FRIENDS OF THE EARTH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Other Matters

Adoption of Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02: *Leases*. Our opinion is not modified with regard to this matter.

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.

Board of Directors
Friends of the Earth

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

CliftonLarsonAllen LLP

Arlington, Virginia
November 20, 2023

FRIENDS OF THE EARTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 11,811,989	$ 13,229,649
Grants and Contributions Receivable	1,742,166	1,415,863
Accounts Receivable	157,843	66,469
Due from Friends of the Earth (Action), Inc.	169,517	407,527
Right of Use Asset	3,244,346	-
Prepaid Expenses and Other Assets	411,801	366,856
Total Current Assets	17,537,662	15,486,364
NONCURRENT ASSETS		
Assets Held Under Charitable Gift Annuity Arrangements	281,106	226,746
Certificates of Deposit	-	145,532
Investments	6,525,132	5,534,731
Fixed Assets, Net	618,508	747,045
Deposits	172,565	174,385
Total Noncurrent Assets	7,597,311	6,828,439
Total Assets	$ 25,134,973	$ 22,314,803
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 953,027	$ 702,404
Accrued Leave	457,781	393,387
Refundable Advances	70,000	-
Deferred Rent, Current	-	70,833
Lease Liability, Current	816,153	-
Leasehold Improvement Allowance, Current	-	87,771
Total Current Liabilities	2,296,961	1,254,395
NONCURRENT LIABILITIES		
Other Accruals	127,899	124,137
Deferred Rent, Long-Term	-	739,086
Leasehold Improvement Allowance, Long-Term	-	475,423
Lease Liability	3,642,701	-
Charitable Gift Annuities Liability	43,290	51,890
Total Noncurrent Liabilities	3,813,890	1,390,536
Total Liabilities	6,110,851	2,644,931
NET ASSETS		
Without Donor Restrictions	14,235,005	15,137,167
With Donor Restrictions	4,789,117	4,532,705
Total Net Assets	19,024,122	19,669,872
Total Liabilities and Net Assets	$ 25,134,973	$ 22,314,803

See accompanying Notes to Financial Statements.

FRIENDS OF THE EARTH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Grants, Bequests, and Contributions	$ 11,605,939	$ 4,586,624	$ 16,192,563	$ 10,705,677	$ 4,645,191	$ 15,350,868
Leadership Giving	-	-	-	-	2,000,000	2,000,000
Investment (Loss) Income	979,995	47,570	1,027,565	(704,827)	(23,512)	(728,339)
Rental Income	217,362	-	217,362	203,934	-	203,934
Mailing List Sales	10,394	-	10,394	9,548	-	9,548
Other	76,072	-	76,072	3,652	-	3,652
Net Assets Released from Restrictions	4,377,782	(4,377,782)	-	4,466,256	(4,466,256)	-
Total Revenue	17,267,544	256,412	17,523,956	14,684,240	2,155,423	16,839,663
EXPENSES						
Program Expenses:						
Economic Policy	1,913,866	-	1,913,866	1,284,489	-	1,284,489
Climate and Energy	1,805,132	-	1,805,132	1,813,984	-	1,813,984
Food and Technology	3,265,112	-	3,265,112	2,229,552	-	2,229,552
Oceans and Vessels	1,422,252	-	1,422,252	832,320	-	832,320
Outreach, Communications, DEIJ, and NC Restricted	5,641,636	-	5,641,636	4,952,273	-	4,952,273
Membership	1,288,919	-	1,288,919	810,648	-	810,648
Organizing	78,901	-	78,901	452,868	-	452,868
Total Program Expenses	15,415,818	-	15,415,818	12,376,134	-	12,376,134
Supporting Expenses:						
Management and General	984,537	-	984,537	1,714,239	-	1,714,239
Fundraising	1,769,351	-	1,769,351	847,948	-	847,948
Total Supporting Expenses	2,753,888	-	2,753,888	2,562,187	-	2,562,187
Total Expenses	18,169,706	-	18,169,706	14,938,321	-	14,938,321
CHANGE IN NET ASSETS	(902,162)	256,412	(645,750)	(254,081)	2,155,423	1,901,342
Net Assets - Beginning of Year	15,137,167	4,532,705	19,669,872	15,391,248	2,377,282	17,768,530
NET ASSETS - END OF YEAR	$ 14,235,005	$ 4,789,117	$ 19,024,122	$ 15,137,167	$ 4,532,705	$ 19,669,872

See accompanying Notes to Financial Statements.

FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Expenses								Supporting Services				
	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	Total Expenses
Personnel	$ 1,040,404	$ 681,531	$ 1,862,043	$ 799,507	$ 1,684,029	$ 368,297	$ 63,645	$ 6,499,456	$ 761,995	$ 854,922	$ 658,801	$ 2,275,718	$ 8,775,174
Professional Fees	324,204	489,047	486,786	172,697	281,825	56,728	-	1,811,287	94,365	603,324	2,774	700,463	2,511,750
Advertising and Promotion	3,111	15,360	7,512	424	49,247	-	-	75,654	1,001	9,117	-	10,118	85,772
List Acquisition	8,500	22	500	1,889	1,625,040	266,873	-	1,902,824	44,107	-	-	44,107	1,946,931
Web and Online Services	2,215	650	2,601	-	177,316	59,287	139	242,208	69,085	15,719	2,318	87,122	329,330
Professional Development	1,233	-	6,033	-	7,760	2,197	-	17,223	5,982	20,065	-	26,047	43,270
Travel Expenses	52,223	49,629	39,601	74,967	49,747	2,591	-	268,758	9,099	16,048	10,117	35,264	304,022
Printing and Publications	538	821	-	6,164	272,594	233,963	-	514,080	152,748	5,774	-	158,522	672,602
Occupancy	-	-	-	-	-	-	-	-	-	776,393	-	776,393	776,393
Depreciation	-	-	-	-	1,879	-	-	1,879	-	176,790	-	176,790	178,669
Insurance	-	-	-	-	-	-	-	-	-	13,357	25,347	38,704	38,704
IT & Connectivity	-	-	-	-	-	400	-	400	400	319,362	-	319,762	320,162
Postage and Delivery	490	-	629	-	209,238	154,412	-	364,769	116,911	4,267	-	121,178	485,947
Office Supplies	5	-	182	209	939	97	-	1,432	-	37,559	-	37,559	38,991
Due and Subscriptions	8,082	85,508	3,269	2,133	256,035	4,648	-	359,675	494	29,138	2,607	32,239	391,914
Miscellaneous Expense	340	206	165	318	1,284	19	-	2,332	229,924	95,297	33,249	358,470	360,802
Small Grants, Contributions	83,761	227,000	158,512	63,000	74,500	-	-	606,773	-	-	2,500	2,500	609,273
Grant to FOE Action	-	-	-	-	300,000	-	-	300,000	-	-	-	-	300,000
Overhead	388,760	255,358	697,279	300,944	650,203	139,407	15,117	2,447,068	283,240	(2,977,132)	246,824	(2,447,068)	-
Total Expenses	$ 1,913,866	$ 1,805,132	$ 3,265,112	$ 1,422,252	$ 5,641,636	$ 1,288,919	$ 78,901	$ 15,415,818	$ 1,769,351	$ -	$ 984,537	$ 2,753,888	$ 18,169,706

See accompanying Notes to Financial Statements.

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

	Program Expenses								Supporting Services				
	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	Total Expenses
Personnel Costs	$ 788,689	$ 667,274	$ 1,268,439	$ 437,551	$ 1,443,411	$ 196,987	$ 252,626	$ 5,054,977	$ 660,572	$ 488,258	$ 562,775	$ 1,711,605	$ 6,766,582
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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (645,750)	$ 1,901,342
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	178,669	207,290
Realized and Unrealized (Gain) Loss	(786,626)	755,693
Donated Securities	(209,970)	(225,517)
Right of Use Asset Amortization	622,906	-
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(326,303)	690,269
Accounts Receivable	(91,374)	(45,894)
Prepaid Expenses and Other Assets	(44,945)	(174,917)
Deposits	1,820	20
Assets Held Under Charitable Gift Annuity Arrangements	(54,360)	42,371
Accounts Payable and Accrued Expenses	250,623	(27,251)
Accrued Leave	64,394	17,008
Due to/from Friends of the Earth (Action), Inc.	238,010	(395,323)
Refundable Advances	70,000	-
Other Accruals	3,762	-
Charitable Gift Annuity Liability	(8,600)	(14,498)
Lease Liability	(781,511)	-
Deferred Rent/Leasehold Improvement Allowance	-	(136,931)
Net Cash (Used) Provided by Operating Activities	(1,519,255)	2,593,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	42,507	2,209,020
Purchases of Investments	(36,312)	(2,239,166)
Proceeds from Certificate of Deposit	145,532	-
Purchases of Fixed Assets	(50,132)	(64,380)
Net Cash Provided (Used) by Investing Activities	101,595	(94,526)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,417,660)	2,499,136
Cash and Cash Equivalents - Beginning of Year	13,229,649	10,730,513
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,811,989	$ 13,229,649
SUPPLEMENTAL INFORMATION		
Donated Securities Held for Investment	$ 209,970	$ 225,517
Noncash Transactions Arising from the ASC 842 Adoption:		
Recognition of Right-of-Use Asset	$ 3,876,080	$ -
Recognition of Lease Liability	(5,249,193)	-
Write off of Deferred Rent and Leasehold Improvement Allowance	1,373,113	-
	$ -	$ -

See accompanying Notes to Financial Statements.

