

**FRIENDS OF THE EARTH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**



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**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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

Adoption of Accounting Standard

As discussed in Note 1 to the consolidated financial statements, management has adopted Accounting Standards Update (ASU) No. 2018-08, *Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
April 7, 2021

**FRIENDS OF THE EARTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,878,325	\$ 5,077,894
Grants Receivable	878,190	1,032,062
Accounts Receivable	34,963	104,930
Due from Friends of the Earth (Action), Inc.	354,808	29,768
Prepaid Expenses and Other Assets	269,009	199,364
Total Current Assets	8,415,295	6,444,018
NONCURRENT ASSETS		
Assets Held Under Charitable Gift Annuity Arrangements, at Fair Value	187,840	180,978
Certificates of Deposit	145,532	143,039
Investments	5,880,015	5,558,616
Fixed Assets, Net	1,050,583	1,220,434
Deposits	173,613	174,613
Total Noncurrent Assets	7,437,583	7,277,680
Total Assets	\$ 15,852,878	\$ 13,721,698
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 604,355	\$ 517,363
Accrued Leave	330,565	280,440
Deferred Rent, Current	29,011	-
Leasehold Improvement Allowance, Current	87,771	72,179
Total Current Liabilities	1,051,702	869,982
NONCURRENT LIABILITIES		
PPP Loan	1,162,500	-
Deferred Rent and Leasehold Improvement, Long-Term	858,960	885,480
Leasehold Improvement Allowance, Long-Term	650,964	738,736
Charitable Gift Annuities Liability	10,470	18,566
Total Noncurrent Liabilities	2,682,894	1,642,782
Total Liabilities	3,734,596	2,512,764
NET ASSETS		
Without Donor Restrictions	10,613,505	8,867,409
With Donor Restrictions	1,504,777	2,341,525
Total Net Assets	12,118,282	11,208,934
Total Liabilities and Net Assets	\$ 15,852,878	\$ 13,721,698

