

**FRIENDS OF THE EARTH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**FRIENDS OF THE EARTH  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES - 2015</b>	<b>5</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES - 2014</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Friends of the Earth  
Washington, DC

We have audited the accompanying financial statements of Friends of the Earth, which comprise the balance sheets as of June 30, 2015 and 2014, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Earth as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 18, 2015

**FRIENDS OF THE EARTH  
BALANCE SHEETS  
JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,164,507	\$ 7,129,445
Accounts Receivable	284,234	22,699
Due from Friends of the Earth (Action), Inc.	-	177,014
Promises to Give, Current Portion	-	270,000
Prepaid Expenses and Other Assets	226,605	104,281
Total Current Assets	5,675,346	7,703,439
<b>FIXED ASSETS</b>		
Furniture and Equipment	388,425	363,056
Leasehold Improvements	534,628	479,561
Less Accumulated Depreciation and Amortization	(619,938)	(406,218)
	303,115	436,399
<b>OTHER ASSETS</b>		
Charitable Gift Annuities, at Fair Value	123,254	114,837
Certificate of Deposit	140,155	144,200
Investments	5,150,228	100,580
Deposits	191,305	6,490
Total Other Assets	5,604,942	366,107
Total Assets	\$ 11,583,403	\$ 8,505,945
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 435,693	\$ 261,366
Accrued Leave	133,474	97,526
Due to Friends of the Earth (Action), Inc.	140,811	-
Total Current Liabilities	709,978	358,892
<b>OTHER LIABILITIES</b>		
Deferred Rent	124,761	271,625
Leasehold Improvement Allowance	137,505	318,618
Charitable Gift Annuities Liability	30,077	29,124
Total Other Liabilities	292,343	619,367
Total Liabilities	1,002,321	978,259
<b>NET ASSETS</b>		
Unrestricted:		
Operating	384,278	560,846
Board Designated	7,855,000	5,598,850
	8,239,278	6,159,696
Temporarily Restricted:		
Operating Fund	1,933,111	959,297
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
	2,131,532	1,157,718
Permanently Restricted	210,272	210,272
Total Net Assets	10,581,082	7,527,686
Total Liabilities and Net Assets	\$ 11,583,403	\$ 8,505,945

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Grants, Bequests and Contributions	\$ 6,560,182	\$ 3,740,023	\$ -	\$ 10,300,205	\$ 6,013,526	\$ 1,353,904	\$ -	\$ 7,367,430
Investment (Loss) Income	(16,240)	-	-	(16,240)	49,418	-	-	49,418
Rental Income	57,143	-	-	57,143	84,850	-	-	84,850
Mailing List Sales	3,122	-	-	3,122	6,878	-	-	6,878
Administrative Fees	47,248	-	-	47,248	22,566	-	-	22,566
Other	2,319,546	-	-	2,319,546	6,860	-	-	6,860
Net Assets Released from Restrictions	2,766,209	(2,766,209)	-	-	1,998,258	(1,998,258)	-	-
Total Revenue	<u>11,737,210</u>	<u>973,814</u>	<u>-</u>	<u>12,711,024</u>	<u>8,182,356</u>	<u>(644,354)</u>	<u>-</u>	<u>7,538,002</u>
<b>EXPENSES</b>								
Program Expenses:								
Economic Policy	1,482,985	-	-	1,482,985	853,608	-	-	853,608
Oceans & Vessels	309,998	-	-	309,998	309,954	-	-	309,954
Climate & Energy	1,260,350	-	-	1,260,350	1,109,340	-	-	1,109,340
Food & Technology	1,495,617	-	-	1,495,617	660,883	-	-	660,883
Outreach & Communications	3,270,191	-	-	3,270,191	1,885,121	-	-	1,885,121
Membership	419,139	-	-	419,139	420,649	-	-	420,649
Total Program Expenses	<u>8,238,280</u>	<u>-</u>	<u>-</u>	<u>8,238,280</u>	<u>5,239,555</u>	<u>-</u>	<u>-</u>	<u>5,239,555</u>
Supporting Expenses:								
Management and General	579,044	-	-	579,044	556,437	-	-	556,437
Fundraising	840,304	-	-	840,304	660,328	-	-	660,328
Total Supporting Expenses	<u>1,419,348</u>	<u>-</u>	<u>-</u>	<u>1,419,348</u>	<u>1,216,765</u>	<u>-</u>	<u>-</u>	<u>1,216,765</u>
Total Expenses	<u>9,657,628</u>	<u>-</u>	<u>-</u>	<u>9,657,628</u>	<u>6,456,320</u>	<u>-</u>	<u>-</u>	<u>6,456,320</u>
<b>CHANGE IN NET ASSETS</b>	2,079,582	973,814	-	3,053,396	1,726,036	(644,354)	-	1,081,682
Net Assets - Beginning of Year	<u>6,159,696</u>	<u>1,157,718</u>	<u>210,272</u>	<u>7,527,686</u>	<u>4,433,660</u>	<u>1,802,072</u>	<u>210,272</u>	<u>6,446,004</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,239,278</u>	<u>\$ 2,131,532</u>	<u>\$ 210,272</u>	<u>\$ 10,581,082</u>	<u>\$ 6,159,696</u>	<u>\$ 1,157,718</u>	<u>\$ 210,272</u>	<u>\$ 7,527,686</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

