

**FRIENDS OF THE EARTH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**FRIENDS OF THE EARTH  
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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, 2017 and 2016, 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, 2017 and 2016, 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 cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Arlington, Virginia  
February 2, 2018

**FRIENDS OF THE EARTH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,380,911	\$ 5,659,381
Grants Receivable	808,000	648,712
Accounts Receivable	46,067	99,252
Prepaid Expenses and Other Assets	335,861	142,046
Total Current Assets	8,570,839	6,549,391
<b>FIXED ASSETS</b>		
Furniture and Equipment	648,319	629,485
Leasehold Improvements	1,243,930	1,227,918
Less: Accumulated Depreciation and Amortization	(407,486)	(182,068)
	1,484,763	1,675,335
<b>OTHER ASSETS</b>		
Charitable Gift Annuities, at Fair Value	145,486	122,930
Certificate of Deposit	143,039	143,039
Investments	5,645,875	5,252,256
Due from Friends of the Earth (Action), Inc.	88,692	-
Deposits	176,482	171,901
Total Other Assets	6,199,574	5,690,126
Total Assets	\$ 16,255,176	\$ 13,914,852
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 400,998	\$ 458,732
Accrued Leave	180,579	164,390
Due to Friends of the Earth (Action), Inc.	-	455,833
Total Current Liabilities	581,577	1,078,955
<b>OTHER LIABILITIES</b>		
Grants Payable	-	80,500
Deferred Rent	824,524	491,807
Leasehold Improvement Allowance	994,960	1,142,615
Charitable Gift Annuities Liability	32,679	29,792
Total Other Liabilities	1,852,163	1,744,714
Total Liabilities	2,433,740	2,823,669
<b>NET ASSETS</b>		
Unrestricted:		
Operating	2,426,736	3,878,060
Board Designated	6,855,000	5,224,613
	9,281,736	9,102,673
Temporarily Restricted:		
Operating Fund	4,131,007	1,579,817
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
	4,329,428	1,778,238
Permanently Restricted	210,272	210,272
Total Net Assets	13,821,436	11,091,183
Total Liabilities and Net Assets	\$ 16,255,176	\$ 13,914,852

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Grants, Bequests, and Contributions	\$ 7,044,791	\$ 5,343,944	\$ -	\$ 12,388,735	\$ 6,549,248	\$ 2,265,240	\$ -	\$ 8,814,488
Investment Income	592,225	4,835	-	597,060	145,278	1,212	-	146,490
Rental Income	8,049	-	-	8,049	8,093	-	-	8,093
Mailing List Sales	22,678	-	-	22,678	34,976	-	-	34,976
Other	5,501	-	-	5,501	1,531,157	-	-	1,531,157
Net Assets Released from Restrictions	2,797,589	(2,797,589)	-	-	2,619,746	(2,619,746)	-	-
Total Revenue	10,470,833	2,551,190	-	13,022,023	10,888,498	(353,294)	-	10,535,204
<b>EXPENSES</b>								
Program Expenses:								
Economic Policy	1,766,607	-	-	1,766,607	1,403,769	-	-	1,403,769
Oceans & Vessels	470,297	-	-	470,297	400,738	-	-	400,738
Climate & Energy	556,126	-	-	556,126	1,428,445	-	-	1,428,445
Food & Technology	1,411,970	-	-	1,411,970	1,083,328	-	-	1,083,328
Outreach & Communications	3,318,517	-	-	3,318,517	3,476,253	-	-	3,476,253
Membership	784,906	-	-	784,906	760,623	-	-	760,623
Total Program Expenses	8,308,423	-	-	8,308,423	8,553,156	-	-	8,553,156
Supporting Expenses:								
Management and General	880,646	-	-	880,646	666,799	-	-	666,799
Fundraising	1,102,701	-	-	1,102,701	805,148	-	-	805,148
Total Supporting Expenses	1,983,347	-	-	1,983,347	1,471,947	-	-	1,471,947
Total Expenses	10,291,770	-	-	10,291,770	10,025,103	-	-	10,025,103
<b>CHANGE IN NET ASSETS</b>	179,063	2,551,190	-	2,730,253	863,395	(353,294)	-	510,101
Net Assets - Beginning of Year	9,102,673	1,778,238	210,272	11,091,183	8,239,278	2,131,532	210,272	10,581,082
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,281,736</u>	<u>\$ 4,329,428</u>	<u>\$ 210,272</u>	<u>\$ 13,821,436</u>	<u>\$ 9,102,673</u>	<u>\$ 1,778,238</u>	<u>\$ 210,272</u>	<u>\$ 11,091,183</u>

See accompanying Notes to Financial Statements.

