

**FRIENDS OF THE EARTH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**



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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, 2025 and 2024, 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, 2025 and 2024, 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
November 20, 2025

**FRIENDS OF THE EARTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

| | 2025 | 2024 |
|--|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 9,202,980 | \$ 9,853,113 |
| Grants and Contributions Receivable | 2,158,007 | 1,035,528 |
| Accounts Receivable | 56,301 | 78,859 |
| Due from Friends of the Earth (Action), Inc. | 248,099 | - |
| Right-of-Use Asset | 2,057,533 | 2,607,848 |
| Prepaid Expenses and Other Assets | 642,174 | 279,037 |
| Total Current Assets | 14,365,094 | 13,854,385 |
| NONCURRENT ASSETS | | |
| Grants and Contributions Receivable, Net of Discount | 108,113 | - |
| Assets Held Under Charitable Gift Annuity Arrangements | 400,257 | 363,211 |
| Investments | 8,642,663 | 7,622,360 |
| Fixed Assets, Net | 385,159 | 498,414 |
| Deposits | 165,366 | 165,954 |
| Total Noncurrent Assets | 9,701,558 | 8,649,939 |
| Total Assets | \$ 24,066,652 | \$ 22,504,324 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 800,319 | \$ 774,529 |
| Due to Friends of the Earth (Action), Inc. | - | 251,412 |
| Accrued Leave | 585,210 | 563,643 |
| Refundable Advances | - | 30,000 |
| Lease Liability, Current | 750,437 | 750,437 |
| Total Current Liabilities | 2,135,966 | 2,370,021 |
| NONCURRENT LIABILITIES | | |
| Other Accruals | 156,327 | 142,434 |
| Lease Liability | 2,145,615 | 2,894,230 |
| Charitable Gift Annuities Liability | 39,887 | 40,743 |
| Total Noncurrent Liabilities | 2,341,829 | 3,077,407 |
| Total Liabilities | 4,477,795 | 5,447,428 |
| NET ASSETS | | |
| Without Donor Restrictions | 13,120,681 | 11,913,575 |
| With Donor Restrictions | 6,468,176 | 5,143,321 |
| Total Net Assets | 19,588,857 | 17,056,896 |
| Total Liabilities and Net Assets | \$ 24,066,652 | \$ 22,504,324 |

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 AND 2024**

| | 2025 | | | 2024 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE | | | | | | |
| Grants, Bequests, and Contributions | \$ 10,651,687 | \$ 8,878,292 | \$ 19,529,979 | \$ 10,346,099 | \$ 5,467,630 | \$ 15,813,729 |
| Investment Income | 998,051 | 11,002 | 1,009,053 | 1,077,007 | 22,884 | 1,099,891 |
| Rental Income | 239,021 | - | 239,021 | 230,365 | - | 230,365 |
| Mailing List Sales | 10,161 | - | 10,161 | 15,798 | - | 15,798 |
| Other | 19,130 | - | 19,130 | 3,255 | - | 3,255 |
| Net Assets Released from Restrictions | 7,564,439 | (7,564,439) | - | 5,136,310 | (5,136,310) | - |
| Total Revenue | <u>19,482,489</u> | <u>1,324,855</u> | <u>20,807,344</u> | <u>16,808,834</u> | <u>354,204</u> | <u>17,163,038</u> |
| EXPENSES | | | | | | |
| Program Expenses: | | | | | | |
| Economic Policy | 1,933,051 | - | 1,933,051 | 1,897,056 | - | 1,897,056 |
| Climate and Energy | 1,676,381 | - | 1,676,381 | 1,902,776 | - | 1,902,776 |
| Food and Technology | 3,482,993 | - | 3,482,993 | 3,599,085 | - | 3,599,085 |
| Oceans and Vessels | 1,534,257 | - | 1,534,257 | 1,494,298 | - | 1,494,298 |
| Outreach, Communications, DEI, and NC Restricted | 5,130,336 | - | 5,130,336 | 6,078,656 | - | 6,078,656 |
| Membership | 1,553,809 | - | 1,553,809 | 1,375,496 | - | 1,375,496 |
| Total Program Expenses | <u>15,310,827</u> | <u>-</u> | <u>15,310,827</u> | <u>16,347,367</u> | <u>-</u> | <u>16,347,367</u> |
| Supporting Expenses: | | | | | | |
| Management and General | 1,112,938 | - | 1,112,938 | 1,030,664 | - | 1,030,664 |
| Fundraising | 1,851,618 | - | 1,851,618 | 1,752,233 | - | 1,752,233 |
| Total Supporting Expenses | <u>2,964,556</u> | <u>-</u> | <u>2,964,556</u> | <u>2,782,897</u> | <u>-</u> | <u>2,782,897</u> |
| Total Expenses | <u>18,275,383</u> | <u>-</u> | <u>18,275,383</u> | <u>19,130,264</u> | <u>-</u> | <u>19,130,264</u> |
| CHANGE IN NET ASSETS | 1,207,106 | 1,324,855 | 2,531,961 | (2,321,430) | 354,204 | (1,967,226) |
| Net Assets - Beginning of Year | <u>11,913,575</u> | <u>5,143,321</u> | <u>17,056,896</u> | <u>14,235,005</u> | <u>4,789,117</u> | <u>19,024,122</u> |
| NET ASSETS - END OF YEAR | <u>\$ 13,120,681</u> | <u>\$ 6,468,176</u> | <u>\$ 19,588,857</u> | <u>\$ 11,913,575</u> | <u>\$ 5,143,321</u> | <u>\$ 17,056,896</u> |

