

**FRIENDS OF THE EARTH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**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 balance sheets as of June 30, 2016 and 2015, 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, 2016 and 2015, 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  
November 18, 2016

**FRIENDS OF THE EARTH  
BALANCE SHEETS  
JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,659,381	\$ 5,164,507
Grants Receivable	648,712	262,593
Accounts Receivable	99,252	21,641
Prepaid Expenses and Other Assets	142,046	226,605
Total Current Assets	6,549,391	5,675,346
<b>FIXED ASSETS</b>		
Furniture and Equipment	629,485	388,425
Leasehold Improvements	1,227,918	534,628
Less Accumulated Depreciation and Amortization	(182,068)	(619,938)
	1,675,335	303,115
<b>OTHER ASSETS</b>		
Charitable Gift Annuities, at Fair Value	122,930	123,254
Certificate of Deposit	143,039	140,155
Investments	5,252,256	5,150,228
Deposits	171,901	191,305
Total Other Assets	5,690,126	5,604,942
Total Assets	\$ 13,914,852	\$ 11,583,403
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 458,732	\$ 400,693
Accrued Leave	164,390	133,474
Due to Friends of the Earth (Action), Inc.	455,833	140,811
Total Current Liabilities	1,078,955	674,978
<b>OTHER LIABILITIES</b>		
Grants Payable	80,500	35,000
Deferred Rent	491,807	124,761
Leasehold Improvement Allowance	1,142,615	137,505
Charitable Gift Annuities Liability	29,792	30,077
Total Other Liabilities	1,744,714	327,343
Total Liabilities	2,823,669	1,002,321
<b>NET ASSETS</b>		
Unrestricted:		
Operating	3,878,060	384,278
Board Designated	5,224,613	7,855,000
	9,102,673	8,239,278
Temporarily Restricted:		
Operating Fund	1,579,817	1,933,111
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
	1,778,238	2,131,532
Permanently Restricted	210,272	210,272
Total Net Assets	11,091,183	10,581,082
Total Liabilities and Net Assets	\$ 13,914,852	\$ 11,583,403

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Grants, Bequests and Contributions	\$ 6,549,248	\$ 2,265,240	\$ -	\$ 8,814,488	\$ 6,560,182	\$ 3,740,023	\$ -	\$ 10,300,205
Investment Income (Loss)	146,490	-	-	146,490	(16,240)	-	-	(16,240)
Rental Income	8,093	-	-	8,093	57,143	-	-	57,143
Mailing List Sales	34,976	-	-	34,976	3,122	-	-	3,122
Administrative Fees	-	-	-	-	47,248	-	-	47,248
Other	1,531,157	-	-	1,531,157	2,319,546	-	-	2,319,546
Net Assets Released from Restrictions	2,618,534	(2,618,534)	-	-	2,766,209	(2,766,209)	-	-
Total Revenue	10,888,498	(353,294)	-	10,535,204	11,737,210	973,814	-	12,711,024
<b>EXPENSES</b>								
Program Expenses:								
Economic Policy	1,403,769	-	-	1,403,769	1,482,985	-	-	1,482,985
Oceans & Vessels	400,738	-	-	400,738	309,998	-	-	309,998
Climate & Energy	1,428,445	-	-	1,428,445	1,260,350	-	-	1,260,350
Food & Technology	1,083,328	-	-	1,083,328	1,495,617	-	-	1,495,617
Outreach & Communications	3,476,253	-	-	3,476,253	3,270,191	-	-	3,270,191
Membership	760,623	-	-	760,623	419,139	-	-	419,139
Total Program Expenses	8,553,156	-	-	8,553,156	8,238,280	-	-	8,238,280
Supporting Expenses:								
Management and General	666,799	-	-	666,799	579,044	-	-	579,044
Fundraising	805,148	-	-	805,148	840,304	-	-	840,304
Total Supporting Expenses	1,471,947	-	-	1,471,947	1,419,348	-	-	1,419,348
Total Expenses	10,025,103	-	-	10,025,103	9,657,628	-	-	9,657,628
<b>CHANGE IN NET ASSETS</b>	863,395	(353,294)	-	510,101	2,079,582	973,814	-	3,053,396
Net Assets - Beginning of Year	8,239,278	2,131,532	210,272	10,581,082	6,159,696	1,157,718	210,272	7,527,686
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,102,673</u>	<u>\$ 1,778,238</u>	<u>\$ 210,272</u>	<u>\$ 11,091,183</u>	<u>\$ 8,239,278</u>	<u>\$ 2,131,532</u>	<u>\$ 210,272</u>	<u>\$ 10,581,082</u>