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Grants, Bequests, and Contributions	\$ 8,106,909	\$ 2,467,262	\$ 10,574,171	\$ 7,137,618	\$ 2,487,507	\$ 9,625,125
Leadership Giving (ASD)	1,000,000	-	1,000,000	500,000	-	500,000
Investment Income	268,185	13,560	281,745	481,040	23,956	504,996
Rental Income	194,107	-	194,107	190,055	-	190,055
Mailing List Sales	27,297	-	27,297	10,460	-	10,460
Other	79,301	-	79,301	254,511	-	254,511
Net Assets Released from Restrictions	3,317,570	(3,317,570)	-	4,097,998	(4,097,998)	-
Total Revenue	<u>12,993,369</u>	<u>(836,748)</u>	<u>12,156,621</u>	<u>12,671,682</u>	<u>(1,586,535)</u>	<u>11,085,147</u>
EXPENSES						
Program Expenses:						
Economic Policy	991,263	-	991,263	1,118,038	-	1,118,038
Climate and Energy	1,023,198	-	1,023,198	1,056,026	-	1,056,026
Food and Technology	1,373,544	-	1,373,544	1,401,461	-	1,401,461
Oceans and Vessels	708,965	-	708,965	836,022	-	836,022
Outreach, Communications, DEI, and NC Restricted	3,978,984	-	3,978,984	4,655,244	-	4,655,244
Membership	681,174	-	681,174	743,409	-	743,409
Organizing	305,128	-	305,128	453,705	-	453,705
Total Program Expenses	<u>9,062,256</u>	<u>-</u>	<u>9,062,256</u>	<u>10,263,905</u>	<u>-</u>	<u>10,263,905</u>
Supporting Expenses:						
Management and General	814,300	-	814,300	826,857	-	826,857
Fundraising	1,370,717	-	1,370,717	1,275,109	-	1,275,109
Total Supporting Expenses	<u>2,185,017</u>	<u>-</u>	<u>2,185,017</u>	<u>2,101,966</u>	<u>-</u>	<u>2,101,966</u>
Total Expenses	<u>11,247,273</u>	<u>-</u>	<u>11,247,273</u>	<u>12,365,871</u>	<u>-</u>	<u>12,365,871</u>
CHANGE IN NET ASSETS	1,746,096	(836,748)	909,348	305,811	(1,586,535)	(1,280,724)
Net Assets - Beginning of Year	<u>8,867,409</u>	<u>2,341,525</u>	<u>11,208,934</u>	<u>8,561,598</u>	<u>3,928,060</u>	<u>12,489,658</u>
NET ASSETS - END OF YEAR	<u>\$ 10,613,505</u>	<u>\$ 1,504,777</u>	<u>\$ 12,118,282</u>	<u>\$ 8,867,409</u>	<u>\$ 2,341,525</u>	<u>\$ 11,208,934</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Expenses								Supporting Services				Total Expenses
	Economic Policy	Climate and Energy	Food and Technology	Oceans and Vessels	Outreach, Communications, DEIJ, and NC Restricted	Membership	Organizing	Total	Fundraising	Overheads	Management and General	Total	
Salaries	\$ 483,938	\$ 326,081	\$ 642,985	\$ 315,815	\$ 827,065	\$ 109,563	\$ 109,923	\$ 2,815,370	\$ 416,628	\$ 283,484	\$ 399,020	\$ 1,099,132	\$ 3,914,502
Payroll Taxes and Fringe Benefits	131,478	88,987	173,778	85,564	239,471	29,890	29,792	778,960	113,291	89,245	110,042	312,578	1,091,538
Professional Fees	72,197	404,436	159,522	87,550	373,920	98,721	80,125	1,276,471	73,707	242,973	41,408	358,088	1,634,559
Advertising and Media	3,028	499	391	-	5,078	19	25	9,040	10	64	-	74	9,114
Research, Data, Lists	6,200	-	-	-	942,493	97,678	-	1,046,371	113,349	-	-	113,349	1,159,720
Web Services	-	132	2,383	13	50,797	7,082	2,222	62,629	70,378	13,931	329	84,638	147,267
Professional Development	50	2,328	2,100	-	2,283	-	-	6,761	1,165	1,266	-	2,431	9,192
Travel and Meetings	25,305	15,793	40,689	21,867	34,795	6,079	10,341	154,869	11,513	35,636	21,312	68,461	223,330
Printing and Duplicating	1,394	45	358	736	203,322	129,545	501	335,901	96,801	5,367	-	102,168	438,069
Occupancy	-	7,287	-	-	7,275	-	-	14,562	-	720,560	-	720,560	735,122
Depreciation	-	-	-	-	13,221	-	-	13,221	-	188,893	-	188,893	202,114
Insurance	-	-	-	-	-	-	-	-	-	6,255	23,060	29,315	29,315
IT and Connectivity	-	9	-	-	4,601	5,466	5,434	15,510	10,927	226,008	4,712	241,647	257,157
Postage and Shipping	129	307	123	142	218,652	126,245	205	345,803	87,782	3,096	1,066	91,944	437,747
General Supplies	-	57	1,627	-	906	139	425	3,154	419	16,534	-	16,953	20,107
Dues, Publications, and Subscriptions	2,057	3,000	1,799	704	166,684	12,540	25	186,809	8,701	10,498	8,667	27,866	214,675
Small Grants, Contributions	24,287	11,000	10,550	42,500	362,630	-	10,700	461,667	70	-	-	70	461,737
Miscellaneous	401	67	298	(390)	61,610	9	44	62,039	157,354	13,560	29,055	199,969	262,008
Overheads Applied	240,799	163,170	336,941	154,464	464,181	58,198	55,366	1,473,119	208,622	(1,857,370)	175,629	(1,473,119)	-
Total Expenses	\$ 991,263	\$ 1,023,198	\$ 1,373,544	\$ 708,965	\$ 3,978,984	\$ 681,174	\$ 305,128	\$ 9,062,256	\$ 1,370,717	\$ -	\$ 814,300	\$ 2,185,017	\$ 11,247,273