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

| | Program Expenses | | | | | | Supporting Services | | | | | Total Expenses |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|--|---------------------|----------------------|---------------------|-------------|------------------------|---------------------|----------------------|
| | Economic Policy | Climate and Energy | Food and Technology | Oceans and Vessels | Outreach, Communications, DEIJ, and NC Democracy | Membership | Total | Fundraising | Overheads | Management and General | Total | |
| Personnel | \$ 1,131,747 | \$ 912,587 | \$ 1,802,113 | \$ 917,921 | \$ 1,923,973 | \$ 512,248 | \$ 7,200,589 | \$ 943,638 | \$ 876,531 | \$ 790,533 | \$ 2,610,702 | \$ 9,811,291 |
| Professional Fees | 287,323 | 219,762 | 589,941 | 169,931 | 341,705 | 82,213 | 1,690,875 | 63,077 | 568,445 | 2,365 | 633,887 | 2,324,762 |
| List Acquisition | 6,132 | 15 | - | 7,899 | 954,326 | 375,655 | 1,344,027 | 34,526 | - | - | 34,526 | 1,378,553 |
| Travel Expenses | 44,801 | 24,595 | 144,114 | 65,753 | 24,110 | 597 | 303,970 | 14,415 | 4,075 | 12,339 | 30,829 | 334,799 |
| Occupancy | - | - | - | - | - | - | - | - | 669,894 | - | 669,894 | 669,894 |
| Small Grants, Contributions | 89,107 | 208,000 | 298,737 | 80,553 | 16,500 | - | 692,897 | - | - | - | - | 692,897 |
| Printing and Publications | 1,400 | 391 | 492 | 2,372 | 192,021 | 199,080 | 395,756 | 128,071 | 1,930 | - | 130,001 | 525,757 |
| Postage and Delivery | - | - | 3,000 | 201 | 195,244 | 143,534 | 341,979 | 102,856 | 12,928 | 16 | 115,800 | 457,779 |
| Processing Fees | 298 | 133 | 16,603 | 684 | 1,191 | 9 | 18,918 | 195,700 | 101,321 | 28,356 | 325,377 | 344,295 |
| Due and Subscriptions | 4,603 | 17,331 | 2,294 | - | 270,375 | 32,272 | 326,875 | 5,086 | 102,387 | 83 | 107,556 | 434,431 |
| Grant to FOE Action | - | - | - | - | 360,000 | - | 360,000 | - | - | - | - | 360,000 |
| IT and Connectivity | - | - | - | - | 11 | 400 | 411 | 400 | 276,353 | - | 276,753 | 277,164 |
| Web and Online Services | 1,738 | - | 7,847 | - | 93,853 | 40,800 | 144,238 | 53,990 | 1,034 | 9,405 | 64,429 | 208,667 |
| Depreciation | - | - | - | - | - | - | - | - | 138,772 | - | 138,772 | 138,772 |
| Professional Development | 22 | 18 | 2,126 | 1,305 | 107,166 | 1,748 | 112,385 | 1,822 | 80,869 | - | 82,691 | 195,076 |
| Advertising and Promotion | 1,451 | - | 31,353 | 727 | 30,795 | - | 64,326 | 3,422 | - | - | 3,422 | 67,748 |
| Office Supplies | 187 | - | 6,842 | 2,221 | 821 | 95 | 10,166 | 50 | 17,125 | 24 | 17,199 | 27,365 |
| Insurance | - | - | - | - | - | - | - | - | 10,998 | 15,135 | 26,133 | 26,133 |
| Overhead | 364,242 | 293,549 | 577,531 | 284,690 | 618,245 | 165,158 | 2,303,415 | 304,565 | (2,862,662) | 254,682 | (2,303,415) | - |
| Total Expenses | \$ 1,933,051 | \$ 1,676,381 | \$ 3,482,993 | \$ 1,534,257 | \$ 5,130,336 | \$ 1,553,809 | \$ 15,310,827 | \$ 1,851,618 | \$ - | \$ 1,112,938 | \$ 2,964,556 | \$ 18,275,383 |

