

**FRIENDS OF THE EARTH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 and 2013, and 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, 2014 and 2013, 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 7, 2014

**FRIENDS OF THE EARTH  
BALANCE SHEETS  
JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,129,445	\$ 5,486,696
Accounts Receivable	22,699	18,157
Due from Friends of the Earth (Action), Inc.	177,014	173,567
Promises to Give, Current Portion	270,000	1,055,000
Prepaid Expenses and Other Assets	104,281	104,212
Total Current Assets	7,703,439	6,837,632
<b>FIXED ASSETS</b>		
Furniture and Equipment	363,056	361,132
Leasehold Improvements	479,561	479,561
Less Accumulated Depreciation and Amortization	(406,218)	(371,133)
	436,399	469,560
<b>OTHER ASSETS</b>		
Promises to Give, Net of Current Portion	-	50,000
Charitable Gift Annuities, at Fair Value	114,837	95,612
Certificate of Deposit	144,200	143,295
Investments	100,580	43,442
Deposits	6,490	4,690
Total Other Assets	366,107	337,039
Total Assets	\$ 8,505,945	\$ 7,644,231
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 261,366	\$ 420,696
Accrued Leave	97,526	83,858
Capital Lease Obligation	-	8,328
Total Current Liabilities	358,892	512,882
<b>OTHER LIABILITIES</b>		
Deferred Rent	271,625	270,716
Leasehold Improvement Allowance	318,618	368,272
Charitable Gift Annuities Liability	29,124	46,357
Total Other Liabilities	619,367	685,345
Total Liabilities	978,259	1,198,227
<b>NET ASSETS</b>		
Unrestricted:		
Operating	560,846	665,036
Board Designated	5,598,850	3,768,624
	6,159,696	4,433,660
Temporarily Restricted:		
Operating Fund	959,297	1,603,651
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
	1,157,718	1,802,072
Permanently Restricted	210,272	210,272
Total Net Assets	7,527,686	6,446,004
Total Liabilities and Net Assets	\$ 8,505,945	\$ 7,644,231

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Grants, Bequests and Contributions	\$ 6,013,526	\$ 1,353,904	\$ -	\$ 7,367,430	\$ 4,871,294	\$ 2,334,815	\$ 110,272	\$ 7,316,381
Investment Income	49,418	-	-	49,418	17,670	-	-	17,670
Rental Income	84,850	-	-	84,850	111,581	-	-	111,581
Mailing List Sales	6,878	-	-	6,878	3,862	-	-	3,862
Administrative Fees	22,566	-	-	22,566	29,946	-	-	29,946
Other	6,860	-	-	6,860	3,417	-	-	3,417
Net Assets Released from Restrictions	1,998,258	(1,998,258)	-	-	3,320,206	(3,320,206)	-	-
Total Revenue	<u>8,182,356</u>	<u>(644,354)</u>	<u>-</u>	<u>7,538,002</u>	<u>8,357,976</u>	<u>(985,391)</u>	<u>110,272</u>	<u>7,482,857</u>
<b>EXPENSES</b>								
Program Expenses:								
Economic Policy	853,609	-	-	853,609	1,099,169	-	-	1,099,169
Oceans & Vessels	309,953	-	-	309,953	257,318	-	-	257,318
Climate & Energy	1,109,339	-	-	1,109,339	2,403,501	-	-	2,403,501
Food & Technology	660,883	-	-	660,883	339,298	-	-	339,298
Outreach	1,885,121	-	-	1,885,121	510,093	-	-	510,093
Membership	420,650	-	-	420,650	509,890	-	-	509,890
Total Program Expenses	<u>5,239,555</u>	<u>-</u>	<u>-</u>	<u>5,239,555</u>	<u>5,119,269</u>	<u>-</u>	<u>-</u>	<u>5,119,269</u>
Supporting Expenses:								
Management and General	556,437	-	-	556,437	476,664	-	-	476,664
Fundraising	660,328	-	-	660,328	536,671	-	-	536,671
Total Supporting Expenses	<u>1,216,765</u>	<u>-</u>	<u>-</u>	<u>1,216,765</u>	<u>1,013,335</u>	<u>-</u>	<u>-</u>	<u>1,013,335</u>
Total Expenses	<u>6,456,320</u>	<u>-</u>	<u>-</u>	<u>6,456,320</u>	<u>6,132,604</u>	<u>-</u>	<u>-</u>	<u>6,132,604</u>
<b>CHANGE IN NET ASSETS</b>	1,726,036	(644,354)	-	1,081,682	2,225,372	(985,391)	110,272	1,350,253
Net Assets - Beginning of Year	<u>4,433,660</u>	<u>1,802,072</u>	<u>210,272</u>	<u>6,446,004</u>	<u>2,208,288</u>	<u>2,787,463</u>	<u>100,000</u>	<u>5,095,751</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,159,696</u>	<u>\$ 1,157,718</u>	<u>\$ 210,272</u>	<u>\$ 7,527,686</u>	<u>\$ 4,433,660</u>	<u>\$ 1,802,072</u>	<u>\$ 210,272</u>	<u>\$ 6,446,004</u>