	Program Expenses						Supporting Expenses				Total Expenses	
	Economic Policy	Oceans & Vessels	Climate & Energy	Food & Technology	Outreach & Comm.	Membership	Total	Overhead	Management and General	Fundraising		Total
Salaries	\$ 482,894	\$ 127,944	\$ 444,719	\$ 314,638	\$ 392,090	\$ 76,606	\$ 1,838,891	\$ 59,714	\$ 233,498	\$ 120,425	\$ 413,637	\$ 2,252,528
Payroll Taxes & Fringe Benefits	115,925	30,726	106,660	75,409	93,688	18,573	440,981	28,954	55,997	28,978	113,929	554,910
Independent Contractors	23,201	79,885	91,127	103,814	21,104	20,120	339,251	10,390	9,770	11,333	31,493	370,744
Professional Fees	377,026	1,060	414,312	521,894	635,962	30,109	1,980,363	100,444	75,798	225,684	401,926	2,382,289
Advertising & Media	83,404	-	65	25,684	2,671	4,137	115,961	185	240	1,134	1,559	117,520
Research, Data, Lists	181	-	-	2,012	268,354	1,211	271,758	-	-	38,016	38,016	309,774
Web Services	-	-	783	20,228	71,311	310	92,632	1,000	-	5,162	6,162	98,794
Professional Development	3,799	1,963	-	1,822	4,609	600	12,793	-	1,127	629	1,756	14,549
Travel	32,595	19,880	17,802	35,965	18,428	2,299	126,969	1,566	2,856	5,250	9,672	136,641
Meetings & Events	74,992	275	9,393	1,561	37,316	8,126	131,663	535	17,199	13,907	31,641	163,304
Printing & Duplicating	163	173	903	2,266	342,126	145,481	491,112	2,818	464	141,760	145,042	636,154
Occupancy	-	-	-	-	3,289	1,132	4,421	141,729	56,753	2,193	200,675	205,096
Depreciation	-	-	-	-	1,450	-	1,450	211,859	-	1,946	213,805	215,255
Insurance	-	-	-	-	611	-	611	16,124	-	611	16,735	17,346
IT & Connectivity	247	8	45	491	3,498	6,368	10,657	142,068	2,854	5,668	150,590	161,247
Postage & Shipping	514	199	247	15,544	439,674	72,901	529,079	12,845	3,516	159,929	176,290	705,369
General Supplies	397	334	70	2,994	5,203	1,254	10,252	21,725	731	2,301	24,757	35,009
Dues, Publications, Subscriptions	5,123	579	3,671	1,299	68,760	59	79,491	18,061	377	3,539	21,977	101,468
Small Grants, Contributions	120,678	590	1,500	225,000	737,443	645	1,085,856	746	150	-	896	1,086,752
Miscellaneous	352	-	300	14,935	-	39	15,626	11,896	31,022	34,335	77,253	92,879
Overheads Applied	161,494	46,382	168,753	130,061	122,604	29,169	658,463	(782,659)	86,692	37,504	(658,463)	-
<b>Total Expenses</b>	<b>\$ 1,482,985</b>	<b>\$ 309,998</b>	<b>\$ 1,260,350</b>	<b>\$ 1,495,617</b>	<b>\$ 3,270,191</b>	<b>\$ 419,139</b>	<b>\$ 8,238,280</b>	<b>\$ -</b>	<b>\$ 579,044</b>	<b>\$ 840,304</b>	<b>\$ 1,419,348</b>	<b>\$ 9,657,628</b>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014**