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

| | Program Expenses | | | | | | | Supporting Services | | | | | Total Expenses |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|--|---------------------|-------------|----------------------|---------------------|-------------|------------------------|---------------------|----------------------|
| | Economic Policy | Climate and Energy | Food and Technology | Oceans and Vessels | Outreach, Communications, DEIJ, and NC Democracy | Membership | Organizing | Total | Fundraising | Overheads | Management and General | Total | |
| Personnel | \$ 1,036,270 | \$ 707,597 | \$ 1,991,194 | \$ 883,140 | \$ 1,871,417 | \$ 476,329 | \$ - | \$ 6,965,947 | \$ 875,799 | \$ 911,468 | \$ 714,727 | \$ 2,501,994 | \$ 9,467,941 |
| Professional Fees | 352,470 | 485,980 | 652,583 | 208,314 | 250,751 | 71,501 | - | 2,021,599 | 43,811 | 662,743 | 4,366 | 710,920 | 2,732,519 |
| List Acquisition | 967 | 16,500 | 1,831 | 5,379 | 1,294,403 | 229,724 | - | 1,548,804 | 44,478 | - | - | 44,478 | 1,593,282 |
| Occupancy | 14 | - | - | - | - | - | - | 14 | - | 757,726 | 1,434 | 759,160 | 759,174 |
| Printing and Publications | 2,683 | - | 5,973 | 1,855 | 178,241 | 204,745 | - | 393,497 | 112,297 | 5,694 | (365) | 117,626 | 511,123 |
| Small Grants, Contributions | 48,346 | 397,000 | 100,000 | 30,900 | 75,989 | - | - | 652,235 | - | - | - | - | 652,235 |
| Postage and Delivery | 1,471 | 29 | 28 | 527 | 184,973 | 140,051 | - | 327,079 | 88,843 | 9,857 | - | 98,700 | 425,779 |
| Due and Subscriptions | 6,435 | 12,571 | 587 | 2,533 | 235,034 | 14,419 | - | 271,579 | 6,397 | 53,594 | 166 | 60,157 | 331,736 |
| Processing Fees | 180 | 84 | 21,805 | 514 | 10,095 | 7 | - | 32,685 | 216,094 | 108,229 | 27,496 | 351,819 | 384,504 |
| Web and Online Services | 16,014 | 488 | 9,070 | - | 129,183 | 67,138 | - | 221,893 | 38,481 | 9,534 | 10,566 | 58,581 | 280,474 |
| IT and Connectivity | - | - | - | 67 | 111 | 400 | - | 578 | 400 | 282,926 | - | 283,326 | 283,904 |
| Travel Expenses | 43,009 | 31,347 | 73,413 | 46,783 | 867,476 | 1,514 | - | 1,063,542 | 13,008 | 16,356 | 927 | 30,291 | 1,093,833 |
| Grant to FOE Action | - | - | - | - | 300,000 | - | - | 300,000 | - | - | - | - | 300,000 |
| Depreciation | - | - | - | - | - | - | - | - | - | 152,866 | - | 152,866 | 152,866 |
| Advertising and Promotion | 17,300 | - | 14,573 | - | 3,126 | - | - | 34,999 | - | - | - | - | 34,999 |
| Professional Development | 2,797 | - | 7,483 | - | 6,535 | 1,459 | - | 18,274 | 2,844 | 43,140 | - | 45,984 | 64,258 |
| Office Supplies | - | - | 11,816 | - | 2,006 | - | - | 13,822 | - | 18,600 | - | 18,600 | 32,422 |
| Insurance | - | - | - | - | - | - | - | - | - | 11,648 | 17,567 | 29,215 | 29,215 |
| Overhead | 369,100 | 251,180 | 708,729 | 314,286 | 669,316 | 168,209 | - | 2,480,820 | 309,781 | (3,044,381) | 253,780 | (2,480,820) | - |
| Total Expenses | \$ 1,897,056 | \$ 1,902,776 | \$ 3,599,085 | \$ 1,494,298 | \$ 6,078,656 | \$ 1,375,496 | \$ - | \$ 16,347,367 | \$ 1,752,233 | \$ - | \$ 1,030,664 | \$ 2,782,897 | \$ 19,130,264 |