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Expenses							Supporting Services				Total Expenses	
	Economic Policy	Climate and Energy	Food and Technology	Oceans and Vessels	Outreach, Communications, DEIJ, and NC Restricted	Membership	Organizing	Total	Fundraising	Overheads	Management and General		Total
Salaries	\$ 575,626	\$ 282,473	\$ 573,403	\$ 337,710	\$ 970,140	\$ 121,987	\$ 88,374	\$ 2,949,713	\$ 410,736	\$ 254,554	\$ 417,811	\$ 1,083,101	\$ 4,032,814
Payroll Taxes and Fringe Benefits	147,320	78,136	146,431	86,749	266,746	33,764	32,312	791,458	110,747	93,244	108,424	312,415	1,103,873
Independent Contractors	-	-	1,475	-	75	-	-	1,550	-	-	-	-	1,550
Professional Fees	40,235	476,039	270,317	183,003	812,393	113,449	195,718	2,091,154	113,317	228,722	22,294	364,333	2,455,487
Advertising and Media	-	3,944	23,264	-	32,708	7,438	195	67,549	105	976	-	1,081	68,630
Research, Data, Lists	12,393	35,662	2,548	-	830,963	95,142	-	976,708	106,406	-	-	106,406	1,083,114
Web Services	259	1,663	1,397	65	55,256	10,590	4,937	74,167	1,908	7,635	-	9,543	83,710
Professional Development	(230)	713	2,000	1,125	3,271	200	-	7,079	3,791	14,090	73	15,954	23,033
Travel	65,388	35,025	77,006	65,540	72,128	3,649	38,998	357,734	40,573	10,436	49,747	100,756	458,490
Printing and Duplicating	393	1,191	2,896	960	145,213	122,608	846	274,107	41,722	6,711	917	49,350	323,457
Occupancy	-	3,934	-	-	14,261	-	-	18,195	-	737,223	-	737,223	755,418
Depreciation	-	-	-	-	12,210	-	-	12,210	1,110	207,325	-	208,435	220,645
Insurance	-	-	-	-	-	-	-	-	-	8,222	(8,179)	43	43
IT and Connectivity	-	-	-	-	29,265	5,992	4,149	39,406	19,148	254,486	7,619	281,253	320,659
Postage and Shipping	174	4	4,402	177	273,059	142,305	2,539	422,660	75,218	4,875	538	80,631	503,291
General Supplies	2,254	54	1,897	45	18,879	1,124	16,926	41,179	20	32,641	882	33,543	74,722
Dues, Publications, and Subscriptions	617	-	1,328	504	232,273	19,425	4,081	258,228	11,208	15,663	2,136	29,007	287,235
Small Grants, Contributions	200	-	6,908	1,250	341,500	-	7,500	357,358	-	-	5,150	5,150	362,508
Miscellaneous	301	534	420	1,057	16,418	158	282	19,170	140,979	3,010	44,033	188,022	207,192
Overheads Applied	273,108	136,654	285,769	157,837	528,486	65,578	56,848	1,504,280	200,121	(1,879,813)	175,412	(1,504,280)	-
Total Expenses	\$ 1,118,038	\$ 1,056,026	\$ 1,401,461	\$ 836,022	\$ 4,655,244	\$ 743,409	\$ 453,705	\$ 10,263,905	\$ 1,275,109	\$ -	\$ 826,857	\$ 2,101,966	\$ 12,365,871

