

**FRIENDS OF THE EARTH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



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**FRIENDS OF THE EARTH
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Earth
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Friends of the Earth, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the Earth and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Earth's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of the Earth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Earth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Arlington, Virginia
December 16, 2022

**FRIENDS OF THE EARTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,229,649	\$ 10,730,513
Grants and Contributions Receivable	1,415,863	2,106,132
Accounts Receivable	66,469	20,575
Due from Friends of the Earth (Action), Inc.	407,527	12,204
Prepaid Expenses and Other Assets	366,856	191,939
Total Current Assets	15,486,364	13,061,363
NONCURRENT ASSETS		
Assets Held Under Charitable Gift Annuity Arrangements	254,437	296,808
Certificates of Deposit	145,532	145,532
Investments	5,507,040	5,996,505
Fixed Assets, Net	747,045	889,955
Deposits	174,385	174,405
Total Noncurrent Assets	6,828,439	7,503,205
Total Assets	\$ 22,314,803	\$ 20,564,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 702,404	\$ 729,655
Accrued Leave	393,387	376,379
Deferred Rent, Current	70,833	50,187
Leasehold Improvement Allowance, Current	87,771	87,771
Total Current Liabilities	1,254,395	1,243,992
NONCURRENT LIABILITIES		
Loan Payable	124,137	113,572
Deferred Rent, Long-Term	739,086	808,892
Leasehold Improvement Allowance, Long-Term	475,423	563,194
Charitable Gift Annuities Liability	51,890	66,388
Total Noncurrent Liabilities	1,390,536	1,552,046
Total Liabilities	2,644,931	2,796,038
NET ASSETS		
Without Donor Restrictions	15,137,167	15,391,248
With Donor Restrictions	4,532,705	2,377,282
Total Net Assets	19,669,872	17,768,530
Total Liabilities and Net Assets	\$ 22,314,803	\$ 20,564,568