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024**

| | 2025 | 2024 |
|--|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 2,531,961 | \$ (1,967,226) |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Flows From Operating Activities: | | |
| Depreciation and Amortization | 138,772 | 152,866 |
| Realized and Unrealized Gain | (564,728) | (666,958) |
| Donated Securities | (145,462) | (149,264) |
| Changes in Assets and Liabilities: | | |
| Grants and Contributions Receivable | (1,230,592) | 706,638 |
| Right-of-Use Asset Amortization | 550,315 | 636,498 |
| Accounts Receivable | 22,558 | 78,984 |
| Prepaid Expenses and Other Assets | (363,137) | 132,764 |
| Deposits | 588 | 6,611 |
| Assets Held Under Charitable Gift Annuity Arrangements | (37,046) | (82,105) |
| Accounts Payable and Accrued Expenses | 25,790 | (178,498) |
| Accrued Leave | 21,567 | 105,862 |
| Due to/from Friends of the Earth (Action), Inc. | (499,511) | 420,929 |
| Refundable Advances | (30,000) | (40,000) |
| Other Accruals | 13,893 | 14,535 |
| Charitable Gift Annuity Liability | (856) | (2,547) |
| Lease Liability | (748,615) | (748,471) |
| Net Cash Used by Operating Activities | (314,503) | (1,579,382) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sales of Investments | 40,878 | 555,557 |
| Purchases of Investments | (350,991) | (441,141) |
| Purchases of Fixed Assets | (25,517) | (32,772) |
| Net Cash (Used) Provided by Investing Activities | (335,630) | 81,644 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (650,133) | (1,497,738) |
| Cash and Cash Equivalents - Beginning of Year | 9,853,113 | 11,350,851 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 9,202,980 | \$ 9,853,113 |
| SUPPLEMENTAL INFORMATION | | |
| Donated Securities Held for Investment | \$ 145,462 | \$ 149,264 |

See accompanying Notes to Financial Statements.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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** 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 and Energy** 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** 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 and Vessels** 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 Communications, NC Restricted, DEIJ and Membership** programs educate our followers, members and the public about important environmental issues through online and traditional media, advertisements, both electronic and traditional mail.

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.

FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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.

Receivables

Receivables 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 Credit Losses

The allowance for credit losses is established through charges to the provision for bad debts. The Organization evaluates the adequacy of the allowance for credit losses on a periodic basis. The evaluation includes historical trends in collections, current conditions and a reasonable supportable forecast of future conditions that would impact credit quality. Management has determined that an allowance is not required as of June 30, 2025 and 2024.

