

FRIENDS OF THE EARTH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

**FRIENDS OF THE EARTH
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YEARS ENDED JUNE 30, 2018 AND 2017**

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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 statements of financial position as of June 30, 2018 and 2017, 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.

Board of Directors
Friends of the Earth

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, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 12, 2018

**FRIENDS OF THE EARTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,117,391	\$ 7,380,911
Grants Receivable	520,000	808,000
Accounts Receivable	86,354	46,067
Prepaid Expenses and Other Assets	211,071	335,861
Total Current Assets	7,934,816	8,570,839
FIXED ASSETS		
Furniture and Equipment	736,478	648,319
Leasehold Improvements	1,321,633	1,243,930
Less: Accumulated Depreciation and Amortization	(642,916)	(407,486)
	1,415,195	1,484,763
OTHER ASSETS		
Charitable Gift Annuities, at Fair Value	169,863	145,486
Certificates of Deposit	243,508	143,039
Investments	5,232,704	5,645,875
Due from Friends of the Earth (Action), Inc.	-	88,692
Deposits	171,342	176,482
Total Other Assets	5,817,417	6,199,574
Total Assets	\$ 15,167,428	\$ 16,255,176
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 592,922	\$ 400,998
Accrued Leave	230,205	180,579
Due to Friends of the Earth (Action), Inc.	59,970	-
Total Current Liabilities	883,097	581,577
OTHER LIABILITIES		
Deferred Rent	865,133	824,524
Leasehold Improvement Allowance	902,937	994,960
Charitable Gift Annuities Liability	26,603	32,679
Total Other Liabilities	1,794,673	1,852,163
Total Liabilities	2,677,770	2,433,740
NET ASSETS		
Unrestricted:		
Operating	7,561,598	7,281,736
ASD General Support	1,000,000	2,000,000
	8,561,598	9,281,736
Temporarily Restricted:		
Operating Fund	3,519,367	4,131,007
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
	3,717,788	4,329,428
Permanently Restricted	210,272	210,272
Total Net Assets	12,489,658	13,821,436
Total Liabilities and Net Assets	\$ 15,167,428	\$ 16,255,176