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 & 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 & 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 & 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 & Connectivity	67	-	1,090	55	1,117	8,564	10,893	172,020	2,808	8,622	183,450	194,343
Postage & 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  
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
Professional Fees	400,227	80,945	505,439	625,708	657,066	50,229	2,319,614	110,834	85,568	237,017	433,419	2,753,033
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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 510,101	\$ 3,053,396
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on disposals	32,132	-
Depreciation and Amortization	289,492	215,255
Realized/Unrealized (Gain) Loss	(48,786)	56,286
Charitable Gift Annuity	6,230	7,468
Changes in Assets and Liabilities:		
Grants Receivable	(386,119)	(262,593)
Promises to Give	-	270,000
Accounts Receivable	(77,611)	1,058
Prepaid Expenses and Other Assets	84,559	(122,324)
Deposits	19,404	(184,815)
Accounts Payable and Accrued Expenses	58,039	139,327
Accrued Leave	30,916	35,948
Due to/from Friends of the Earth (Action), Inc.	315,022	317,825
Grants Payable	45,500	35,000
Deferred Rent/Leasehold Improvement Allowance	1,372,156	(327,977)
Net Cash Provided by Operating Activities	<u>2,251,035</u>	<u>3,233,854</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	45,235	71,536
Redemption (Purchase) of Certificate of Deposit	(2,884)	4,045
Purchases of Investments	(98,153)	(5,185,887)
Purchases of Fixed Assets	(1,693,844)	(81,971)
Net Cash Used in Investing Activities	<u>(1,749,646)</u>	<u>(5,192,277)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Charitable Gift Annuity Payments	(6,515)	(6,515)
Net Cash Used in Financing Activities	<u>(6,515)</u>	<u>(6,515)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	494,874	(1,964,938)
Cash and Cash Equivalents - Beginning of Year	<u>5,164,507</u>	<u>7,129,445</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,659,381</u>	<u>\$ 5,164,507</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 4,586</u>	<u>506</u>
Donated Securities	<u>\$ 83,109</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 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 collectability 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, 2016 and 2015.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 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's policy is to sell donated securities immediately upon receipt. Accordingly, 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.

**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, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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.

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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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.

**Reclassifications**

Certain reclassifications have been made to the 2015 financial statements in order to present them in conformity with the 2016 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 November 18, 2016, 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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 2 CONCENTRATIONS (CONTINUED)**

**Revenues**

For the years ended June 30, 2016 and 2015, the Organization received 28% and 39%, 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 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>2016</u>	<u>2015</u>
Due from FOE Action - Beginning of Year	\$ (140,811)	\$ 177,014
Payment to FOE Action against balance due	138,106	-
Contributions Received on Behalf of FOE Action	(4,250)	(10,079)
Contributions Received by FOE Action on behalf of FOE	10,220	
Administrative Fee Charged to FOE Action	-	49,150
Grant made by FOE to FOE Action	(637,000)	-
Expense Paid by FOE Action on Behalf of FOE	-	(402,748)
Expense Paid by FOE on Behalf of FOE Action	<u>177,902</u>	<u>45,852</u>
Due (to)/from FOE, Inc. - End of Year	<u>\$ (455,833)</u>	<u>\$ (140,811)</u>