Allowance for Doubtful Pledges

The allowance for doubtful pledges is established through charges to the provision for bad debts. The Organization evaluates the adequacy of the allowance on a periodic basis. The evaluation includes historical trends and information on specific donors. Management has determined that an allowance is not required as of June 30, 2025 and 2024.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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, 2025, the total conditional contributions for which the condition had not 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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

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 statements of financial position.

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 statements of financial position.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2025, 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. The Organization manages this risk by using an insured sweep account. At June 30, 2025 and 2024 the Organization had \$1,761,500 and \$9,101,727, respectively in deposits more than FDIC insurance.

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>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 9,202,980 | \$ 9,853,113 |
| Grants and Contributions Receivable | 2,158,007 | 1,035,528 |
| Due from Friend of the Earth Action | 248,099 | - |
| Accounts Receivable | 56,301 | 78,859 |
| Total Current Financial Assets | <u>11,665,387</u> | <u>10,967,500</u> |
| Less: Amounts Not Subject to General Expenditure: | | |
| Donor-Restricted Amounts | <u>(6,468,176)</u> | <u>(5,143,321)</u> |
| Total | <u>\$ 5,197,211</u> | <u>\$ 5,824,179</u> |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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, 2025:

| | Level 1 | Level 2 | Level 3 | Total |
|---|--------------|---------|---------|--------------|
| Cash and Money Market Funds | \$ - | \$ - | \$ - | \$ 2,473,394 |
| Equity | 3,632,491 | - | - | 3,632,491 |
| Real Estate Investment Trusts | 102,418 | - | - | 102,418 |
| Fixed Income ETFs | 2,434,360 | - | - | 2,434,360 |
| Total Investments | 6,169,269 | - | - | 8,642,663 |
| Charitable Gift Annuities - Mutual Fund - Equities | 400,257 | - | - | 400,257 |
| Total Assets at Fair Value | \$ 6,569,526 | \$ - | \$ - | \$ 9,042,920 |

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, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|---|--------------|---------|---------|--------------|
| Cash and Money Market Funds | \$ - | \$ - | \$ - | \$ 2,353,846 |
| Equity | 2,893,463 | - | - | 2,893,463 |
| Real Estate Investment Trusts | 71,832 | - | - | 71,832 |
| Fixed Income ETFs | 2,303,219 | - | - | 2,303,219 |
| Total Investments | 5,268,514 | - | - | 7,622,360 |
| Charitable Gift Annuities - Mutual Fund - Equities | 363,211 | - | - | 363,211 |
| Total Assets at Fair Value | \$ 5,631,725 | \$ - | \$ - | \$ 7,985,571 |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2025 and 2024, investments includes \$178,630 and \$157,910, 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, 2025 and 2024, grants and contributions receivable are expected to be collected as follows:

| | <u>2025</u> | <u>2024</u> |
|--------------------|---------------------|---------------------|
| Less than One Year | \$ 2,158,007 | \$ 1,035,528 |
| Two to Five Years | 108,113 | - |
| Total | <u>\$ 2,266,120</u> | <u>\$ 1,035,528</u> |

Contributions expected to be collected in two to five years have been discounted to present value using a risk-free rate resulting in a discount of \$11,887 and \$0, for years ending June 30, 2025 and 2024, respectively.

NOTE 6 FIXED ASSETS

Fixed assets consisted of the following as of June 30:

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Furniture and Equipment | \$ 876,146 | \$ 873,768 |
| Leasehold Improvements | 1,321,633 | 1,321,633 |
| Subtotal | 2,197,779 | 2,195,401 |
| Less: Accumulated Depreciation and Amortization | (1,812,620) | (1,696,987) |
| Total | <u>\$ 385,159</u> | <u>\$ 498,414</u> |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2025</u> | <u>2024</u> |
|--|----------------------------|----------------------------|
| Subject to Expenditure for Specified Purpose: | | |
| Economic Policy | \$ 1,369,329 | \$ 2,296,040 |
| Climate and Energy | 1,097,351 | 397,109 |
| Oceans and Vessels | 47,519 | 607,337 |
| Food and Technology | 3,479,698 | 1,217,976 |
| Outreach and Other Programs | 61,063 | 222,645 |
| Total | <u>6,054,960</u> | <u>4,741,107</u> |
| Subject to Temporary Expenditure for Operations: | | |
| Reserve Fund | 145,000 | 145,000 |
| Subject to NFP Endowment Spending Policy and Appropriation: | | |
| Held in Perpetuity | <u>268,216</u> | <u>257,214</u> |
| Total | <u>268,216</u> | <u>257,214</u> |
| Total Net Assets with Donor Restrictions | <u><u>\$ 6,468,176</u></u> | <u><u>\$ 5,143,321</u></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.