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

	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	\$ 809,273	\$ 172,426	\$ 193,709	\$ 463,119	\$ 427,656	\$ 119,490	\$ 2,185,673	\$ 177,610	\$ 379,673	\$ 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	68,134	101,902	86,725	256,761	866,876
Professional Fees	93,083	120,395	134,597	359,384	393,097	25,073	1,125,629	99,753	92,888	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	11,501	34,154	13,503	59,158	256,090
Printing and Duplicating	5,449	1,648	313	2,283	440,125	70,762	520,580	4,317	214	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	189,277	5,039	9,100	203,416	212,462
Postage and Shipping	684	515	493	2,782	427,350	89,803	521,627	9,302	1,464	150,225	160,991	682,618
General Supplies	1,141	92	40	11,812	3,725	2,703	19,513	24,191	536	2,586	27,313	46,826
Dues, Publications, Subscriptions	3,150	-	1,527	6,599	88,943	-	100,219	22,058	235	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	1,976	82,084	66,828	150,888	155,681
Overheads Applied	456,453	92,277	98,358	272,258	242,071	69,466	1,230,883	(1,632,364)	182,457	166,997	(1,282,910)	(52,027)
<b>Total Expenses</b>	<b>\$ 1,766,607</b>	<b>\$ 470,297</b>	<b>\$ 556,126</b>	<b>\$1,411,970</b>	<b>\$3,318,517</b>	<b>\$ 784,906</b>	<b>\$ 8,308,423</b>	<b>\$ -</b>	<b>\$ 880,646</b>	<b>\$ 1,102,701</b>	<b>\$ 1,983,347</b>	<b>\$ 10,291,770</b>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	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	\$ 638,942	\$ 145,478	\$ 375,852	\$ 364,577	\$ 362,981	\$ 100,173	\$1,988,003	\$ 141,437	\$ 264,688	\$ 222,819	\$ 628,944	\$ 2,616,947
Payroll Taxes and Fringe Benefits	163,700	37,294	96,381	94,419	92,281	26,070	510,145	53,861	68,544	57,079	179,484	689,629
Professional Fees	13,171	128,898	686,831	270,912	54,017	28,960	1,182,789	138,278	121,743	76,318	336,339	1,519,128
Advertising and Media	7,290	-	6,236	13,175	141,119	160	167,980	230	265	95	590	168,570
Research, Data, Lists	-	-	300	5,495	238,845	98,468	343,108	-	-	38,127	38,127	381,235
Web Services	314	-	13,319	6,086	90,322	2,419	112,460	625	-	8,671	9,296	121,756
Professional Development	1,995	1,846	76	4,977	19,382	838	29,114	4,181	15,402	1,928	21,511	50,625
Travel	54,351	6,187	36,592	42,394	96,108	4,357	239,989	7,120	28,419	31,845	67,384	307,373
Printing and Duplicating	1,771	269	1,394	1,099	491,448	259,147	755,128	2,199	315	97,100	99,614	854,742
Occupancy	-	-	-	-	435	158	593	481,854	-	33	481,887	482,480
Depreciation	-	-	-	-	2,586	-	2,586	317,483	-	1,555	319,038	321,624
Insurance	-	-	-	-	-	-	-	25,313	-	-	25,313	25,313
IT and Connectivity	67	-	1,090	55	1,117	8,564	10,893	172,020	2,808	8,622	183,450	194,343
Postage and Shipping	543	117	120	7,112	504,359	166,813	679,064	9,936	2,530	94,119	106,585	785,649
General Supplies	1,998	34	1,348	4,101	3,753	207	11,441	28,103	422	466	28,991	40,432
Dues, Publications, Subscriptions	3,850	-	3,889	3,677	54,249	25	65,690	19,258	1,556	6,357	27,171	92,861
Small Grants, Contributions	142,960	-	1,575	42,154	1,143,859	-	1,330,548	531	2,081	1,300	3,912	1,334,460
Miscellaneous	68	659	3,144	354	117	1,109	5,451	3,350	26,998	47,369	77,717	83,168
Overheads Applied	372,749	79,956	200,298	222,741	179,275	63,155	1,118,174	(1,405,779)	131,028	111,345	(1,163,406)	(45,232)
<b>Total Expenses</b>	<b>\$ 1,403,769</b>	<b>\$ 400,738</b>	<b>\$ 1,428,445</b>	<b>\$ 1,083,328</b>	<b>\$ 3,476,253</b>	<b>\$ 760,623</b>	<b>\$8,553,156</b>	<b>\$ -</b>	<b>\$ 666,799</b>	<b>\$ 805,148</b>	<b>\$1,471,947</b>	<b>\$ 10,025,103</b>