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:

Friends of the Earth (FOE)'s Economic Policy Team aims to create a more environmentally sustainable and socially just world by transforming financial and economic systems. Activities include efforts to end subsidies for polluting industries and encourage investments in clean alternatives. During the last year, it worked to alter lending practices at large financial institutions that fund fossil fuels and harm communities and biodiversity in the US and abroad.

The Climate & Energy Team promotes clean energy and conservation and fights to end our dependence on dirty, harmful sources of energy including coal, oil, natural gas and nuclear. In the last year, the team helped lead efforts to prevent fossil fuel subsidies and to prevent the expansion of natural gas exports and factory farm methane gas.

The Food and Technology Team conducts policy advocacy, market campaigns and scientific research to promote a more just and sustainable food system. In the past year, the team advocated for public policies to phase-out bee-killing pesticides, advocated for better regulation of products made with synthetic biology and campaigned to convince grocers to stock more bee-friendly and organic products. It also helped institutions such as schools to adopt more climate-friendly purchasing policies, pushed financial institutions to divest from factory farms.

The Oceans & Vessels Team works to stop air and water pollution from ocean-going vessels, cruise ships, ports and oil development in order to protect human health and the environment. In the last year, it resisted efforts to open up public waters and lands to increased fossil fuel development, and expanded efforts to prevent the build-out of new plastics facilities.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023 and 2022.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset. Level 2 inputs include among others, quoted prices for similar assets in active 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:

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Conditional promises to give for which the cash has been received prior to the condition being met are recorded as refundable advances. As of June 30, 2023, the total conditional contributions for which the condition had no been met is equal to the amount reported in the statement of financial position as refundable advances.

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.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective June 30, 2023, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB Accounting Standards Codification (ASC) 840.

The Organization has elected to adopt the package of practical expedients available in the year or adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, a lease liability of $5,186,212, which represents the present value of the remaining operating lease payments of $5,671,586 discounted using the risk-free rate of 2.92%, and a ROU asset of $3,876,080. The balances on July 1, 2022, of the deferred rent amounting to $1,373,113 was subsumed into the lease balances in the transition adjustment.

The standard had a material impact on the 2022 statement of financial position and statement of cash flows but did not have an impact on the 2022 statement of activities. The most significant impact was the recognition of the ROU asset and lease liability for operating lease.

Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the right-of-use asset (ROU) and lease liability on the consolidated statements of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The ROU asset represents the Organization's right to use an underlying asset for the lease term and the lease liability represents the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on information available at commencement date in determining the present value of lease payments. The ROU asset also includes the lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Such reclassifications had no effect on the change in net assets are previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2023, 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:

	2023	2022
Cash and Cash Equivalents	$ 11,811,989	$ 13,229,649
Grants & Contributions Receivable	1,742,166	1,415,863
Due from Friend of the Earth Action	169,517	407,527
Accounts Receivable	157,843	66,469
Total Current Financial Assets	13,881,515	15,119,508
Less: Amounts Not Subject to General Expenditure:		
Donor-Restricted Amounts	(4,554,787)	(4,345,945)
Total	$ 9,326,728	$ 10,773,563

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.

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, 2023:

	Level 1	Level 2	Level 3	Total
Equity	$ 5,038,166	$ -	$ -	$ 5,038,166
Real Estate Investment Trusts	95,530	-	-	95,530
Fixed Income	1,391,436	-	-	1,391,436
Total Investments	6,525,132	-	-	6,525,132
Charitable Gift Annuities - Mutual Fund - Equities	281,106	-	-	281,106
Total Assets at Fair Value	$ 6,806,238	$ -	$ -	$ 6,806,238

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, 2022:

	Level 1	Level 2	Level 3	Total
Equity	$ 3,917,002	$ -	$ -	$ 3,917,002
Real Estate Investment Trusts	99,354	-	-	99,354
Fixed Income	1,518,375	-	-	1,518,375
Total Investments	5,534,731	-	-	5,534,731
Charitable Gift Annuities - Mutual Fund - Equities	226,746	-	-	226,746
Certificates of Deposit	-	145,532	-	145,532
Total Assets at Fair Value	$ 5,761,477	$ 145,532	$ -	$ 5,907,009

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, 2023 and 2022, investments includes $146,763 and $142,513, 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.