See accompanying Notes to Financial Statements.

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

	Program Expenses						Supporting Expenses				Total Expenses	
	Economic Policy	Oceans & Vessels	Climate & Energy	Food & Technology	Outreach	Membership	Total	Overhead	Management and General	Fundraising		Total
Salaries	\$ 297,364	\$ 121,269	\$ 470,344	\$ 217,307	\$ 242,915	\$ 93,058	\$ 1,442,257	\$ 76,138	\$ 200,470	\$ 184,316	\$ 460,924	\$ 1,903,181
Professional Fees	52,021	66	202,696	96,066	374,965	40,196	766,010	121,713	28,345	99,156	249,214	1,015,224
Small Grants, Contributions	171,100	-	-	15,000	490,050	-	676,150	-	-	1,665	1,665	677,815
Printing & Duplicating	735	133	1,355	2,357	287,152	116,562	408,294	9,140	-	37,726	46,866	455,160
Occupancy	-	-	400	-	4	405	809	324,021	115,738	3,978	443,737	444,546
Benefits	65,794	27,236	102,250	47,802	53,076	20,380	316,538	28,024	44,688	42,178	114,890	431,428
Independent Contractors	14,076	70,575	66,395	121,430	21,937	7,238	301,651	4,896	45,054	54,122	104,072	405,723
Postage & Shipping	1,057	104	380	3,812	211,431	63,167	279,951	10,169	2,246	65,044	77,459	357,410
Travel	19,342	17,222	25,627	28,722	9,824	10,252	110,989	2,257	5,680	30,362	38,299	149,288
IT & Connectivity	121	-	466	24	502	5,408	6,521	123,176	1,960	2,068	127,204	133,725
Meetings & Events	48,788	924	2,335	2,918	16,671	25	71,661	205	12,109	15,199	27,513	99,174
Depreciation	-	-	-	-	230	-	230	89,598	-	597	90,195	90,425
Dues, Publications, Subscriptions	16,772	8,207	22,202	9,545	17,505	-	74,231	315	123	6,718	7,156	81,387
Research, Data, Lists	1,989	-	-	-	24,152	10,609	36,750	-	-	10,615	10,615	47,365
Miscellaneous	276	-	-	-	-	295	571	3,142	18,950	19,466	41,558	42,129
Web Services	-	250	3,354	2,462	24,727	1,039	31,832	-	-	4,630	4,630	36,462
General Supplies	1,822	-	541	6,132	1,927	547	10,969	21,109	1,868	595	23,572	34,541
Insurance	-	-	-	-	-	-	-	32,747	-	-	32,747	32,747
Advertising & Media	-	-	9,294	140	2,642	240	12,316	-	-	2,119	2,119	14,435
Professional Development	-	-	-	377	473	709	1,559	474	1,485	637	2,596	4,155
Applied Overhead	162,352	63,967	201,700	106,789	104,938	50,520	690,266	(847,124)	77,721	79,137	(690,266)	-
<b>Total Expenses</b>	<b>\$ 853,609</b>	<b>\$ 309,953</b>	<b>\$ 1,109,339</b>	<b>\$ 660,883</b>	<b>\$ 1,885,121</b>	<b>\$ 420,650</b>	<b>\$ 5,239,555</b>	<b>\$ -</b>	<b>\$ 556,437</b>	<b>\$ 660,328</b>	<b>\$ 1,216,765</b>	<b>\$ 6,456,320</b>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013**