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Grants, Bequests, and Contributions	\$ 6,701,601	\$ 2,809,257	\$ -	\$ 9,510,858	\$ 7,044,791	\$ 5,343,944	\$ -	\$ 12,388,735
Investment Income	527,921	28,015	-	555,936	592,225	4,835	-	597,060
Rental Income	182,502	-	-	182,502	8,049	-	-	8,049
Mailing List Sales	31,717	-	-	31,717	22,678	-	-	22,678
Other	5,770	-	-	5,770	5,501	-	-	5,501
Net Assets Released from Restrictions	3,448,912	(3,448,912)	-	-	2,797,589	(2,797,589)	-	-
Total Revenue	10,898,423	(611,640)	-	10,286,783	10,470,833	2,551,190	-	13,022,023
EXPENSES								
Program Expenses:								
Economic Policy	1,598,356	-	-	1,598,356	1,766,607	-	-	1,766,607
Oceans & Vessels	695,788	-	-	695,788	470,297	-	-	470,297
Climate & Energy	817,063	-	-	817,063	556,126	-	-	556,126
Food & Technology	1,455,256	-	-	1,455,256	1,411,970	-	-	1,411,970
Outreach & Communications	4,226,400	-	-	4,226,400	3,318,517	-	-	3,318,517
Membership	590,549	-	-	590,549	784,906	-	-	784,906
Total Program Expenses	9,383,412	-	-	9,383,412	8,308,423	-	-	8,308,423
Supporting Expenses:								
Management and General	958,168	-	-	958,168	880,646	-	-	880,646
Fundraising	1,276,981	-	-	1,276,981	1,102,701	-	-	1,102,701
Total Supporting Expenses	2,235,149	-	-	2,235,149	1,983,347	-	-	1,983,347
Total Expenses	11,618,561	-	-	11,618,561	10,291,770	-	-	10,291,770
CHANGE IN NET ASSETS	(720,138)	(611,640)	-	(1,331,778)	179,063	2,551,190	-	2,730,253
Net Assets - Beginning of Year	9,281,736	4,329,428	210,272	13,821,436	9,102,673	1,778,238	210,272	11,091,183
NET ASSETS - END OF YEAR	<u>\$ 8,561,598</u>	<u>\$ 3,717,788</u>	<u>\$ 210,272</u>	<u>\$ 12,489,658</u>	<u>\$ 9,281,736</u>	<u>\$ 4,329,428</u>	<u>\$ 210,272</u>	<u>\$ 13,821,436</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Expenses						Supporting Services				Total Expenses
	Economic Policy	Climate & Energy	Food & Technology	Oceans & Vessels	Outreach & Comm.	Membership	Total	Management, General & Overhead	Fundraising	Total	
Salaries	\$ 745,469	\$ 189,184	\$ 537,272	\$ 293,897	\$ 736,480	\$ 112,909	\$ 2,615,211	\$ 589,716	\$ 350,546	\$ 940,262.00	\$ 3,555,473
Payroll Taxes and Fringe Benefits	184,510	47,191	131,228	72,001	171,344	27,430	633,704	241,312	83,750	325,062	958,766
Professional Fees	36,863	396,038	348,105	88,727	576,479	25,703	1,471,915	553,509	92,503	646,012	2,117,927
Advertising and Media	16,938	-	1,099	585	27,882	-	46,504	1,005	133	1,138	47,642
Research, Data, Lists	10,248	-	-	-	590,179	115,332	715,759	-	98,122	98,122	813,881
Web Services	1,542	16	6,577	-	87,285	14,307	109,727	3,102	2,060	5,162	114,889
Professional Development	3,399	-	7,497	1,960	1,119	1,107	15,082	13,886	2,552	16,438	31,520
Travel	72,582	14,704	54,989	45,287	71,407	2,323	261,292	81,055	19,562	100,617	361,909
Printing and Duplicating	8,253	-	1,958	1,526	318,283	96,990	427,010	3,837	86,667	90,504	517,514
Occupancy	-	-	-	-	3,381	-	3,381	774,997	-	774,997	778,378
Depreciation	-	-	-	-	1,110	-	1,110	230,990	3,330	234,320	235,430
Insurance	-	-	-	-	-	-	-	39,096	-	39,096	39,096
IT and Connectivity	-	-	-	-	12,589	3,434	16,023	257,429	18,033	275,462	291,485
Postage and Shipping	511	-	1,691	20	514,276	96,679	613,177	17,285	167,443	184,728	797,905
General Supplies	3,119	-	6,512	642	23,504	413	34,190	34,380	533	34,913	69,103
Dues, Publications, and Subscriptions	4,040	-	3,549	1,285	148,239	15,121	172,234	27,707	13,256	40,963	213,197
Small Grants, Contributions	20,455	55,079	1,750	2,250	437,525	300	517,359	-	-	-	517,359
Miscellaneous	217	120	745	301	4,339	80	5,802	76,259	110,560	186,819	192,621
Overheads Applied	490,210	114,731	352,284	187,307	500,979	78,421	1,723,932	(1,987,397)	227,931	(1,759,466)	(35,534)
Total Expenses	<u>\$ 1,598,356</u>	<u>\$ 817,063</u>	<u>\$ 1,455,256</u>	<u>\$ 695,788</u>	<u>\$ 4,226,400</u>	<u>\$ 590,549</u>	<u>\$ 9,383,412</u>	<u>\$ 958,168</u>	<u>\$ 1,276,981</u>	<u>\$ 2,235,149</u>	<u>\$ 11,618,561</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Expenses						Supporting Services				Total Expenses
	Economic Policy	Oceans & Vessels	Climate & Energy	Food & Technology	Outreach & Comm.	Membership	Total	Management, General & Overhead	Fundraising	Total	
Salaries	\$ 809,273	\$ 172,426	\$ 193,709	\$ 463,119	\$ 427,656	\$ 119,490	\$ 2,185,673	\$ 557,283	\$ 310,728	\$ 868,011	\$ 3,053,684
Payroll Taxes and Fringe Benefits	224,461	48,056	53,929	129,910	119,844	33,915	610,115	170,036	86,725	256,761	866,876
Professional Fees	93,083	120,395	134,597	359,384	393,097	25,073	1,125,629	192,641	97,281	289,922	1,415,551
Advertising and Media	6,578	10,005	-	101,763	8,716	90	127,152	140	270	410	127,562
Research, Data, Lists	756	-	-	-	237,456	352,469	590,681	-	42,933	42,933	633,614
Web Services	36,480	30	184	2,056	55,082	8,274	102,106	821	4,748	5,569	107,675
Professional Development	3,131	1,741	1,405	3,000	55,177	3,781	68,235	804	348	1,152	69,387
Travel	84,412	22,359	11,591	50,706	23,575	4,289	196,932	45,655	13,503	59,158	256,090
Printing and Duplicating	5,449	1,648	313	2,283	440,125	70,762	520,580	4,531	143,988	148,519	669,099
Occupancy	-	-	-	-	-	-	-	783,004	-	783,004	783,004
Depreciation	-	-	-	-	5,651	-	5,651	218,786	1,360	220,146	225,797
Insurance	-	-	-	-	-	-	-	20,690	-	20,690	20,690
IT and Connectivity	26	163	-	159	3,907	4,791	9,046	194,316	9,100	203,416	212,462
Postage and Shipping	684	515	493	2,782	427,350	89,803	521,627	10,766	150,225	160,991	682,618
General Supplies	1,141	92	40	11,812	3,725	2,703	19,513	24,727	2,586	27,313	46,826
Dues, Publications, and Subscriptions	3,150	-	1,527	6,599	88,943	-	100,219	22,293	5,081	27,374	127,593
Small Grants, Contributions	39,100	500	59,980	5,370	784,638	-	889,588	-	-	-	889,588
Miscellaneous	2,430	90	-	769	1,504	-	4,793	84,060	66,828	150,888	155,681
Overheads Applied	456,453	92,277	98,358	272,258	242,071	69,466	1,230,883	(1,449,907)	166,997	(1,282,910)	(52,027)
Total Expenses	\$ 1,766,607	\$ 470,297	\$ 556,126	\$ 1,411,970	\$ 3,318,517	\$ 784,906	\$ 8,308,423	\$ 880,646	\$ 1,102,701	\$ 1,983,347	\$ 10,291,770

