTED SUPPORT:				
Grants	$ 611,022	$ 3,456,363	$ -	$ 4,067,385
Contributions	1,856,936	100,000	80,048	2,036,984
Total contributed support	2,467,958	3,556,363	80,048	6,104,369
EARNED AND OTHER REVENUE:				
Fees for services	1,339,657	-	-	1,339,657
Other earned revenue	187,346	-	-	187,346
Dividend and interest income	43,333	152,608	-	195,941
Realized/unrealized gains on investments	243,484	937,546	-	1,181,030
Changes in the value of split-interest agreements	(21,825)	(37,053)	5,223	(53,655)
Total earned revenue	1,791,995	1,053,101	5,223	2,850,319
NET ASSETS RELEASED FROM RESTRICTION:				
Satisfaction of purpose restrictions (grants)	3,766,475	(3,766,475)	-	-
Satisfaction of purpose restrictions (contributions)	54,667	(54,667)	-	-
Satisfaction of capital campaign restrictions	280,000	(280,000)	-	-
Total net assets released from restriction	4,101,142	(4,101,142)		
Total revenue and contributed support	8,361,095	508,322	85,271	8,954,688
EXPENSES:				
Program	7,158,492	-	-	7,158,492
Fundraising, membership and grant procurement	446,048	-	-	446,048
General and administrative	431,363	-	-	431,363
Total Expense	8,035,903	-	-	8,035,903
CHANGE IN NET ASSETS	325,192	508,322	85,271	918,785
NET ASSETS, BEGINNING OF YEAR	3,545,679	4,338,211	5,308,965	13,192,855
NET ASSETS, END OF YEAR	$ 3,870,871	$ 4,846,533	$ 5,394,236	$ 14,111,640

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended July 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 517,196**	$ 918,785
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	**246,533**	250,817
Change in value of split-interest agreements	**(8,278)**	53,655
Realized and unrealized gains on investments	**(619,434)**	(1,181,030)
(Increase) decrease in:		
Accounts receivable	**(48,840)**	182,256
Contributions and grants receivable	**(736,608)**	324,330
Prepaid expense	**62,612**	(59,173)
Security deposits	**5,214**	-
Investments related to charitable gift annuities	**(2,283)**	20,871
Beneficial interest in charitable remainder trusts and gift annuities	**(15,254)**	(11,773)
Increase (decrease) in:		
Accounts payable	**189,718**	(85,774)
Accrued expenses	**(204)**	31,711
Grant payable	**-**	(26,401)
Deferred revenue	**271,985**	-
Security deposits	**10,656**	-
Charitable annuities obligation	**(9,880)**	(7,372)
Net cash provided (used) by operating activities	**(136,867)**	410,902
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	**2,158,368**	1,241,016
Purchases of investments	**(2,027,964)**	(1,003,173)
Purchases of property and equipment	**(32,451)**	(95,165)
Net cash provided by investing activities	**97,953**	142,678
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	**(153,985)**	(143,515)
Proceeds (payments) of capital leases	**(12,330)**	8,791
Payments on charitable annuities, net	**(6,510)**	(2,236)
Net cash used by financing activities	**(172,825)**	(136,960)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(211,739)**	416,620
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,800,679**	1,384,059
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,588,940**	$ 1,800,679
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	**$ 48,635**	$ 52,185
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITES:		
Property and equipment acquired through capital leases	**$ 18,664**	$ -

See notes to consolidated financial statements

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
Years Ended July 31, 2014 and 2013

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.

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. No allowance for doubtful accounts was recorded by management at July 31, 2014 and 2013.

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. There was no discount recorded at July 31, 2014 and 2013, 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:

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

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, 2014 and 2013, 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.

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, 2014 and 2013.

- **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 SUBSIDIARES
Notes to Consolidated Financial Statements
Years Ended July 31, 2014 and 2013

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Endowment…continued – 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 $440,736 and $421,102, for the years ended July 31, 2014 and 2013, respectively.

In addition, withdrawals from board designated endowments may occur subject to the approval of the Board of Directors. Distributions of $370,000 and $80,000 from board designated endowments were approved and spent during fiscal years 2014 and 2013, respectively.

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.

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, 2014 and 2013, the Organization received approximately $877,000 and $940,000, 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.