	Program Expenses							Supporting Expenses				Total Expenses
	Economic Policy	Oceans & Vessels	Climate & Energy	Food & Technology	Outreach	Membership	Total	Overhead	Management and General	Fundraising	Total	
Salaries	\$ 297,364	\$ 121,269	\$ 470,344	\$ 217,307	\$ 242,915	\$ 93,058	\$ 1,442,257	\$ 76,138	\$ 200,470	\$ 184,316	\$ 460,924	\$ 1,903,181
Payroll Taxes & Fringe Benefits	65,794	27,236	102,250	47,802	53,076	20,380	316,538	28,024	44,688	42,178	114,890	431,428
Independent Contractors	14,076	70,575	66,395	121,430	21,937	7,238	301,651	4,896	45,054	54,122	104,072	405,723
Professional Fees	52,021	68	202,696	96,066	374,965	40,196	766,012	121,713	28,345	99,156	249,214	1,015,226
Advertising & Media	-	-	9,294	140	2,642	240	12,316	-	-	2,119	2,119	14,435
Research, Data, Lists	1,989	-	-	-	24,152	10,609	36,750	-	-	10,615	10,615	47,365
Web Services	-	250	3,354	2,462	24,727	1,039	31,832	-	-	4,630	4,630	36,462
Professional Development	-	-	-	377	473	709	1,559	475	1,485	637	2,597	4,156
Travel	19,342	17,222	25,627	28,722	9,824	10,252	110,989	2,257	5,680	30,362	38,299	149,288
Meetings & Events	48,788	924	2,335	2,918	16,671	25	71,661	205	12,109	15,199	27,513	99,174
Printing & Duplicating	735	133	1,355	2,357	287,151	116,562	408,293	9,140	-	37,726	46,866	455,159
Occupancy	-	-	400	-	4	405	809	324,021	115,738	3,978	443,737	444,546
Depreciation	-	-	-	-	231	-	231	89,598	-	597	90,195	90,426
Insurance	-	-	-	-	-	-	-	32,747	-	-	32,747	32,747
IT & Connectivity	121	-	466	24	502	5,408	6,521	123,176	1,960	2,068	127,204	133,725
Postage & Shipping	1,057	103	380	3,812	211,431	63,167	279,950	10,169	2,246	65,044	77,459	357,409
General Supplies	1,822	-	542	6,132	1,928	547	10,971	21,108	1,868	595	23,571	34,542
Dues, Publications, Subscriptions	16,772	8,207	22,202	9,545	17,505	(4)	74,227	315	123	6,718	7,156	81,383
Small Grants, Contributions	171,100	-	-	15,000	490,050	-	676,150	-	-	1,665	1,665	677,815
Miscellaneous	275	-	-	-	-	298	573	3,142	18,950	19,466	41,558	42,131
Overheads Applied	162,352	63,967	201,700	106,789	104,937	50,520	690,265	(847,124)	77,721	79,137	(690,266)	(1)
<b>Total Expenses</b>	<b>\$ 853,608</b>	<b>\$ 309,954</b>	<b>\$ 1,109,340</b>	<b>\$ 660,883</b>	<b>\$ 1,885,121</b>	<b>\$ 420,649</b>	<b>\$ 5,239,555</b>	<b>\$ -</b>	<b>\$ 556,437</b>	<b>\$ 660,328</b>	<b>\$ 1,216,765</b>	<b>\$ 6,456,320</b>

See accompanying Notes to Financial Statements.