	Program Expenses						Supporting Expenses				Total Expenses	
	Economic Policy	Oceans & Vessels	Climate & Energy	Food & Technology	Outreach	Membership	Total	Overhead	Management and General	Fundraising		Total
Salaries	\$ 480,329	\$ 119,881	\$ 317,932	\$ 123,277	\$ 158,252	\$ 128,915	\$ 1,328,586	\$ 59,781	\$ 169,591	\$ 177,025	\$ 406,397	\$ 1,734,983
Professional Fees	35,954	1,000	1,040,612	10,594	59,309	47,358	1,194,827	118,593	34,201	70,632	223,426	1,418,253
Independent Contractors	63,646	32,036	363,895	76,753	11,293	8,440	556,063	7,817	-	9,120	16,937	573,000
Benefits	95,595	25,051	64,000	24,845	32,217	27,227	268,935	18,336	33,630	37,284	89,250	358,185
Occupancy	-	-	638	-	12	1,214	1,864	324,311	4,535	684	329,530	331,394
Small Grants, Contributions	52,000	-	97,500	-	82,325	-	231,825	-	-	-	-	231,825
Travel	39,519	4,603	61,597	21,422	13,057	9,487	149,685	2,675	11,649	40,228	54,552	204,237
Printing & Duplicating	5,451	126	3,787	2,547	4,272	118,529	134,712	4,602	2	33,491	38,095	172,807
Research, Data, Lists	45,500	-	79,999	149	15,181	9,746	150,575	-	-	5,748	5,748	156,323
Advertising & Media	615	-	147,153	210	70	-	148,048	540	350	789	1,679	149,727
Miscellaneous	-	-	3	-	95	245	343	3,889	123,699	19,736	147,324	147,667
Postage & Shipping	418	30	18,461	411	4,892	74,063	98,275	12,715	1,888	29,163	43,766	142,041
IT & Connectivity	813	6	468	36	117	295	1,735	118,183	3,371	3,350	124,904	126,639
Web Services	17,300	-	34,279	16	38,351	717	90,663	92	-	8,823	8,915	99,578
Depreciation	-	-	-	-	-	-	-	94,359	-	840	95,199	95,199
Meetings & Events	4,213	-	21,205	2,308	11,152	2,237	41,115	1,245	15,027	7,553	23,825	64,940
Dues, Publications, Subscriptions	23,364	7,048	14,159	5,350	7,093	865	57,879	570	-	5,995	6,565	64,444
General Supplies	505	138	5,331	3,811	49	458	10,292	27,197	729	4,849	32,775	43,067
Insurance	-	-	-	-	-	-	-	15,558	-	-	15,558	15,558
Professional Development	-	-	-	-	-	-	-	2,587	-	150	2,737	2,737
Applied Overhead	233,947	67,399	132,482	67,569	72,356	80,094	653,847	(813,050)	77,992	81,211	(653,847)	-
<b>Total Expenses</b>	<b>\$ 1,099,169</b>	<b>\$ 257,318</b>	<b>\$ 2,403,501</b>	<b>\$ 339,298</b>	<b>\$ 510,093</b>	<b>\$ 509,890</b>	<b>\$ 5,119,269</b>	<b>\$ -</b>	<b>\$ 476,664</b>	<b>\$ 536,671</b>	<b>\$ 1,013,335</b>	<b>\$ 6,132,604</b>

See accompanying Notes to Financial Statements.



**FRIENDS OF THE EARTH  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,081,682	\$ 1,350,253
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	90,425	95,199
Realized/Unrealized Gain on Sales of Donated/Other Securities	(35,090)	(7,369)
Net Value of Donated Securities	(84,276)	(135,819)
Charitable Gift Annuity	(12,354)	8,148
Changes in Assets and Liabilities:		
Accounts Receivable	(4,542)	(4,862)
Due from Friends of the Earth (Action), Inc.	(3,447)	(42,405)
Promises to Give	835,000	(877,670)
Prepaid Expenses and Other Assets	(69)	(10,787)
Deposits	(1,800)	4,636
Accounts Payable and Accrued Expenses	(159,330)	267,842
Accrued Leave	13,668	1,931
Deferred Rent/Leasehold Improvement Allowance	(48,745)	(42,791)
Net Cash Provided by Operating Activities	<u>1,671,122</u>	<u>606,306</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of Donated/Other Securities	141,433	112,113
Purchase of Certificate of Deposit	(905)	(3,082)
Purchases of Securities	(98,430)	(3,806)
Purchases of Fixed Assets	<u>(57,264)</u>	<u>(36,660)</u>
Net Cash (Used in) Provided by Investing Activities	(15,166)	68,565
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease	(8,328)	(9,164)
Charitable Gift Annuity Payments	<u>(4,879)</u>	<u>(8,614)</u>
Net Cash Used in Financing Activities	<u>(13,207)</u>	<u>(17,778)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,642,749	657,093
Cash and Cash Equivalents - Beginning of Year	<u>5,486,696</u>	<u>4,829,603</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,129,445</u>	<u>\$ 5,486,696</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 839</u>	<u>\$ 1,274</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Friends of the Earth defend the environment and champion 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 **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** and **Membership** programs educate members and the public about important environmental issues through advertisements, mail, the internet, and a quarterly newsmagazine.