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 909,348	\$ (1,280,724)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	202,114	220,645
Realized Loss (Gain)	47,697	(77,536)
Unrealized Gain	(242,174)	(333,068)
Donated Securities	(155,543)	(227,171)
Changes in Assets and Liabilities:		
Grants Receivable	153,872	(512,120)
Accounts Receivable	69,967	(18,576)
Prepaid Expenses and Other Assets	(69,645)	11,707
Deposits	1,000	(3,271)
Accounts Payable and Accrued Expenses	86,992	(135,471)
Accrued Leave	50,125	50,235
Due to/from Friends of the Earth (Action), Inc.	(325,040)	(29,768)
Deferred Rent/Leasehold Improvement Allowance	(69,689)	(71,675)
Net Cash Provided (Used) by Operating Activities	659,024	(2,406,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	464,806	1,457,386
Purchases of Investments	(445,540)	(1,056,169)
Purchases of Fixed Assets	(32,263)	(25,884)
Net Cash (Used) Provided by Investing Activities	(12,997)	375,333
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP Loan	1,162,500	-
Charitable Gift Annuity Payments	(8,096)	(8,037)
Net Cash Provided (Used) by Financing Activities	1,154,404	(8,037)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,800,431	(2,039,497)
Cash and Cash Equivalents - Beginning of Year	5,077,894	7,117,391
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,878,325	\$ 5,077,894
SUPPLEMENTAL INFORMATION		
Donated Securities Held for Investment	\$ 155,543	\$ 227,171

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

The **Outreach with Organizing, Communications, NC Restricted, DEIJ and Membership** programs educate members and the public about important environmental issues through advertisements, mail, online media, and building individuals' and communities' environmental leadership and capacity.

Income Taxes

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has been classified by the Internal Revenue Service as a publicly supported organization under section 509(a)(1) of the IRC. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Basis of Accounting

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

Estimates

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

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019.

Grants Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of grants receivable occurs when all collection efforts have been exhausted or certain conditions or forgiveness have been reached. Management believes that all receivables are fully collectible. Therefore, no allowance for doubtful accounts has been recognized.

Charitable Gift Annuity

Charitable gift annuities are irrevocable gifts without donor restrictions 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, 2020 AND 2019**

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.

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.

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:

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions become net assets without donor restrictions when the time restrictions end or the funds are used for their restricted purpose.

Grants and Contributions

Contributions and grants are recorded as revenue when cash, securities, or an unconditional promise to give is received. Support that is donor-restricted, either by program or by time, is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2020 and 2019, there were no conditional contributions.

Functional Allocation of Expenses

The costs of providing program and supporting services are summarized on a functional basis in the statements of activities. Certain categories of expenses are attributed to more than one program or supporting function and therefore require allocation on a reasonable basis that is consistently applied. Overhead, occupancy, IT services, and office expenses are allocated on salary costs in each functional area. Salaries and benefits are recorded directly to functional areas.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contribution (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 7, 2021, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF 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.

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 6,878,325	\$ 5,077,894
Grants Receivable	878,190	1,032,062
Accounts Receivable	34,963	104,930
Total Current Financial Assets	<u>7,791,478</u>	<u>6,214,886</u>
Less: Amounts Not Subject to General Expenditure:		
Donor-Restricted Amounts	(1,294,505)	(2,131,253)
Total	<u>\$ 6,496,973</u>	<u>\$ 4,083,633</u>

As part of its liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the financial assets shown above, the Organization maintains an investment portfolio that is subject to an investment policy designed to invest and grow its endowment funds, provide for earnings on its reserve fund, and provide operating funds as needed. Operating funds within the investment portfolio are intended to provide sufficient cash to meet the day-to-day financial obligations of the Organization in a timely manner. The objective is to keep three months of operating cash on hand, with the remainder held in low-risk, liquid investments. The asset allocation of the remainder of the investment portfolio is based on long-term strategic decisions, and may be changed as long-term capital market conditions or the characteristics or requirements of the Organization change. Although the Organization does not intend to spend from its investment portfolio, the majority of its investments could be made available if necessary.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 RELATED PARTY TRANSACTIONS

The Organization shares expenses with Friends of the Earth (Action), Inc., which is an exempt organization under Section 501(c)(4) of the IRC. Shared expenses include employee compensation, rent, and operating expenses. Friends of the Earth and Friends of the Earth (Action), Inc. have separate boards of directors.