**FRIENDS OF THE EARTH  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,053,396	\$ 1,081,682
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	215,255	90,425
Realized/Unrealized Gain	56,286	(35,090)
Net Value of Donated Securities	(57,976)	(84,276)
Charitable Gift Annuity	7,468	(12,354)
Changes in Assets and Liabilities:		
Accounts Receivable	(261,535)	(4,542)
Due to/from Friends of the Earth (Action), Inc.	317,825	(3,447)
Promises to Give	270,000	835,000
Prepaid Expenses and Other Assets	(122,324)	(69)
Deposits	(184,815)	(1,800)
Accounts Payable and Accrued Expenses	174,327	(159,330)
Accrued Leave	35,948	13,668
Deferred Rent/Leasehold Improvement Allowance	(327,977)	(48,745)
Net Cash Provided by Operating Activities	<u>3,175,878</u>	<u>1,671,122</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	71,536	141,433
Redemption (Purchase) of Certificate of Deposit	4,045	(905)
Purchases of Investments	(5,127,911)	(98,430)
Purchases of Fixed Assets	(81,971)	(57,264)
Net Cash Used in Investing Activities	<u>(5,134,301)</u>	<u>(15,166)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease	-	(8,328)
Charitable Gift Annuity Payments	(6,515)	(4,879)
Net Cash Used in Financing Activities	<u>(6,515)</u>	<u>(13,207)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,964,938)	1,642,749
Cash and Cash Equivalents - Beginning of Year	<u>7,129,445</u>	<u>5,486,696</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,164,507</u>	<u>\$ 7,129,445</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 506</u>	<u>839</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Friends of the Earth defends the environment and champions a healthy and just world. The Organization works toward achieving its mission through the following program areas:

The **Economic Policy** program fights to replace economic policies that fuel environmental destruction and social injustice with fair and sustainable approaches.

The **Climate & Energy** program moves toward limiting potentially catastrophic climate change, encouraging the much more efficient use of energy, and the shift to cleaner energy sources, which include wind, solar and geothermal power.

The **Food & Technology** program works to keep toxic chemicals and risky new technologies, such as genetic engineering and nanotechnology, out of the food we eat and the products we use. The team also works to protect endangered bee and other pollinators, reduce factory farming, and promote safe and healthy food production.

The **Oceans & Vessels** program campaigns to protect marine ecosystems and the people who live and work near them, in part by influencing shipping policies.

The **Outreach & Communications** and **Membership** programs educate members and the public about important environmental issues through advertisements, mail, the internet, and a quarterly newsmagazine.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For financial statement purposes, the Organization considers all investments with a maturity of three months or less at the time of purchase to be cash equivalents. Amounts held in the charitable gift annuity are not considered cash equivalents, regardless of maturity.

**Accounts Receivable and Promises to Give**

Accounts receivable and promises to give are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectibility and when all collection efforts have been exhausted, the account is written off against bad debt expense. All amounts recorded are considered fully collectible by management at June 30, 2015 and 2014.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets**

Furniture and equipment are recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets (3 to 5 years). Leasehold improvements are amortized on the straight-line basis over the remaining term of the lease. Donated fixed assets are recorded at fair market value at time of donation. The Organization capitalizes all furniture and equipment expenditures greater than \$1,000 with a useful life of greater than one year.