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

| | <u>2025</u> | <u>2024</u> |
|---|----------------------------|----------------------------|
| Satisfaction of Purpose Restrictions: | | |
| Food and Technology | \$ 3,102,341 | \$ 1,695,407 |
| Economic Policy | 1,931,968 | 1,549,921 |
| Climate and Energy | 1,405,975 | 1,096,822 |
| Oceans and Vessels | 926,818 | 566,519 |
| Outreach and Other Programs | 197,337 | 227,641 |
| Total Net Assets Released from Donor Restrictions | <u><u>\$ 7,564,439</u></u> | <u><u>\$ 5,136,310</u></u> |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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.

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 to support appropriation of endowment assets for expenditure.

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

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Endowment Net Assets - Beginning of Year | \$ 257,214 | \$ 234,330 |
| Investment Return, Net | 11,002 | 22,884 |
| Appropriation of Endowment Assets for Expenditure | - | - |
| Endowment Net Assets - End of Year | <u>\$ 268,216</u> | <u>\$ 257,214</u> |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 8 ENDOWMENTS (CONTINUED)

Underwater Endowment Funds

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.

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.

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

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|---------------------|
| Due to/from FOE Action - Beginning of Year | \$ (251,412) | \$ 169,517 |
| Cash payment from C3 to C4 | 300,000 | - |
| Contributions Received by FOE on Behalf of FOE Action | (1,326) | (121,983) |
| Contributions Receivable from FOE to FOEA | - | (300,000) |
| Settlement of Intercompany Balance | (1,239,760) | (802,068) |
| Expense Paid by FOE on Behalf of FOE Action | 1,440,597 | 803,122 |
| Due to/from FOE Action - End of Year | <u>\$ 248,099</u> | <u>\$ (251,412)</u> |

The Organization made grants of \$360,000 and \$300,000 to Friends of the Earth (Action), Inc. during both 2025 and 2024, respectively.

Members of the Organization's board of directors make contributions to the Organization on an annual basis. Amounts contributed were approximately \$9,938 and \$60,014 for the years ended June 30, 2025 and 2024, 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 \$394,279 and \$374,382 for the years ended June 30, 2025 and 2024, respectively.

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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:

| | 2025 | 2024 |
|--------------------|------------|------------|
| Program - Outreach | \$ 503,720 | \$ 469,557 |
| Fundraising | 172,292 | 166,608 |
| Total | \$ 676,012 | \$ 636,165 |

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 ended in February 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 as of June 30, 2025 and 2024. 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, 2025 and 2024 is 3.4 and 4.4 years, respectively. Operating cash flows from operating leases for the years ended June 30, 2025 and 2024 totaled \$845,141 and \$933,406, respectively.

Total costs associated with the lease amounted to \$669,894 and \$759,166 for the years ended June 30, 2025 and 2024, respectively.

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

| Year Ending June 30, | Amount |
|-------------------------|--------------|
| 2026 | 866,270 |
| 2027 | 887,926 |
| 2028 | 910,125 |
| 2029 | 377,192 |
| Undiscounted Cash Flows | 3,041,513 |
| Less: Imputed Interest | (145,461) |
| Total Present Value | \$ 2,896,052 |

**FRIENDS OF THE EARTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 12 LEASE COMMITMENTS (CONTINUED)

Sublease Agreement

The Organization has a noncancellable operating sublease agreement which commenced in August 2017. Future minimum lease rentals under the sublease provide for rent payments of \$218,343 for the year ended and June 30, 2026. 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.



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