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 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, 2014, 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, 2011.

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, 2014, through the date which the consolidated financial statements were available to be issued, April 14, 2015, and has determined there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

The expected collection period for the contributions receivable at July 31, 2014 and 2013 are as follows:

	2014	2013
Less than one year	$ 1,258,810	$ 647,202
One to five years	125,000	-
More than five years	240,000	240,000
Gross contributions receivable	$ 1,623,810	$ 887,202

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at July 31:

	2014	2013
Land	$ 397,501	$ 397,501
Building	4,553,136	4,553,136
Building improvements	319,369	319,369
Furniture and equipment	608,784	572,612
	5,878,790	5,842,618
Less: accumulated depreciation and amortization	2,456,605	2,227,655
Net property and equipment	$ 3,422,185	$ 3,614,963

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:

	2014	2013
Money market funds	$ 736,221	$ 315,372
U.S. Government bonds	-	10,016
Corporate bonds	1,760,139	1,994,942
Corporate stocks	7,095,016	6,656,838
Mutual funds	542,699	647,436
Total investments	$ 10,134,075	$ 9,624,604

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, 2014 and 2013

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, 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
	$ 8,373,936	$ 1,760,139	$ 354,586	$ 10,488,661

	Fair Value Measurements as of July 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 315,372	$ -	$ -	$ 315,372
U.S. Government bonds	-	10,016	-	10,016
Corporate bonds	-	1,994,942	-	1,994,942
Corporate stocks	6,656,838	-	-	6,656,838
Mutual funds	647,436	-	-	647,436
	7,619,646	2,004,958	-	9,624,604
Beneficial Interests in Charitable Trusts	-	-	339,332	339,332
	$ 7,619,746	$ 2,004,958	$ 339,332	$ 9,963,936

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 2014 and 2013:

	2014	2013
Beginning balance	$ 339,332	$ 348,430
Total gains or losses included in change in net assets	15,254	(9,098)
Ending balance, July 31	$ 354,586	$ 339,332

7. ENDOWMENT

The Foundation's endowment consists of nine 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, 2014:

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

Endowment Net Asset Composition by Type of Fund are of July 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 695,458	$ 5,230,595	$ 5,926,053
Board-designated funds	2,405,367	-	-	2,405,367
	$ 2,405,367	$ 695,458	$ 5,230,595	$ 8,331,420

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
Years Ended July 31, 2014 and 2013

7. ENDOWMENT…continued

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	154,784	336,680	-	491,464
Total investment return	200,428	435,964	-	636,392
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	(370,000)	-	-	(370,000)
Net assets, end of year	$ 2,153,649	$ 886,769	$ 5,275,395	$ 8,315,813

Changes in Endowment Net Assets for the Year Ended July 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 2,101,437	$ 213,167	$ 5,150,547	$ 7,465,151
Investment return:				
Investment income	40,983	103,629	-	144,612
Net appreciation	251,780	607,037	-	858,817
Total investment return	292,763	710,666	-	1,003,429
New gifts/board designations	193,194	-	80,048	273,242
Appropriation of endowment Assets for operations (draw)	(90,317)	(228,375)	-	(318,692)
Additional withdrawals from Board designated	(80,000)	-	-	(80,000)
Other charges:				
Total other charges	(11,710)	-	-	(11,710)
Net assets, end of year	$ 2,405,367	$ 695,458	$ 5,230,595	$ 8,331,420

8. SPLIT INTEREST AGREEMENTS

Assets that relate to charitable gift annuities totaled $202,983 and $200,700 at July 31, 2014 and 2013, respectively. The liability related to charitable gift annuities was $71,038 and $77,548 at July 31, 2014 and 2013, 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 $185,280 and $175,691 at July 31, 2014 and 2013, respectively. The beneficial interest in a perpetual trust was $169,306 and $163,641 at July 31, 2014 and 2013, respectively.

9. LONG-TERM DEBT

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

	2014	2013
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, 2014), with balance due in full on June 25, 2022.	$ 1,611,959	$ 1,765,944
Less current portion	161,254	152,126
Non-current portion	$ 1,450,705	$ 1,613,818

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

Year	Amount
2015	$ 161,254
2016	170,929
2017	181,184
2018	192,056
2019	203,579
Thereafter	702,957
Total	$ 1,611,959

Interest expense and fees associated with the debt were $45,782 and $50,712 for the years ended July 31, 2014 and 2013, 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, 2014.