NOTE 5 GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2023 and 2022, 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:

	2023	2022
Furniture and Equipment	$ 885,524	$ 883,223
Leasehold Improvements	1,321,633	1,321,633
Subtotal	2,207,157	2,204,856
Less: Accumulated Depreciation and Amortization	(1,588,649)	(1,457,811)
Total	$ 618,508	$ 747,045

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to Expenditure for Specified Purpose:		
Economic Policy	$ 2,163,960	$ 2,085,376
Climate and Energy	397,265	222,757
Oceans and Vessels	709,856	124,492
Food and Technology	750,145	1,610,000
Outreach and Other Programs	388,561	158,320
Total	4,409,787	4,200,945
Subject to Temporary Expenditure for Operations:		
Reserve Fund	145,000	145,000
Subject to NFP Endowment Spending Policy and Appropriation:		
Held in Perpetuity	234,330	186,760
Total	234,330	186,760
Total Net Assets with Donor Restrictions	$ 4,789,117	$ 4,532,705

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.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	2023	2022
Satisfaction of Purpose Restrictions:		
Food and Technology	$ 1,797,105	$ 1,453,548
Economic Policy	1,401,416	1,252,108
Climate and Energy	548,992	1,144,591
Oceans and Vessels	460,218	460,508
Outreach and Other Programs	170,051	55,501
Other	-	100,000
Total	4,377,782	4,466,256
Total Net Assets Released from Donor Restrictions	$ 4,377,782	$ 4,466,256

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.

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:

	2023	2022
Endowment Net Assets - Beginning of Year	$ 186,760	$ 210,272
Investment Return, Net	47,570	(23,512)
Endowment Net Assets - End of Year	$ 234,330	$ 186,760

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.

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.

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2023	2022
Due to/from FOE Action - Beginning of Year	$ 407,527	$ 12,204
Grant Payable FOE to FOE Action	-	(300,000)
Contributions Received by FOE on Behalf of FOE Action	(825,058)	(444,765)
Contributions Received by FOEA on Behalf of FOE	334,035	48,856
Settlement of Intercompany Balance	(606,084)	-
Expense Paid by FOE on Behalf of FOE Action	859,097	1,091,232
Due to/from FOE Action - End of Year	$ 169,517	$ 407,527

The Organization made grants of $300,000 to Friends of the Earth (Action), Inc. during both 2023 and 2022.

Members of the Organization's board of directors make contributions to the Organization on an annual basis. Amounts contributed were approximately $52,795 and $70,268 for the years ended June 30, 2023 and 2022, 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 $275,304 and $162,509 for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Program - Outreach	$ 595,934	$ 583,797
Fundraising	217,458	174,127
Total	$ 813,392	$ 757,924

NOTE 12 LEASE COMMITMENTS

Office Lease – Operating 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 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 2024.

The obligations under the leases are represented on the statements of financial position as a lease liability which is the discounted future lease payments. The payments are discounted using an average risk free of 2.92% as a practical expedient which is the weighted average discount rate. A right of use (ROU) asset is recorded on the statements of financial position that represents the occupancy rights FOE has relative to the office space. The weighted average remaining lease term as of June 30, 2023 is 5.3 years.

Total costs associated with the lease amounted to $776,394 and $700,435 for the years ended June 30, 2023 and 2022, respectively.

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

Year Ending June 30,	Amount
2024	$ 933,406
2025	845,141
2026	866,269
2027	887,926
2028	910,125
Thereafter	373,405
Undiscounted Cash Flows	4,816,272
Less Imputed Interest	(357,418)
Total Present Value	$ 4,458,854

The disclosure requirements under ASC 840 (the applicable guidance for FY 2022) are largely covered in the above disclosure information applicable to ASC 842. The requirements under ASC 840 include a description of the leasing arrangement, the cost associated with the leases, and the undiscounted future minimum lease payments.

Letter of Credit

During the years ended June 30, 2023 and 2022, 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 was collateralized by a certificate of deposit. In October 2022, the Organization was released from the agreement and received $148,476 as a return of deposit.

NOTE 12 LEASE COMMITMENTS (CONTINUED)

Sublease Agreement

The Organization has a noncancellable operating sublease agreement which commenced in August 2017 and expired December 2024. 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 $109,172 for the year ended June 30, 2024. Subsequent to the lease expiration, rental payments are being made on month-to-month basis.

NOTE 13 GENERAL CONTINGENCIES

In the ordinary course of business, the Organization is a party to claims and litigation. In certain situations the Organization will in the course of its advocacy work engage legal counsel to help the Organization achieve its advocacy objectives. 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.