See accompanying Notes to Financial Statements.



**FRIENDS OF THE EARTH  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,730,253	\$ 510,101
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Disposals	-	32,132
Depreciation and Amortization	225,797	289,492
Realized/Unrealized Gain	(476,309)	(48,786)
Stock Donations	(79,167)	-
Charitable Gift Annuity	272	6,230
Changes in Assets and Liabilities:		
Grants Receivable	(159,288)	(386,119)
Accounts Receivable	53,185	(77,611)
Prepaid Expenses and Other Assets	(193,815)	84,559
Deposits	(4,581)	19,404
Accounts Payable and Accrued Expenses	(57,734)	58,039
Accrued Leave	16,189	30,916
Due to/from Friends of the Earth (Action), Inc.	(544,525)	315,022
Grants Payable	(80,500)	45,500
Deferred Rent/Leasehold Improvement Allowance	185,062	1,372,156
Net Cash Provided by Operating Activities	<u>1,614,839</u>	<u>2,251,035</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	1,174,316	45,235
Purchase of Certificate of Deposit	-	(2,884)
Purchases of Investments	(1,035,015)	(98,153)
Purchases of Fixed Assets	(35,225)	(1,693,844)
Net Cash Provided by (Used in) Investing Activities	<u>104,076</u>	<u>(1,749,646)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Charitable Gift Annuity Payments	(7,385)	(6,515)
Gift Annuity Received	10,000	-
Net Cash Provided by (Used in) by Financing Activities	<u>2,615</u>	<u>(6,515)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,721,530	494,874
Cash and Cash Equivalents - Beginning of Year	<u>5,659,381</u>	<u>5,164,507</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,380,911</u>	<u>\$ 5,659,381</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 1,076</u>	<u>\$ 4,586</u>
Donated Securities Held for Investment	<u>\$ 79,167</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Friends of the Earth (the Organization) 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 consolidated 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.

**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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**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, 2017 and 2016.

**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, 2017 AND 2016**

**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 – 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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Net Assets (Continued)**

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 statements 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.

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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Reclassifications**

Certain reclassifications have been made to the 2016 financial statements in order to present them in conformity with the 2017 financial statements. These reclassifications had no net effect on net assets as previously reported.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 2, 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, 2017 and 2016, the Organization received 38% and 28%, 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 Internal Revenue Code. 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>2017</u>	<u>2016</u>
Due (to)/from FOE Action - Beginning of Year	\$ (455,833)	\$ (140,811)
Payment to FOE Action Against Due to Balance	400,000	138,106
Contributions Received by FOE on Behalf of FOE Action	(2,065)	(4,250)
Contributions Received by FOE Action on Behalf of FOE	3,836	10,220
Grant made by FOE to FOE Action	-	(637,000)
Expense Paid by FOE Action on Behalf of FOE	<u>142,754</u>	<u>177,902</u>
Due (to)/from FOE Action - End of Year	<u>\$ 88,692</u>	<u>\$ (455,833)</u>

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

The Organization made grants of \$250,000 and \$637,000 to Friends of the Earth (Action), Inc. during 2017 and 2016, respectively, to support canvassing activities consistent with both organizations' missions. The grants were contributed in the form of cash and a reduction in the amount owed to FOE, respectively.