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,331,778)	\$ 2,730,253
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	235,430	225,797
Realized/Unrealized Gain	(432,203)	(476,581)
Donated Securities	(191,055)	(79,167)
Charitable Gift Annuity	(24,377)	272
Changes in Assets and Liabilities:		
Grants Receivable	288,000	(159,288)
Accounts Receivable	(40,287)	53,185
Prepaid Expenses and Other Assets	124,790	(193,815)
Deposits	5,140	(4,581)
Accounts Payable and Accrued Expenses	280,616	(57,734)
Accrued Leave	49,626	16,189
Due to/from Friends of the Earth (Action), Inc.	59,970	(544,525)
Grants Payable	-	(80,500)
Deferred Rent/Leasehold Improvement Allowance	(51,414)	185,062
Net Cash (Used) Provided by Operating Activities	(1,027,542)	1,614,567
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	1,279,201	1,174,588
Purchases of Investments	(343,241)	(1,035,015)
Purchases of Fixed Assets	(165,862)	(35,225)
Net Cash Provided by Investing Activities	770,098	104,348
CASH FLOWS FROM FINANCING ACTIVITIES		
Charitable Gift Annuity Payments	(6,076)	(7,385)
Gift Annuity Received	-	10,000
Net Cash (Used) Provided by Financing Activities	(6,076)	2,615
NET CHANGE IN CASH AND CASH EQUIVALENTS	(263,520)	1,721,530
Cash and Cash Equivalents - Beginning of Year	7,380,911	5,659,381
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,117,391	\$ 7,380,911
SUPPLEMENTAL INFORMATION		
Cash Paid during the Year for Interest	\$ -	\$ 1,076
Donated Securities Held for Investment	\$ 191,055	\$ 79,167

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Friends of the Earth (the Organization or FOE) 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, online media, and a quarterly newsmagazine.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount estimated by management to be the net realizable value. The Organization charges off accounts receivable when it becomes apparent based on age or circumstances that the amounts will not be collected.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through charges to the provision for bad debts. The Organization evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs and management's judgment of the probability of collecting accounts. Management has determined that an allowance is not required as of June 30, 2018 and 2017.