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

	2020	2019
Due (to)/from FOE Action - Beginning of Year	\$ 29,768	\$ (59,970)
Grant Made by FOE to FOE Action	(300,000)	(300,000)
Expense Paid by FOE on Behalf of FOE Action	625,040	389,738
Due (to)/from FOE Action - End of Year	\$ 354,808	\$ 29,768

The Organization made grants of \$300,000 to Friends of the Earth (Action), Inc. during both 2020 and 2019. The grants were contributed in the form of a grant payable from FOE.

Members of the Organization's board of directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$40,321 and \$70,958 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization uses measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,574,128	\$ -	\$ -	\$ 3,574,128
Real Estate Investment Trusts	165,425	-	-	165,425
Exchange Traded Funds - Bonds	2,139,344	-	-	2,139,344
Municipal Bonds	-	1,118	-	1,118
Total Investments	5,878,897	1,118	-	5,880,015
Charitable Gift Annuities - Mutual Fund - Equities	187,840	-	-	187,840
Certificates of Deposit	-	145,532	-	145,532
Total Assets at Fair Value	\$ 6,066,737	\$ 146,650	\$ -	\$ 6,213,387
Charitable Gift Annual Annuity	\$ -	\$ -	\$ 10,470	\$ 10,470

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,347,294	\$ -	\$ -	\$ 3,347,294
Real Estate Investment Trusts	184,806	-	-	184,806
Exchange Traded Funds - Bonds	2,001,748	-	-	2,001,748
Corporate Bonds	-	24,768	-	24,768
Total Investments	<u>5,533,848</u>	<u>24,768</u>	<u>-</u>	<u>5,558,616</u>
Charitable Gift Annuities - Mutual Fund - Equities	180,978	-	-	180,978
Certificates of Deposit	-	143,039	-	143,039
Total Assets at Fair Value	<u>\$ 5,714,826</u>	<u>\$ 167,807</u>	<u>\$ -</u>	<u>\$ 5,882,633</u>
Charitable Gift Annual Annuity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,566</u>	<u>\$ 18,566</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 statement of financial position. Subsequent to year-end, on December 14, 2020 the Organization entered into an agreement to borrow \$100,000 to purchase stocks as an investment for the Organization. Payments and interest are due monthly with the final payment due on December 31, 2027.

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

	2020	2019
Interest and Dividends	\$ 134,404	\$ 144,032
Realized (Loss) Gain	(47,697)	77,536
Unrealized Gains	242,174	333,068
Investment Brokerage Fees	(47,136)	(49,640)
Total	<u>\$ 281,745</u>	<u>\$ 504,996</u>

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 GRANTS RECEIVABLE

Grants receivable are expected to be collected in the following periods as of June 30:

	2020	2019
Less than One Year	\$ 703,190	\$ 1,032,062
Two to Five Years	175,000	-
Total	<u>\$ 878,190</u>	<u>\$ 1,032,062</u>

NOTE 7 FIXED ASSETS

Fixed assets consisted of the following as of June 30:

	2020	2019
Furniture and Equipment	\$ 774,566	\$ 756,987
Leasehold Improvements	1,321,633	1,321,633
Subtotal	<u>2,096,199</u>	<u>2,078,620</u>
Less: Accumulated Depreciation and Amortization	(1,045,616)	(858,186)
Total	<u>\$ 1,050,583</u>	<u>\$ 1,220,434</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Oceans and Vessels	\$ 504,305	\$ 185,000
Outreach Programs	443,899	1,393,203
Economic Policy	171,301	348,094
Climate and Energy	30,000	19,956
Food and Technology	-	40,000
Total	<u>1,149,505</u>	<u>1,986,253</u>
Subject to Temporary Expenditure for Operations:		
Reserve Fund	145,000	145,000
Subject to NFP Endowment Spending Policy and Appropriation:		
Held in Perpetuity	210,272	210,272
Total	<u>210,272</u>	<u>210,272</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,504,777</u>	<u>\$ 2,341,525</u>

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The Reserve Fund consists of donor-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.