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Grants, Bequests, and Contributions	\$ 10,705,677	\$ 4,645,191	\$ 15,350,868	\$ 9,940,500	\$ 4,187,620	\$ 14,128,120
Leadership Giving	-	2,000,000	2,000,000	1,000,000	-	1,000,000
PPP Loan Forgiveness	-	-	-	1,162,500	-	1,162,500
Investment (Loss) Income	(704,827)	(23,512)	(728,339)	1,322,572	64,801	1,387,373
Rental Income	203,934	-	203,934	198,960	-	198,960
Mailing List Sales	9,548	-	9,548	11,678	-	11,678
Other	3,652	-	3,652	57,322	-	57,322
Net Assets Released from Restrictions	4,466,256	(4,466,256)	-	3,379,916	(3,379,916)	-
Total Revenue	<u>14,684,240</u>	<u>2,155,423</u>	<u>16,839,663</u>	<u>17,073,448</u>	<u>872,505</u>	<u>17,945,953</u>
EXPENSES						
Program Expenses:						
Economic Policy	1,284,489	-	1,284,489	1,200,481	-	1,200,481
Climate and Energy	1,813,984	-	1,813,984	1,126,165	-	1,126,165
Food and Technology	2,229,552	-	2,229,552	1,639,010	-	1,639,010
Oceans and Vessels	832,320	-	832,320	877,207	-	877,207
Outreach, Communications, DEI, and NC Restricted	4,952,273	-	4,952,273	3,626,739	-	3,626,739
Membership	810,648	-	810,648	979,773	-	979,773
Organizing	452,868	-	452,868	461,338	-	461,338
Total Program Expenses	<u>12,376,134</u>	<u>-</u>	<u>12,376,134</u>	<u>9,910,713</u>	<u>-</u>	<u>9,910,713</u>
Supporting Expenses:						
Management and General	847,948	-	847,948	693,079	-	693,079
Fundraising	1,714,239	-	1,714,239	1,691,913	-	1,691,913
Total Supporting Expenses	<u>2,562,187</u>	<u>-</u>	<u>2,562,187</u>	<u>2,384,992</u>	<u>-</u>	<u>2,384,992</u>
Total Expenses	<u>14,938,321</u>	<u>-</u>	<u>14,938,321</u>	<u>12,295,705</u>	<u>-</u>	<u>12,295,705</u>
CHANGE IN NET ASSETS	(254,081)	2,155,423	1,901,342	4,777,743	872,505	5,650,248
Net Assets - Beginning of Year	<u>15,391,248</u>	<u>2,377,282</u>	<u>17,768,530</u>	<u>10,613,505</u>	<u>1,504,777</u>	<u>12,118,282</u>
NET ASSETS - END OF YEAR	<u>\$ 15,137,167</u>	<u>\$ 4,532,705</u>	<u>\$ 19,669,872</u>	<u>\$ 15,391,248</u>	<u>\$ 2,377,282</u>	<u>\$ 17,768,530</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Expenses							Supporting Services				Total Expenses	
	Economic Policy	Climate and Energy	Food and Technology	Oceans and Vessels	Outreach, Communications, DEI, and NC Restricted	Membership	Organizing	Total	Fundraising	Overheads	Management and General		Total
Salaries	\$ 624,955	\$ 530,793	\$ 1,006,297	\$ 344,206	\$ 1,139,785	\$ 155,662	\$ 200,536	\$ 4,002,234	\$ 523,758	\$ 377,637	\$ 447,506	\$ 1,348,901	\$ 5,351,135
Payroll Taxes and Fringe Benefits	163,734	136,481	262,142	93,345	303,626	41,325	52,090	1,052,743	136,814	110,621	115,269	362,704	1,415,447
Professional Fees	127,387	715,841	317,712	117,693	359,985	100,377	86,420	1,825,415	55,278	576,756	5,532	637,566	2,462,981
Advertising and Media	12,000	34,369	23,750	-	50,295	4,000	-	124,414	320	11,300	-	11,620	136,034
Research, Data, Lists	20,500	-	5,655	5,000	1,181,609	67,543	-	1,280,307	199,245	-	-	199,245	1,479,552
Web Services	3,122	-	2,312	112	207,384	41,991	876	255,797	84,535	975	3,250	88,760	344,557
Professional Development	-	6,000	3,242	360	3,754	900	1,989	16,245	965	123,186	-	124,151	140,396
Travel and Meetings	15,583	53,257	17,199	6,319	8,632	271	13,071	114,332	4,105	2,017	408	6,530	120,862
Printing and Duplicating	206	182	8,128	263	246,922	165,233	990	421,924	118,121	6,106	-	124,227	546,151
Occupancy	-	-	-	-	-	-	-	-	-	700,435	-	700,435	700,435
Depreciation	-	-	-	-	6,913	-	-	6,913	-	200,377	-	200,377	207,290
Insurance	-	-	-	-	-	-	-	-	-	12,148	23,854	36,002	36,002
IT and Connectivity	-	-	-	-	2,874	951	-	3,825	400	249,023	23	249,446	253,271
Postage and Shipping	-	-	12	-	213,875	149,175	233	363,295	93,956	828	-	94,784	458,079
General Supplies	-	6,500	141	-	901	-	1,194	8,736	195	8,563	-	8,758	17,494
Dues, Publications, and Subscriptions	6,920	3,880	1,526	64	198,922	1,311	875	213,498	1,515	39,116	6,058	46,689	260,187
Miscellaneous	174	24	25,193	68	648	6	38	26,151	231,737	110,911	34,933	377,581	403,732
Small Grants, Contributions	3,728	59,000	37,464	91,014	413,510	-	-	604,716	-	-	-	-	604,716
Overheads Applied	306,180	267,657	518,779	173,876	612,638	81,903	94,556	2,055,589	263,295	(2,529,999)	211,115	(2,055,589)	-
Total Expenses	\$ 1,284,489	\$ 1,813,984	\$ 2,229,552	\$ 832,320	\$ 4,952,273	\$ 810,648	\$ 452,868	\$ 12,376,134	\$ 1,714,239	\$ -	\$ 847,948	\$ 2,562,187	\$ 14,938,321