**Charitable Gift Annuity**

Charitable gift annuities are unrestricted irrevocable gifts under which the Organization agrees in turn to pay a life annuity to the donor, or designated beneficiary. The donors contributing to the charitable gift annuity receive a promise from the Organization to pay a fixed amount over the time period specified by the donor. The annuity liability represents the present value of the estimated payments owed to the donors of the charitable gift annuities. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the Organization. The investments are recorded at their fair value when contributed.

**Investments**

Investments recorded at fair value. Accordingly, unrealized gains and losses due to market fluctuations during the year are reflected in the statement of activities. Realized gains or losses are recognized upon sale or disposal.

**Fair Value of Financial Instruments**

**Fair Value Measurements**

The Organization categorizes its assets measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

**Level 1**

Financial assets whose values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access. Securities value using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 1 inputs include equities and equity mutual funds and were based on the closing price of identical assets.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

**Fair Value Measurements (Continued)**

**Level 2**

Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset. Level 2 inputs include among others, quoted prices for similar assets in active market or non-active market. The certificate of deposit valued using Level 2 inputs is based on identical assets in less active markets, such as dealer or broker markets, or survey of the dealer community by obtaining broker/dealer quotes on a daily basis.

**Level 3**

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset. The gift annuity liability valued using Level 3 inputs were based on life expectancy tables and net present value factors.

**Net Assets**

Net assets are classified for accounting and reporting purposes according to their nature and purpose and based upon the existence or absence of any restrictions thereon. A description of each net asset group is as follows:

Unrestricted – Operating Fund - represents net assets that are not subject to donor-imposed restrictions.

Unrestricted – Board Designated - consists of unrestricted contributions that the Board designated for specific programs and a reserve fund of the Organization.

Temporarily Restricted – Operating Fund - consists of grants and contributions received from various organizations and individuals who have specified that the contributions be used to fund specific programs. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purpose and are reported in the statement of activities as net assets released from restrictions.

Temporarily Restricted – Reserve Fund - consists of restricted contributions which can be used for operations on a temporary basis according to guidelines established by the Board of Directors. Interest earned on this fund is credited to the unrestricted operating fund.

Temporarily Restricted – Endowment Fund - consists of a bequest whereby the principal of this bequest is required to be endowed for a period of thirty years (through fiscal year 2019), during which time the Organization may expend only the annual investment income of the fund for charitable, educational or other purposes to which the Organization is devoted. Interest earned on this fund is credited to the unrestricted operating fund.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

Permanently Restricted - consists of contributions whereby the principal of the endowment funds are to be held in perpetuity and the net earnings used for internships.

**Grants and Contributions**

Contributions and grants are recorded as revenue in the year notification is received from the donor. Support that is donor-restricted, either by program or by time, is reported as an increase in temporarily restricted net assets. When the restriction expires, that is, when a time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions. The Organization's policy is to report all donors' restricted contributions as temporarily restricted revenue even if those restrictions are met in the same reporting period the contributions are received.

**Functional Allocation of Expenses**

The costs of providing programs and supporting services are summarized on a functional basis in the statements of activities. Accordingly, salary, benefits and overhead expenses have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has been classified by the Internal Revenue Service as a publicly supported organization under section 509(a)(1) of the IRC.

The Organization's income tax returns are subject to review and examination by federal and state authorities.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 18, 2015, the date the financial statements were available for issue.

**Reclassifications**

Certain reclassifications have been made to the 2014 financial statements in order to present them in conformity with the 2015 financial statements. These reclassifications had no net effect on net assets as previously reported.

**NOTE 2 CONCENTRATIONS**

**Credit Risk**

Financial instruments that subject the Organization to a concentration of credit risk consist of demand deposits placed with a financial institution. Funds in excess of Federal insurance limits may be exposed to credit risk.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 2 CONCENTRATIONS (CONTINUED)**

**Revenues**

For the years ended June 30, 2015 and 2014, the Organization received 39% and 53% of total revenues from a single donor. The donations are to be used for underfunded programs and the Organization is not dependent on this source of revenue.