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

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ -	\$ 53,421
Satisfaction of Purpose Restrictions:		
Outreach Programs	1,039,757	1,692,740
Economic Policy	913,794	809,489
Food and Technology	805,500	778,316
Oceans and Vessels	355,004	690,843
Climate and Energy	189,955	49,233
Total	<u>3,304,010</u>	<u>4,020,621</u>
Restricted-Purpose Spending Policy		
Distributions and Appropriations:		
Educational Programs	<u>13,560</u>	<u>23,956</u>
Total	<u>13,560</u>	<u>23,956</u>
 Total Net Assets Released from Donor Restrictions	 <u>\$ 3,317,570</u>	 <u>\$ 4,097,998</u>

NOTE 9 ENDOWMENTS

Net assets with donor restrictions include endowment funds in which donors have placed restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended to provide funding for internship salaries and scholarships to students.

Interpretation of Relevant Law

The endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, all unappropriated endowment fund assets are considered restricted. The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts donated to the permanent endowment, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The unspent earnings are available for expenditure in subsequent years following appropriation by the Organization's board of directors in a manner consistent with the standard of prudence prescribed by UPMIFA to support activities as specified by the donor.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 ENDOWMENTS (CONTINUED)

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

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

Spending Policy

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

Changes in endowment net assets with donor restriction were as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment Net Assets - Beginning of Year	\$ 210,272	\$ 263,693
Investment Return, Net	13,560	23,956
Appropriation of Endowment Assets for Expenditure	(13,560)	(23,956)
Satisfaction of Time Restriction	-	(53,421)
Endowment Net Assets - End of Year	<u>\$ 210,272</u>	<u>\$ 210,272</u>

NOTE 10 RETIREMENT PLAN

The Organization maintains a contributory defined contribution retirement plan (the Plan) that covers all employees who meet certain eligibility requirements. Under the Plan, the Organization contributed 3% of the participants' compensation and may make discretionary profit sharing contributions allocated on a pro rata basis in the ratio that each qualified participant's compensation for the Plan year bears to the total compensation. The Organization's pension expense was \$118,210 and \$124,229 for the years ended June 30, 2020 and 2019, respectively.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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:

	<u>2020</u>	<u>2019</u>
Program - Outreach	\$ 704,596	\$ 616,670
Fundraising	157,387	50,146
Total	<u>\$ 861,983</u>	<u>\$ 666,816</u>

NOTE 12 LEASE COMMITMENTS

Office Lease

The Organization leases space for its office headquarters in Washington, DC under the terms of a noncancellable operating lease that expires in November 2028. The lease agreement contains rent incentives consisting of abated rent and leasehold improvements. The recognition of these assets and liabilities have been recorded as fixed assets, deferred rent, and leasehold improvement allowance on the accompanying statements of financial position and are being recognized over the term of the lease. The security deposit paid on the leased office space was \$167,175.

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

Rent expense, including miscellaneous occupancy charges, amortization of deferred rent and deferred lease incentive, amounted to \$735,123 and \$755,418 for the years ended June 30, 2020 and 2019, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 863,293
2022	784,798
2023	804,418
2024	824,528
2025	845,141
Thereafter	<u>3,048,559</u>
Total	<u>\$ 7,170,737</u>

Letter of Credit

During the years ended June 30, 2020 and 2019, the Organization had a letter of credit in the amount of \$134,820 with a financial institution in favor of the Organization's prior landlord, which is collateralized by a certificate of deposit.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 LEASE COMMITMENTS (CONTINUED)

Sublease Agreement

The Organization has a noncancellable operating sublease agreement which commenced in August 2017 and expires July 2022. The lease agreement contains an escalation provision that increases the annual base rent per year. Future minimum lease rentals under the sublease are as follows at June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 182,307
2022	186,865
2023	15,604
Total	<u>\$ 384,776</u>

NOTE 13 GENERAL 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.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for increased use of technology, potential shortages of employees or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 7, 2021 as the situation is ongoing.

NOTE 14 PPP LOAN

The Organization applied for and was approved for a \$1,162,500 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The covered period to spend their funds was for 24 weeks following receipt of the funds in April 2020. The loan is uncollateralized and is fully guaranteed by the federal government.