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARES
Notes to Consolidated Financial Statements
Years Ended July 31, 2014 and 2013

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Campaign for CLF (to support general endowment, facilities, state-based advocacy and Urgent Action Fund)	$ 1,460,225	$ 1,400,224
Appreciation on permanently restricted net assets	886,769	695,458
Fosters Charitable Trust: For general support (time restriction)	430,680	415,714
Grant revenue: restricted by time and/or purpose	2,727,096	2,079,494
RI Founding Donors Fund: To support operations in RI office	29,177	111,177
Other purpose and time restricted contributions	246,806	144,466
Total temporarily restricted net assets	$ 5,780,753	$ 4,846,533

11. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes:

	2014	2013
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)	169,306	163,641
The Brush Fund: To support general operations on fund	130,121	130,121
Michael Moskow Fund: To support the cost of volunteer attorney program	124,848	80,048
Keith L. Miller Fund: To support operations and advocacy in NH	50,000	50,000
Total permanently restricted net assets	$ 5,444,701	$ 5,394,236

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 $59,482 and $60,287 for the years ended July 31, 2014 and 2013, 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, 2014, minimum future lease obligations are as follows:

Year	Amount
2015	$ 58,469
2016	26,740
2017	9,000
Thereafter	$ 94,209

Rent expense for the years ended July 31, 2014 and 2013 was $104,512 and $88,061, respectively.

14. CAPITAL LEASE OBLIGATIONS

The Organization leases four copiers and two mail machines under capital leases that expire at various dates through 2019. The equipment has a combined capitalized cost of $61,583 and $50,314 at July 31, 2014 and 2013, respectively. Accumulated depreciation in Note 4 included $27,253 and $19,265 relating to the leased equipment at July 31, 2014 and 2013, 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	Amount
2015	$ 8,727
2016	8,087
2017	8,769
2018	9,510
2019	3,289
Total minimum lease payments	38,382
Less current portion	8,727
Non-current portion	$ 29,655

15. LEASING ACTIVITIES

The Foundation leases space to not-for-profit and other organizations which were in effect at July 31, 2014.

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

Year	Amount
2015	$ 163,736
2016	125,000
2017	125,000
2018	125,000
2019	132,585
Thereafter	609,500
	$ 1,280,821

SUPPLEMENTAL INFORMATION

Consolidating Schedule of Activities
Year Ended July 31, 2014

	Conservation Law Foundation, Inc.				CLF Ventures			Environmental Insurance Agency, Inc.	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Consolidated Total
CONTRIBUTED SUPPORT:									
Grants	$ 328,836	$ 4,815,430	$ -	$ 5,144,266	$ -	$ 39,000	$ 39,000	$ -	$ 5,183,266
Contributions	1,839,706	102,340	44,800	1,986,846	50	-	50	-	1,986,896
Total contributed support	2,168,542	4,917,770	44,800	7,131,112	50	39,000	39,050	-	7,170,162
EARNED AND OTHER REVENUE:									
Fees for services	301,767	-	-	301,767	368,036	-	368,036	55,018	724,821
Other earned revenue	218,380	-	-	218,380	-	-	-	-	218,380
Dividend and interest income	46,755	133,212	-	179,967	-	-	-		179,967
Realized/unrealized gains on investments	167,697	451,737	-	619,434	-	-	-	-	619,434
Changes in the value of split-interest agreements	(6,976)	9,589	5,665	8,278	-	-	-	-	8,278
Total earned revenue	727,623	594,538	5,665	1,327,826	368,036	-	368,036	55,018	1,750,880
NET ASSETS RELEASED FROM RESTRICTION:									
Satisfaction of purpose restrictions (grants)	4,031,892	(4,031,892)	-	-	108,251	(108,251)	-	-	-
Satisfaction of purpose restrictions (contributions)	123,685	(123,685)	-	-	25,000	(25,000)	-	-	-
Satisfaction of purpose restrictions (investment income)	328,260	(328,260)	-	-	-	-	-	-	-
Total net assets released from restriction	4,483,837	(4,483,837)	-	-	133,251	(133,251)	-	-	-
Total earned revenue and contributed support	7,380,002	1,028,471	50,465	8,458,938	501,337	(94,251)	407,086	55,018	8,921,042
EXPENSES:									
Program	6,233,463	-	-	6,233,463	387,396	-	387,396	45,618	6,666,477
Fundraising, membership and grant procurement	561,124	-	-	561,124	-	-	-	-	561,124
General & administrative	1,050,782	-	-	1,050,782	125,463	-	125,463	-	1,176,245
Total expenses	7,845,369	-	-	7,845,369	512,860	-	512,860	45,618	8,403,846
CHANGE IN NET ASSETS	(465,367)	1,028,471	50,465	613,569	(11,523)	(94,251)	(105,774)	9,400	517,196
NET ASSETS, BEGINNING OF YEAR	4,618,224	4,728,474	5,394,236	14,740,934	(810,777)	118,059	(692,718)	63,424	14,111,640
NET ASSETS, END OF YEAR	$ 4,152,857	$ 5,756,945	$ 5,444,701	$ 15,354,503	$ (822,300)	$ 23,808	$ (798,492)	$ 72,824	$ 14,628,836