**NOTE 3 PROMISES TO GIVE**

The Organization receives promises to give primarily from private grantors. At June 30, 2014, all promises to give were expected to be collected within one year. There were no promises to give at June 30, 2015.

**NOTE 4 RELATED PARTY TRANSACTIONS**

The Organization shares expenses with Friends of the Earth (Action), Inc., which is an exempt organization under Section 501(c)(4) of the Internal Revenue Code. Shared expenses include employee compensation, rent, and other expenses. Friends of the Earth and Friends of the Earth (Action), Inc. have separate Boards of Directors.

The following is a summary of the transactions for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Due from FOE, Inc. - Beginning of Year	\$ 177,014	\$ 173,567
Contributions Received on Behalf of FOE, Inc.	(10,079)	(3,686)
Administrative Fee Charged to FOE, Inc.	49,150	22,566
Expense Paid by FOE, Inc. on Behalf of FOE	(402,748)	(35,243)
Expense Paid by FOE on Behalf of FOE, Inc.	<u>45,852</u>	<u>19,810</u>
Due (to)/from FOE, Inc. - End of Year	<u>\$ (140,811)</u>	<u>\$ 177,014</u>

The Organization made a grant of \$175,000 to Friends of the Earth (Action), Inc. The grant amount represented the organization's estimated remaining lobbying cap for the fiscal year, and its purpose was to support lobbying activities consistent with both organizations' missions.

Members of the Board of Directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$75,300 and \$75,000 for the years ended June 30, 2015 and 2014, respectively.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheet.

The Organization uses measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

	<b>2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Common Stocks	\$ 2,927,281	\$ -	\$ -	\$ 2,927,281
Real Estate Investment Trusts	91,939	-	-	91,939
Exchange Traded Funds - Bonds	1,958,821	-	-	1,958,821
Corporate Bonds	172,187	-	-	172,187
<b>Total Investments</b>	<b>5,150,228</b>	<b>-</b>	<b>-</b>	<b>5,150,228</b>
Charitable Gift Annuities - Mutual Fund - Equities	123,254	-	-	123,254
Certificate of Deposit	-	140,155	-	140,155
<b>Total Assets at Fair Value</b>	<b>\$ 5,273,482</b>	<b>\$ 140,155</b>	<b>\$ -</b>	<b>\$ 5,413,637</b>
Charitable Gift Annuity Liability	\$ -	\$ -	\$ 30,077	\$ 30,077

  

	<b>2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Common Stocks	\$ 100,580	\$ -	\$ -	\$ 100,580
Charitable Gift Annuities - Mutual Fund - Equities	114,837	-	-	114,837
Certificate of Deposit	-	144,200	-	144,200
<b>Total Assets at Fair Value</b>	<b>\$ 215,417</b>	<b>\$ 144,200</b>	<b>\$ -</b>	<b>\$ 359,617</b>
Charitable Gift Annuity Liability	\$ -	\$ -	\$ 29,124	\$ 29,124

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Investment income, including interest income on bank deposit accounts, consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and Dividends	\$ 40,046	\$ 14,328
Realized and Unrealized (Losses) Gains	(56,286)	35,090
Total	<u>\$ (16,240)</u>	<u>\$ 49,418</u>

**NOTE 6 BOARD DESIGNATED NET ASSETS**

Board Designated net assets consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Reserve Fund	\$ 4,855,000	\$ 1,855,000
General Support	3,000,000	3,000,000
Anti-nuclear Work	-	439,881
Climate and Energy	-	300,000
Legal Fund	-	3,969
Total	<u>\$ 7,855,000</u>	<u>\$ 5,598,850</u>

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of June 30:

Purpose:	<u>2015</u>	<u>2014</u>
Outreach Programs	\$ 823,586	\$ 59,339
Economic Policy	582,811	425,410
Food & Technology	266,778	253,219
Oceans & Vessels	146,970	120,023
Reserve Fund	145,000	145,000
Climate & Energy	112,966	101,306
Endowment Fund	53,421	53,421
Total	<u>\$ 2,131,532</u>	<u>\$ 1,157,718</u>