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Expenses							Supporting Services				Total Expenses	
	Economic Policy	Climate and Energy	Food and Technology	Oceans and Vessels	Outreach, Communications, DEI, and NC Restricted	Membership	Organizing	Total	Fundraising	Overheads	Management and General		Total
Salaries	\$ 485,997	\$ 414,830	\$ 720,769	\$ 338,306	\$ 654,774	\$ 125,922	\$ 213,164	\$ 2,953,762	\$ 434,505	\$ 262,069	\$ 357,077	\$ 1,053,651	\$ 4,007,413
Payroll Taxes and Fringe Benefits	135,808	114,851	205,609	98,524	195,125	35,830	59,036	844,783	120,894	86,492	93,761	301,147	1,145,930
Professional Fees	182,952	333,867	261,094	176,469	309,751	104,750	31,829	1,400,712	95,471	474,582	15,297	585,350	1,986,062
Advertising and Media	2,184	1,212	15,894	-	3,403	-	-	22,693	-	6,676	-	6,676	29,369
Research, Data, Lists	45,224	-	67	-	1,088,434	82,302	18,000	1,234,027	230,644	-	-	230,644	1,464,671
Web Services	2,733	45	3,822	-	120,701	7,774	4,710	139,785	69,213	605	-	69,818	209,603
Professional Development	1,620	585	2,870	2,583	1,175	-	4,255	13,088	904	1,552	-	2,456	15,544
Travel and Meetings	19,461	2,869	(213)	163	289	200	1,748	24,517	695	662	-	1,357	25,874
Printing and Duplicating	-	-	7,637	-	85,204	263,439	245	356,525	148,743	3,767	-	152,510	509,035
Occupancy	-	-	-	-	-	-	-	-	-	695,503	-	695,503	695,503
Depreciation	-	-	-	-	11,079	-	-	11,079	-	190,743	-	190,743	201,822
Insurance	-	-	-	-	-	-	-	-	-	8,917	24,355	33,272	33,272
IT and Connectivity	1,000	-	-	-	6,265	9,886	1,675	18,826	14,400	236,450	2	250,852	269,678
Postage and Shipping	-	-	137	-	63,388	277,807	166	341,498	108,645	2,687	220	111,552	453,050
General Supplies	-	114	16	78	143	-	-	351	213	21,939	-	22,152	22,503
Dues, Publications, and Subscriptions	4,918	13,600	2,656	759	160,978	50	350	183,311	5,665	6,460	7,188	19,313	202,624
Small Grants, Contributions	45,850	16,759	15,450	73,050	529,050	-	10,625	690,784	1,000	-	-	1,000	691,784
Miscellaneous	12,000	-	125	15	120	-	-	12,260	221,351	71,563	26,794	319,708	331,968
Overheads Applied	260,734	227,433	403,077	187,260	396,860	71,813	115,535	1,662,712	239,570	(2,070,667)	168,385	(1,662,712)	-
Total Expenses	\$ 1,200,481	\$ 1,126,165	\$ 1,639,010	\$ 877,207	\$ 3,626,739	\$ 979,773	\$ 461,338	\$ 9,910,713	\$ 1,691,913	\$ -	\$ 693,079	\$ 2,384,992	\$ 12,295,705

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,901,342	\$ 5,650,248
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	207,290	201,822
Realized and Unrealized Gain	798,064	(1,378,812)
Donated Securities	(225,517)	(489,970)
PPP Loan Forgiveness	-	(1,162,500)
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	690,269	(1,227,942)
Accounts Receivable	(45,894)	14,388
Prepaid Expenses and Other Assets	(174,917)	77,070
Deposits	20	(792)
Accounts Payable and Accrued Expenses	(27,251)	125,300
Accrued Leave	17,008	45,814
Due to/from Friends of the Earth (Action), Inc.	(395,323)	342,604
Charitable Gift Annuity Liability	(14,498)	55,918
Deferred Rent/Leasehold Improvement Allowance	(136,931)	(116,662)
Net Cash Provided by Operating Activities	2,593,662	2,136,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	2,209,020	4,205,638
Purchases of Investments	(2,239,166)	(2,548,742)
Purchases of Fixed Assets	(64,380)	(41,194)
Net Cash Provided (Used) by Investing Activities	(94,526)	1,615,702
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds Received from Loan	-	100,000
Net Cash Provided by Financing Activities	-	100,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,499,136	3,852,188
Cash and Cash Equivalents - Beginning of Year	10,730,513	6,878,325
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,229,649	\$ 10,730,513

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 and 2021.