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 13 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 statements of activities. Realized gains or losses are recognized upon sale or disposal.

Donated securities are recorded at their fair values, as determined by the proceeds received on the date of sale. The Organization may either hold donated securities for investment or sell them immediately upon receipt. For purposes of the accompanying statements of cash flows, donated securities received and sold within the same period are reported in the change in net assets shown in operating activities.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, equity mutual funds, and exchange traded funds based on the closing price of identical assets.

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 markets or nonactive markets. The certificate of deposit and certain fixed income securities valued using Level 2 inputs are 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 Net Assets – Operating Fund - represents net assets that are not subject to donor- imposed restrictions.

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

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Temporarily Restricted Net Assets – 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 statements of activities as net assets released from restrictions.

Temporarily Restricted Net Assets – 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 Net Assets – Endowment Fund - consists of a bequest whereby the principal of this bequest is required to be endowed for a period of 30 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.

Permanently Restricted Net Assets – 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. The Organization is not aware of any activities that would jeopardize its tax exempt status.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2018, the date the financial statements were available to be issued.

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.

Revenues

For the years ended June 30, 2018 and 2017, the Organization received 28% and 19%, respectively, 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 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 IRC. Shared expenses include employee compensation, rent, and operating 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>2018</u>	<u>2017</u>
Due (to)/from FOE Action - Beginning of Year	\$ 88,692	\$ (455,833)
Payment to FOE Action Against Due to Balance	-	400,000
Contributions Received by FOE on Behalf of FOE Action	(136,644)	(2,065)
Contributions Received by FOE Action on Behalf of FOE	7,365	3,836
Increase in Grant Payable Made by FOE to FOE Action	(300,000)	-
Expense Paid by FOE on Behalf of FOE Action	280,617	142,754
Due (to)/from FOE Action - End of Year	<u>\$ (59,970)</u>	<u>\$ 88,692</u>

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization made grants of \$300,000 and \$250,000 to Friends of the Earth (Action), Inc. during 2018 and 2017, respectively, to support lobbying activities consistent with both Organizations' missions. The grants were contributed in the form of a grant payable and cash payment from FOE, respectively.

Members of the Organization's board of directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$47,550 and \$53,664 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 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 statement of financial position.

The Organization uses measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

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, 2018:

	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 3,081,311	\$ -	\$ -	\$ 3,081,311
Real Estate Investment Trusts	187,858	-	-	187,858
Exchange Traded Funds - Bonds	1,940,199	-	-	1,940,199
Municipal Bonds	-	23,336	-	23,336
Total Investments	5,209,368	23,336	-	5,232,704
Charitable Gift Annuities - Mutual Fund - Equities	169,863	-	-	169,863
Certificates of Deposit	-	243,508	-	243,508
Total Assets at Fair Value	\$ 5,379,231	\$ 266,844	\$ -	\$ 5,646,075
Charitable Gift Annual Annuity	\$ -	\$ -	\$ 26,603	\$ 26,603

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 3,332,480	\$ -	\$ -	\$ 3,332,480
Real Estate Investment Trusts	276,667	-	-	276,667
Exchange Traded Funds - Bonds	1,978,638	-	-	1,978,638
Corporate Bonds	-	58,090	-	58,090
Total Investments	<u>5,587,785</u>	<u>58,090</u>	<u>-</u>	<u>5,645,875</u>
Charitable Gift Annuities - Mutual Fund - Equities	145,486	-	-	145,486
Certificates of Deposit	-	143,039	-	143,039
Total Assets at Fair Value	<u>\$ 5,733,271</u>	<u>\$ 201,129</u>	<u>\$ -</u>	<u>\$ 5,934,400</u>
Charitable Gift Annual Annuity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,679</u>	<u>\$ 32,679</u>