**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Net assets released from restriction consisted of the following for the years ended June 30:

	<b>2015</b>	<b>2014</b>
Purpose:		
Economic Policy	\$ 949,099	\$ 682,644
Outreach Programs	560,753	201,894
Food & Technology	543,234	477,489
Climate & Energy	525,864	525,864
Oceans & Vessels	187,259	110,367
Total	\$ 2,766,209	\$ 1,998,258

**NOTE 8 ENDOWMENT**

**Interpretation of Relevant Law**

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit Organization donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the original value of the temporarily restricted endowment gifts that have long-term time restrictions as a temporarily restricted endowment. The earnings on the endowment are also classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

The endowment's investment policy objective is to protect the principal, earn a return, and provide growth.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 8 ENDOWMENT (CONTINUED)**

Endowment net asset composition by type and changes in endowment net assets for the years ended June 30 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2013	\$ -	\$ 54,278	\$ 210,272	\$ 264,550
Investment Return	-	99	-	99
Appropriations	-	(99)	-	(99)
Endowment Net Assets, June 30, 2014	<u>-</u>	<u>54,278</u>	<u>210,272</u>	<u>264,550</u>
Investment Return	-	472	-	472
Appropriations	-	(472)	-	(472)
Endowment Net Assets, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ 54,278</u></u>	<u><u>\$ 210,272</u></u>	<u><u>\$ 264,550</u></u>

**NOTE 9 RETIREMENT PLAN**

The Organization maintains a contributory defined contribution retirement plan that covers all employees who meet certain age requirements. Under the Plan, the Organization contributes 3% of the participants' compensation. The Organization's pension expense was \$46,639 and \$42,058 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 10 ALLOCATION OF JOINT COSTS**

The Organization incurs joint costs for informational materials and activities that include fundraising appeals and on-line Action Alerts. The following is a summary of these costs for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Program - Outreach	\$ 1,456,851	\$ 824,818
Grass Roots Lobbying	19,413	8,030
Direct Lobbying	41	956
Fundraising	<u>133,081</u>	<u>96,748</u>
Total	<u><u>\$ 1,609,386</u></u>	<u><u>\$ 930,552</u></u>

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 11 LEASE COMMITMENTS**

The Organization leases space for its office headquarters in Washington, DC under the terms of a noncancellable operating lease. During the year ended June 30, 2015, the Organization agreed to an early termination of its existing office lease and entered into a new noncancellable operating lease agreement that commenced November 1, 2015 and expires in November 2028.

The lease agreements contain rent incentives consisting of abated rent and leasehold improvements. The recognition of these assets and liabilities have been recorded as fixed assets, deferred rent and leasehold improvement allowance on the accompanying balance sheet and are recognized over the term of the lease.

In addition, the Organization leases office space in Berkley, CA under the terms of a noncancellable operating lease that expires in May 2018.

Rent expense, including miscellaneous occupancy charges, amounted to \$205,096 and \$444,544 for the years ended June 30, 2015 and 2014, respectively. The Organization received monetary consideration for the early termination of its existing office lease, of which \$2,266,667 was recognized in the year ended June 30, 2015 and is reflected in other income. An additional amount was contingent on the Organization's move and will be recognized in the following fiscal year.

Future minimum rental payments on the office space are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 554,409
2017	833,277
2018	790,606
2019	714,264
2020	732,120
Thereafter	<u>6,989,728</u>
Total	<u>\$ 10,614,403</u>

In lieu of a security deposit on its leased office space, the Organization established a letter of credit (LOC) totaling \$134,820. The required amount of the LOC is \$84,263 after the third lease year and \$33,705 after the sixth lease year. The letter of credit is secured by a certificate of deposit. At June 30, 2015 and 2014 the balance of the certificate of deposit was \$123,254 and \$114,837, respectively.