Grants and Contributions Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of grants and contributions 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 Annuities

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, 2022 AND 2021**

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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:

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, 2022 and 2021, 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.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications had no effect on the change in net assets are previously reported.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 December 16, 2022, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION 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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 13,229,649	\$ 10,730,513
Grants Receivable	1,415,863	2,106,132
Due from Friend of the Earth Action	407,527	12,204
Accounts Receivable	66,469	20,575
Total Current Financial Assets	<u>15,119,508</u>	<u>12,869,424</u>
Less: Amounts Not Subject to General Expenditure:		
Donor-Restricted Amounts	<u>(4,345,945)</u>	<u>(2,167,010)</u>
Total	<u>\$ 10,773,563</u>	<u>\$ 10,702,414</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, 2022 AND 2021**

NOTE 4 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 measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,889,311	\$ -	\$ -	\$ 3,889,311
Real Estate Investment Trusts	99,354	-	-	99,354
Exchange-Traded Funds - Bonds	1,517,353	-	-	1,517,353
Municipal Bonds	1,022	-	-	1,022
Total Investments	<u>5,507,040</u>	-	-	<u>5,507,040</u>
Charitable Gift Annuities - Mutual Fund - Equities	254,437	-	-	254,437
Certificates of Deposit	-	145,532	-	145,532
Total Assets at Fair Value	<u>\$ 5,761,477</u>	<u>\$ 145,532</u>	<u>\$ -</u>	<u>\$ 5,907,009</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 4,194,798	\$ -	\$ -	\$ 4,194,798
Real Estate Investment Trusts	135,342	-	-	135,342
Exchange-Traded Funds - Bonds	1,665,229	-	-	1,665,229
Corporate Bonds	-	1,136	-	1,136
Total Investments	<u>5,995,369</u>	<u>1,136</u>	-	<u>5,996,505</u>
Charitable Gift Annuities - Mutual Fund - Equities	296,808	-	-	296,808
Certificates of Deposit	-	145,532	-	145,532
Total Assets at Fair Value	<u>\$ 6,292,177</u>	<u>\$ 146,668</u>	<u>\$ -</u>	<u>\$ 6,438,845</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.

At June 30, 2022 and 2021, investments includes \$142,513 and \$129,019, respectively, of securities held and invested pursuant to a loan agreement entered into on December 14, 2020, whereby the Organization borrowed \$100,000 to purchase stocks as an investment for the Organization. Investment earnings on the borrowed funds accrue to the loan balance payable to the lender. Payments of interest are due annually, with the final payment due on December 31, 2027. Repayment of the loan is limited to the greater of the original principal amount or value of securities purchased plus accrued investment income on the loan maturity date. The loan payable, including accrued investment earnings, is presented as a noncurrent liability in the accompanying statements of financial position.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2022 and 2021, grants and contributions receivable are expected to be collected within one year.

NOTE 6 FIXED ASSETS

Fixed assets consisted of the following as of June 30:

	2022	2021
Furniture and Equipment	\$ 883,223	\$ 817,468
Leasehold Improvements	1,321,633	1,321,633
Subtotal	<u>2,204,856</u>	<u>2,139,101</u>
Less: Accumulated Depreciation and Amortization	(1,457,811)	(1,249,146)
Total	<u>\$ 747,045</u>	<u>\$ 889,955</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Economic Policy	\$ 2,085,376	\$ 1,193,820
Climate and Energy	222,757	183,370
Oceans and Vessels	124,492	250,000
Food and Technology	1,610,000	200,000
Outreach Programs	158,320	94,820
Other	-	100,000
Total	<u>4,200,945</u>	<u>2,022,010</u>
Subject to Temporary Expenditure for Operations:		
Reserve Fund	145,000	145,000
Subject to NFP Endowment Spending Policy and Appropriation:		
Held in Perpetuity	186,760	210,272
Total	<u>186,760</u>	<u>210,272</u>
Total Net Assets with Donor Restrictions	<u>\$ 4,532,705</u>	<u>\$ 2,377,282</u>