**Estimates**

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

**Cash and Cash Equivalents**

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

**Accounts Receivable and Promises to Give**

Accounts receivable and promises to give are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectibility and when all collection efforts have been exhausted, the account is written off against bad debt expense. All amounts recorded are considered fully collectible by management at June 30, 2014 and 2013.

**Fixed Assets**

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

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**Charitable Gift Annuity**

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 investments are recorded at their fair value when contributed. The annuity liability represents the present value of the estimated payments owed to the donors of the charitable gift annuities.

**Fair Value of Financial Instruments**

**Fair Value Measurements**

The Organization categorizes its assets and liabilities 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 and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities 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.

**Level 2**

Financial assets and liabilities 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 or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market. The certificate of deposit valued using Level 2 inputs is based on identical assets or liabilities 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 or liability. The gift annuity liability valued using Level 3 inputs were based on life expectancy tables and net present value factors.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**Net Assets**

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

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

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

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

Temporarily Restricted – Reserve Fund - consists of restricted contributions (\$145,000) 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 (\$53,421) 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 (\$210,272) 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.

**FRIENDS OF THE EARTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**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 tax returns for the fiscal years ended 2011 through 2013 are open to examination by federal and state authorities.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 7, 2014, the date the financial statements were available for issue.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2013 financial statements in order to present them in conformity with the June 30, 2014 financial statements. These reclassifications had no net effect on net assets as previously reported.

**NOTE 2 CONCENTRATIONS**

**Credit Risk**

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

**Revenues**

For the years ended June 30, 2014 and 2013, the Organization received 53% and 43% 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.

**FRIENDS OF THE EARTH  
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**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

	<u>2014</u>	<u>2013</u>
Due from FOE, Inc. - Beginning of Year	\$ 173,567	\$ 131,162
Contributions Received on Behalf of FOE, Inc.	(3,686)	(5,970)
Administrative Fee Charged to FOE, Inc.	22,566	29,946
Expense Paid by FOE, Inc. on Behalf of FOE	(35,243)	-
Expense Paid by FOE on Behalf of FOE, Inc.	<u>19,810</u>	<u>18,429</u>
Due from FOE, Inc. - End of Year	<u>\$ 177,014</u>	<u>\$ 173,567</u>

The organization made a grant of \$390,000 to Friends of the Earth (Action), Inc. The grant amount represented the organization's estimated remaining lobbying cap for the fiscal year, and its purpose was to support lobbying activities consistent with both organizations' missions.

Members of the Board of Directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$75,000 and \$135,000 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 4 INVESTMENTS/CHARITABLE GIFT ANNUITIES**

Investments consist of Charitable Gift Annuities (CGA) and other investments held by the Organization. CGAs are unrestricted irrevocable gifts under which the Organization agrees in turn to pay a life annuity to the donor, or designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the Organization. Investments recorded at fair value, except money funds which are recorded at cost and approximate fair value, consist of the following at June 30:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 86,526	\$ 100,580	\$ 46,997	\$ 43,442
Certificate of Deposit	143,295	144,200	140,213	143,295
	<u>229,821</u>	<u>244,780</u>	<u>187,210</u>	<u>186,737</u>
Charitable Gift Annuities -				
Mutual Funds - Equities	80,260	114,837	76,368	95,612
	<u>\$ 310,081</u>	<u>\$ 359,617</u>	<u>\$ 263,578</u>	<u>\$ 282,349</u>

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.

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**NOTE 5 FAIR VALUE HIERARCHY**

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

  

	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 43,442	\$ -	\$ -	\$ 43,442
Charitable Gift Annuities - Mutual Funds - Equities	95,612	-	-	95,612
Certificate of Deposit	-	143,295	-	143,295
<b>Total investments</b>	<b>\$ 139,054</b>	<b>\$ 143,295</b>	<b>\$ -</b>	<b>\$ 282,349</b>
Charitable Gift Annuity Liability	\$ -	\$ -	\$ 46,357	\$ 46,357

**NOTE 6 CAPITAL LEASE COMMITMENT**

In May 2009, the Organization entered into a five-year capital lease obligation for two copiers. The liability under this capital lease at June 30, 2013 was \$8,328. This lease expired during the fiscal year ended June 30, 2014.