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES

Schedule of Temporarily Restricted Activity

Year Ended July 31, 2014

	Temporarily Restricted						
	Fosters Charitable	Campaign For CLF	RI Founding Donor Fund	Individual Giving	Grants	Appreciation Fund	Total
CONTRIBUTED SUPPORT:							
Grants	$ -	$ -	$ -	$ -	$ 4,854,430	$ -	$ 4,854,430
Contributions	-	-	-	102,340	-	-	102,340
Total contributed support	-	-	-	102,340	4,854,430	-	4,956,770
EARNED AND OTHER REVENUE:							
Dividend and interest income	7,767	26,162	-	-	-	99,283	133,212
Realized/Unrealized gains on investments	7,199	24,250	-	-	-	420,288	451,737
Changes in value of split-interest agreements	-	9,589	-	-	-	-	9,589
Total earned revenue	14,966	60,001	-	-	-	519,571	594,538
NET ASSETS RELEASED FROM RESTRICTION:							
Satisfaction of purpose restrictions (grants)	-	-	-	-	(4,140,143)	-	(4,140,143)
Satisfaction of purpose restrictions (contributions)	-	-	(82,000)	(66,685)	-	-	(148,685)
Satisfaction of purpose restrictions (investment income)	-	-	-	-	-	(328,260)	(328,260)
Total net assets released from restriction	-	-	(82,000)	(66,685)	(4,140,143)	(328,260)	(4,617,088)
CHANGE IN NET ASSETS	14,966	60,001	(82,000)	35,655	714,287	191,311	934,220
NET ASSETS, BEGINNING OF YEAR	415,714	1,400,224	111,177	144,466	2,079,494	695,458	4,846,533
NET ASSETS, END OF YEAR	$ 430,680	$ 1,460,225	$ 29,177	$ 180,121	$ 2,793,781	$ 886,769	$ 5,780,753

CONSERVATION LAW FOUNDATION, INC. AND SUBSIDIARIES
Schedule of Permanently Restricted Activity
Year Ended July 31, 2014

	Permanently Restricted								
	Advocates	Beneficial Interest in Trust	Brush	Cavers	Urgent Action	State Endowments	Keith L. Miller Fund	Michael Moskow Fund	Total
CONTRIBUTED SUPPORT:									
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,800	$ 44,800
Total contributed support	-	-	-	-	-	-	-	44,800	44,800
EARNED AND OTHER REVENUE:									
Changes in the value of split-interest agreements	-	5,665	-	-	-	-	-	-	5,665
Total earned revenue	-	5,665	-	-	-	-	-	-	5,665
CHANGE IN NET ASSETS	-	5,665	-	-	-	-	-	44,800	50,465
NET ASSETS, BEGINNING OF YEAR	952,545	163,641	130,121	453,355	494,189	3,070,337	50,000	80,048	5,394,236
NET ASSETS, END OF YEAR	$ 952,545	$ 169,306	$ 130,121	$ 453,355	$ 494,189	$ 3,070,337	$ 50,000	$ 124,848	$ 5,444,701