The Organization made a grant of \$637,000 and \$175,000 to Friends of the Earth (Action), Inc. during 2016 and 2015, respectively, to support canvassing 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 \$49,800 and \$75,300 for the years ended June 30, 2016 and 2015, respectively.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 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>2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
<b>Total Investments</b>	<b>5,099,701</b>	<b>152,555</b>	<b>-</b>	<b>5,252,256</b>
Charitable Gift Annuities - Mutual Fund - Equities	122,930	-	-	122,930
Certificate of Deposit	-	143,039	-	143,039
<b>Total Assets at Fair Value</b>	<b>\$ 5,222,631</b>	<b>\$ 295,594</b>	<b>\$ -</b>	<b>\$ 5,518,225</b>
Charitable Gift Annuity Liability	\$ -	\$ -	\$ 29,792	\$ 29,792
	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</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

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 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>2016</u>	<u>2015</u>
Interest and Dividends	\$ 97,704	\$ 40,046
Realized and Unrealized Gains (Losses)	48,786	(56,286)
Total	<u>\$ 146,490</u>	<u>\$ (16,240)</u>

**NOTE 5 BOARD DESIGNATED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Reserve Fund	\$ 4,855,000	\$ 4,855,000
General Support	369,613	3,000,000
Total	<u>\$ 5,224,613</u>	<u>\$ 7,855,000</u>

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

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

Purpose:	<u>2016</u>	<u>2015</u>
Outreach Programs	\$ 336,993	\$ 823,586
Economic Policy	767,726	582,811
Food & Technology	158,986	266,778
Oceans & Vessels	282,974	146,970
Reserve Fund	145,000	145,000
Climate & Energy	33,138	112,966
Endowment Fund	53,421	53,421
Total	<u>\$ 1,778,238</u>	<u>\$ 2,131,532</u>



**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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

	<b>2016</b>	<b>2015</b>
Purpose:		
Economic Policy	\$ 1,003,709	\$ 949,099
Outreach Programs	495,863	560,753
Food & Technology	591,992	543,234
Climate & Energy	288,859	525,864
Oceans & Vessels	238,111	187,259
Total	\$ 2,618,534	\$ 2,766,209

**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.

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, 2016 AND 2015**

**NOTE 7 ENDOWMENT (CONTINUED)**

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, 2014	\$ 54,278	\$ 210,272	\$ 264,550
Investment Return	472	-	472
Appropriations	(472)	-	(472)
Endowment Net Assets, June 30, 2015	<u>54,278</u>	<u>210,272</u>	<u>264,550</u>
Investment Return	1,212	-	1,212
Appropriations	(1,212)	-	(1,212)
Endowment Net Assets, June 30, 2016	<u>\$ 54,278</u>	<u>\$ 210,272</u>	<u>\$ 264,550</u>

**NOTE 8 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 \$62,133 and \$46,639 for the years ended June 30, 2016 and 2015, 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:

	<u>2016</u>	<u>2015</u>
Program - Outreach	\$ 1,455,613	\$ 1,456,851
Grass Roots Lobbying	18,982	19,413
Direct Lobbying	1,618	41
Fundraising	<u>92,872</u>	<u>133,081</u>
Total	<u>\$ 1,569,085</u>	<u>\$ 1,609,386</u>

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 \$482,480 and \$205,096 for the years ended June 30, 2016 and 2015, respectively. The Organization received monetary consideration for the early termination of its existing office lease, of which \$1,383,333 and \$2,266,667 was recognized as revenue in the years ended June 30, 2016 and 2015, respectively, and is reflected in other income in the statements of activities.

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

<u>Year Ending June 30,</u>	
2017	\$ 504,160
2018	804,305
2019	750,436
2020	732,120
2021	760,662
Thereafter	<u>6,307,443</u>
Total	<u>\$ 9,859,127</u>

In lieu of a security deposit for the prior leased office space, the Organization maintained a letter of credit, secured by a certificate of deposit with a balance of \$140,155 at June 30, 2015. During the year ended June 30, 2016, the letter of credit was cancelled and the certificate of deposit was released from restriction as a result of the lease termination.

**NOTE 11 COMMITMENTS 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.