The capitalized equipment has a cost of \$41,410 and accumulated amortization of \$41,410 as of June 30, 2014. Amortization expense of \$6,902 and \$8,282 was recognized on the capitalized equipment for the years ended June 30, 2014 and June 30, 2013, respectively.

There are no future minimum payments.

**FRIENDS OF THE EARTH  
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**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Purpose:		
Economic Policy	\$ 500,310	\$ 997,254
Oceans & Vessels	120,023	93,867
Climate & Energy	26,406	138,945
Food & Technology	253,219	203,208
Outreach Programs	59,339	170,377
Reserve Fund	145,000	145,000
Endowment Fund	53,421	53,421
Total	<u>\$ 1,157,718</u>	<u>\$ 1,802,072</u>

Net assets released from restriction for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Purpose:		
Economic Policy	\$ 682,644	\$ 910,154
Oceans & Vessels	110,367	66,613
Climate & Energy	525,864	2,009,876
Food & Technology	477,489	220,030
Outreach Programs	201,894	113,533
Total	<u>\$ 1,998,258</u>	<u>\$ 3,320,206</u>

**NOTE 8 BOARD DESIGNATED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Anti-nuclear Work	\$ 439,881	\$ 397,016
Climate and Energy	300,000	-
General Support	3,000,000	2,827,149
Food & Technology	-	54,087
Reserve Fund	1,855,000	477,901
Legal Fund	3,969	12,471
Total	<u>\$ 5,598,850</u>	<u>\$ 3,768,624</u>



**FRIENDS OF THE EARTH  
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**NOTE 9 PROMISES TO GIVE**

The Organization receives promises to give primarily from private grantors. Such promises to give are due as follows for the years ended June 30:

	<b>2014</b>	<b>2013</b>
Receivables Due in Less than One Year	\$ 270,000	\$ 1,055,000
Receivables Due in One to Two Years	-	50,000
Total	<b>\$ 270,000</b>	<b>\$ 1,105,000</b>

**NOTE 10 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. Total pension expense amounted to \$42,058 and \$37,022 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 11 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:

	<b>2014</b>	<b>2013</b>
Grass Roots Lobbying	\$ 8,030	\$ 8,813
Direct Lobbying	956	634
Fundraising	96,748	28,798
Program - Outreach	824,818	136,060
Total	<b>\$ 930,552</b>	<b>\$ 174,305</b>

**NOTE 12 LEASE COMMITMENTS**

The Organization entered into a non-cancelable lease agreement in 2010 for office space located at 1100 15<sup>th</sup> Street, Washington, DC that expires in October 2020. As part of the lease agreement, the Organization received rent incentives consisting of abated rent and lease hold improvements. The recognition of these assets and liabilities have been recorded as fixed assets, deferred rent and leasehold improvement allowance on the accompanying balance sheet and will be recognized over the term of the lease.

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**NOTE 12 LEASE COMMITMENTS (CONTINUED)**

In June 2012, the Organization entered into a new three-year lease for office space in Berkley, CA.

Rent expense, including miscellaneous occupancy charges, amounted to \$464,354 and \$443,446 for the years ended June 30, 2014 and 2013, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 489,937
2016	469,944
2017	480,513
2018	491,315
2019	502,365
Thereafter	<u>470,450</u>
Total	<u>\$ 2,904,524</u>

In lieu of a security deposit on its leased office space, the Organization established a letter of credit (LOC) totaling \$134,820. The required amount of the LOC is \$84,263 after the third lease year and \$33,705 after the sixth lease year. The letter of credit is secured by a certificate of deposit. At June 30, 2014 and 2013 the balance of the certificate of deposit was \$144,200 and \$143,295, respectively.

**NOTE 13 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.

**FRIENDS OF THE EARTH  
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**NOTE 13 ENDOWMENT (CONTINUED)**

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>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2012	\$ -	\$ 53,991	\$ 100,000	\$ 153,991
Additions	-	-	110,272	110,272
Investment Return	-	427	-	427
Appropriations	-	(140)	-	(140)
Endowment Net Assets, June 30, 2013	<u>-</u>	<u>54,278</u>	<u>210,272</u>	<u>264,550</u>
Additions	-	-	-	-
Investment Return	-	99	-	99
Appropriations	-	(99)	-	(99)
Endowment Net Assets, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ 54,278</u></u>	<u><u>\$ 210,272</u></u>	<u><u>\$ 264,550</u></u>