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	2022	2021
Satisfaction of Purpose Restrictions:		
Food and Technology	\$ 1,453,548	\$ 710,000
Economic Policy	1,252,108	634,145
Climate and Energy	1,144,591	809,285
Oceans and Vessels	460,508	601,055
Outreach Programs	55,501	560,630
Other	100,000	-
Total	4,466,256	3,315,115
Restricted-Purpose Spending Policy		
Distributions and Appropriations:		
Educational Programs	-	64,801
Total	-	64,801
Total Net Assets Released from Donor Restrictions	\$ 4,466,256	\$ 3,379,916

NOTE 8 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, 2022 AND 2021**

NOTE 8 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

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

Spending Policy

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

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

	<u>2022</u>	<u>2021</u>
Endowment Net Assets - Beginning of Year	\$ 210,272	\$ 210,272
Investment Return, Net	(23,512)	64,801
Appropriation of Endowment Assets for Expenditure	-	(64,801)
Endowment Net Assets - End of Year	<u>\$ 186,760</u>	<u>\$ 210,272</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2022, deficiencies of this nature existed in one donor restricted endowment fund, which had an original gift value of \$210,272, a current fair value of \$186,760 and a deficiency of \$23,512 as of June 30, 2022. These deficiencies are a result of unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment fund. There were no such deficiencies as of June 30, 2021.

NOTE 9 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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Due to/from FOE Action - Beginning of Year	\$ 12,204	\$ 354,808
Grant Payable FOE to FOE Action	(300,000)	(300,000)
Contributions Received by FOE on Behalf of FOE Action	(444,765)	(11,049)
Contributions Received by FOEA on Behalf of FOE	48,856	7,598
Settlement of Intercompany Balance		(850,097)
Expense Paid by FOE on Behalf of FOE Action	<u>1,091,232</u>	<u>810,944</u>
Due to/from FOE Action - End of Year	<u>\$ 407,527</u>	<u>\$ 12,204</u>

The Organization made grants of \$300,000 to Friends of the Earth (Action), Inc. during both 2022 and 2021. 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 \$70,268 and \$82,467 for the years ended June 30, 2022 and 2021, respectively.

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 \$162,509 and \$121,085 for the years ended June 30, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Program - Outreach	\$ 583,797	\$ 545,801
Fundraising	174,127	169,174
Total	<u>\$ 757,924</u>	<u>\$ 714,975</u>

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 2023.

Rent expense, including miscellaneous occupancy charges, amortization of deferred rent and deferred lease incentive, amounted to \$700,435 and \$695,503 for the years ended June 30, 2022 and 2021, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 910,127
2024	824,528
2025	845,141
2026	866,270
2027	887,926
Thereafter	1,294,363
Total	<u><u>\$ 5,628,355</u></u>

Letter of Credit

During the years ended June 30, 2022 and 2021, 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. Subsequent to year-end, in October 2022, the Organization was released from the agreement and received \$148,476 as a return of deposit.

Sublease Agreement

The Organization has a noncancellable operating sublease agreement which commenced in August 2017 and expired July 2022. The lease agreement contains an escalation provision that increases the annual base rent per year. Future minimum lease rentals under the sublease provide for rent payments of \$15,604 for the year ended June 30, 2023. Subsequent to the lease expiration, rental payments are being made on month to month basis. As of December 16, 2022, the renewal of the sublease agreement is still in process.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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.

NOTE 14 PPP LOAN

The Organization received a loan in the amount of \$1,162,500 loan from a financial institution to fund payroll and utilities through the Paycheck Protection Program (the PPP Loan) under a program offered by the U.S. Small Business Administration (SBA). The PPP Loan was subject to full forgiveness upon use of the funds for qualifying costs and compliance with certain limitations on payroll and staffing reductions over a 24-week period starting in April 2020, in accordance with the program.

During the year ended June 30, 2021, the PPP Loan was forgiven in full and paid by the SBA to the financial institution. The loan forgiveness was recorded as revenue in the accompanying statement of activities for the year ended June 30, 2021.

SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.