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

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 99,356	\$ 120,751
Investment Gain (Loss) - Charitable Gift Annuity	24,377	(272)
Realized and Unrealized Gains	432,203	476,581
Total	<u>\$ 555,936</u>	<u>\$ 597,060</u>

**FRIENDS OF THE EARTH
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JUNE 30, 2018 AND 2017**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
Purpose:		
Outreach Programs	\$ 2,869,478	\$ 2,750,847
Oceans & Vessels	368,201	585,317
Economic Policy	150,000	311,906
Food & Technology	125,000	252,500
Climate & Energy	6,688	230,437
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
Total	\$ 3,717,788	\$ 4,329,428

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

	2018	2017
Purpose:		
Economic Policy	\$ 911,662	\$ 1,163,492
Outreach Programs	434,581	408,981
Food & Technology	801,981	658,266
Climate & Energy	731,699	241,434
Oceans & Vessels	540,974	320,581
Endowment Investment Return	28,015	4,835
Total	\$ 3,448,912	\$ 2,797,589

NOTE 6 ENDOWMENT

Permanently Restricted

Permanently restricted net assets are available for scholarships and general operations in accordance with the Organization's interpretation of donor intent.

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

Spending Policy

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

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2016	\$ 54,278	\$ 210,272	\$ 264,550
Investment Return	4,835	-	4,835
Appropriations	(5,692)	-	(5,692)
Endowment Net Assets, June 30, 2017	53,421	210,272	263,693
Investment Return	28,015	-	28,015
Appropriations	(28,015)	-	(28,015)
Endowment Net Assets, June 30, 2018	<u>\$ 53,421</u>	<u>\$ 210,272</u>	<u>\$ 263,693</u>

NOTE 7 RETIREMENT PLAN

The Organization maintains a contributory defined contribution retirement plan (the Plan) that covers all employees who meet certain eligibility requirements. Under the Plan, the Organization contributed 3% of the participants' compensation and may make discretionary profit sharing contributions allocated on a pro rata basis in the ratio that each qualified participant's compensation for the Plan year bears to the total compensation. The Organization's pension expense was \$109,865 and \$78,071 for the years ended June 30, 2018 and 2017, respectively.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 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>2018</u>	<u>2017</u>
Program - Outreach	\$ 1,239,808	\$ 1,280,322
Grass Roots Lobbying	25,532	15,238
Fundraising	231,736	212,827
Total	<u>\$ 1,497,076</u>	<u>\$ 1,508,387</u>

NOTE 9 LEASE COMMITMENTS

Office Lease

The Organization leases space for its office headquarters in Washington, DC under the terms of a noncancellable operating lease that expires in November 2028. The lease agreement contains 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 statements of financial position and are being recognized over the term of the lease. The security deposit paid on the leased office space was \$167,175.

In addition, the Organization leases office space in Berkley, California under the terms of a noncancellable operating lease that expires in May 2021.

Rent expense, including miscellaneous occupancy charges, amortization of deferred rent and deferred lease incentive, amounted to \$778,378 and \$782,393 for the years ended June 30, 2018 and 2017, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 714,264
2020	732,120
2021	760,662
2022	784,798
2023	804,418
Thereafter	4,718,228
Total	<u>\$ 8,514,490</u>

Letter of Credit

During the years ended June 30, 2018 and 2017, the Organization had a letter of credit in the amount of \$134,820 with a financial institution in favor of the Organization's prior landlord, which is collateralized by a certificate of deposit.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 LEASE COMMITMENTS (CONTINUED)

Sublease Agreement

The Organization has a noncancellable operating sublease agreement which commenced in August 2017 and expires July 2022. The lease agreement contains an escalation provision that increases the annual base rent per year. Future minimum lease rentals under the sublease are as follows at June 30, 2018:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 173,522
2020	177,861
2021	182,307
2022	186,865
2023	<u>15,604</u>
Total	<u>\$ 736,159</u>

NOTE 10 COMMITMENT AND CONTINGENCIES

In the ordinary course of business, the Organization is a party to claims and litigation. Management, based on consultation with legal counsel, is of the opinion that the ultimate outcome of these matters will have no material impact on the financial position, change in net assets or liquidity of the Organization.