Members of the Organization's board of directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$53,664 and \$49,800 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENT**

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, 2017:

	Level 1	Level 2	Level 3	Total
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	5,587,785	58,090	-	5,645,875
Charitable Gift Annuities - Mutual Fund - Equities	145,486	-	-	145,486
Certificate 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 Annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,679</u>	<u>\$ 32,679</u>

**FRIENDS OF THE EARTH  
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**NOTE 4 INVESTMENT AND FAIR VALUE MEASUREMENT (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, 2016:

	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 2,894,930	\$ -	\$ -	\$ 2,894,930
Real Estate Investment Trusts	184,432	-	-	184,432
Exchange Traded Funds - Bonds	2,020,339	-	-	2,020,339
Corporate Bonds	-	115,617	-	115,617
Fixed Income Securities	-	36,938	-	36,938
Total Investments	5,099,701	152,555	-	5,252,256
Charitable Gift Annuities - Mutual Fund - Equities	122,930	-	-	122,930
Certificate of Deposit	-	143,039	-	143,039
Total Assets at Fair Value	<u>\$ 5,222,631</u>	<u>\$ 295,594</u>	<u>\$ -</u>	<u>\$ 5,518,225</u>
Charitable Gift Annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,792</u>	<u>\$ 29,792</u>

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

	2017	2016
Interest and Dividends	\$ 120,751	\$ 97,704
Realized and Unrealized Gains	476,309	48,786
Total	<u>\$ 597,060</u>	<u>\$ 146,490</u>

**NOTE 5 BOARD DESIGNATED NET ASSETS**

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

	2017	2016
Reserve Fund	\$ 4,855,000	\$ 4,855,000
General Support	2,000,000	369,613
Total	<u>\$ 6,855,000</u>	<u>\$ 5,224,613</u>



**FRIENDS OF THE EARTH  
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**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

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

	2017	2016
Purpose:		
Outreach Programs	\$ 2,750,847	\$ 336,993
Oceans & Vessels	585,317	282,974
Economic Policy	311,906	767,726
Food & Technology	252,500	158,986
Climate & Energy	230,437	33,138
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
Total	\$ 4,329,428	\$ 1,778,238

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

	2017	2016
Purpose:		
Economic Policy	\$ 1,163,492	\$ 1,003,709
Outreach Programs	408,981	495,863
Food & Technology	658,266	591,992
Climate & Energy	241,434	288,859
Oceans & Vessels	320,581	238,111
Endowment Investment Return	4,835	1,212
Total	\$ 2,797,589	\$ 2,619,746

**NOTE 7 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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7    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.

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:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2015	\$ 54,278	\$ 210,272	\$ 264,550
Investment Return	1,212	-	1,212
Appropriations	<u>(1,212)</u>	<u>-</u>	<u>(1,212)</u>
Endowment Net Assets, June 30, 2016	54,278	210,272	264,550
Investment Return	4,835	-	4,835
Appropriations	<u>(5,692)</u>	<u>-</u>	<u>(5,692)</u>
Endowment Net Assets, June 30, 2017	<u>\$ 53,421</u>	<u>\$ 210,272</u>	<u>\$ 263,693</u>

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 RETIREMENT PLAN**

The Organization maintains a contributory defined contribution retirement plan (the Plan) that covers all employees who meet certain age requirements. Under the Plan, the Organization contributed 3% of the participants' compensation. Effective June 1, 2017, the Organization amended the Plan which converted it from a 403(b) plan to a 401(k) plan. Under the amended Plan, the Organization 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 \$78,071 and \$62,133 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 9 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:

	2017	2016
Program - Outreach	\$ 1,280,322	\$ 1,455,613
Grass Roots Lobbying	15,238	18,982
Direct Lobbying	-	1,618
Fundraising	212,827	92,872
Total	\$ 1,508,387	\$ 1,569,085

**NOTE 10 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 sheets and are being recognized over the term of the lease. The security deposit paid on the new 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 2018.

Rent expense, including miscellaneous occupancy charges, amounted to \$782,393 and \$482,480 for the years ended June 30, 2017 and 2016, respectively. The Organization received monetary consideration for the early termination of its existing office lease, of which \$1,383,333 was recognized as revenue in the year ended June 30, 2016, and is reflected in other income in the statements of activities.

**FRIENDS OF THE EARTH  
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**NOTE 10 LEASE COMMITMENTS (CONTINUED)**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 804,305
2019	750,436
2020	732,120
2021	760,662
2022	784,798
Thereafter	5,522,646
Total	<u>\$ 9,354,967</u>

**NOTE 11 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.