

EARTH ISLAND INSTITUTE, INC.

BERKELEY, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Earth Island Institute, Inc.
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Earth Island Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earth Island Institute, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Earth Island Institute, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 21, 2017

Earth Island Institute, Inc.
STATEMENTS OF FINANCIAL POSITION
 June 30, 2017
 (With Comparative Totals for June 30, 2016)

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,475,324	\$ 1,468,064
Cash and investments - Wetland Restoration Trust Fund	-	629,181
Investments	5,765,592	4,733,585
Grants receivable	925,673	1,065,482
Accounts receivable	50,323	274,314
Bequests receivable	114,981	114,300
Inventory	27,201	52,011
Prepaid expenses and other current assets	199,070	150,506
Total current assets	9,558,164	8,487,443
Non-current assets:		
Fixed assets, net of accumulated depreciation	1,157,811	1,188,902
Total non-current assets	1,157,811	1,188,902
Total assets	\$ 10,715,975	\$ 9,676,345
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 272,463	\$ 77,209
Accrued vacation	202,260	193,852
Deferred revenue	147,322	153,960
Wetland Restoration Trust Fund	-	629,181
Total current liabilities	622,045	1,054,202
Net assets:		
Unrestricted, undesignated	4,052,897	3,370,131
Unrestricted, board designated	3,475,918	2,624,124
Temporarily restricted	2,565,115	2,627,888
Total net assets	10,093,930	8,622,143
Total liabilities and net assets	\$ 10,715,975	\$ 9,676,345

The accompanying notes are an integral part of these financial statements.

Earth Island Institute, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenues:				
Grants	\$ 558,362	\$ 3,978,057	\$ 4,536,419	\$ 5,377,791
Contributions and membership	620,509	3,199,515	3,820,024	3,113,571
Events	340,189	-	340,189	289,835
Earned revenue	1,503,386	-	1,503,386	1,249,267
In-kind	-	108,261	108,261	233,643
Merchandise sales, net	143,215	-	143,215	120,965
Investment income	651,458	-	651,458	104,673
Other revenue	273,691	-	273,691	89,436
Net assets released from restrictions	<u>7,348,606</u>	<u>(7,348,606)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>11,439,416</u>	<u>(62,773)</u>	<u>11,376,643</u>	<u>10,579,181</u>
Expenses:				
Program services	7,975,966	-	7,975,966	8,251,905
Supportive services:				
Administrative and general	949,065	-	949,065	1,287,861
Fundraising	<u>979,825</u>	<u>-</u>	<u>979,825</u>	<u>1,061,254</u>
Total expenses	<u>9,904,856</u>	<u>-</u>	<u>9,904,856</u>	<u>10,601,020</u>
Change in net assets	1,534,560	(62,773)	1,471,787	(21,839)
Net assets, beginning of period	<u>5,994,255</u>	<u>2,627,888</u>	<u>8,622,143</u>	<u>8,643,982</u>
Net assets, end of period	<u>\$ 7,528,815</u>	<u>\$ 2,565,115</u>	<u>\$ 10,093,930</u>	<u>\$ 8,622,143</u>

The accompanying notes are an integral part of these financial statements.

Earth Island Institute, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program Services	Supportive Services		Total 2017	Total 2016
		Administrative and General	Fundraising		
Expenses:					
Salaries	\$ 3,872,847	\$ 573,838	\$ 436,828	\$ 4,883,513	\$ 4,717,094
Payroll taxes and benefits	629,497	86,967	66,202	782,666	799,681
Outside services and contractors	1,191,687	86,137	6,377	1,284,201	2,466,119
Rent and utilities	335,674	46,373	35,302	417,349	417,011
Fundraising and membership	13,710	-	146,053	159,763	145,981
Special events	44,287	-	161,110	205,397	241,560
Office expenses	362,582	50,093	38,131	450,806	362,342
Travel and meetings	385,205	53,216	40,511	478,932	529,546
Insurance, legal and taxes	226,621	22,315	14,218	263,154	104,151
Printing and mailing	96,333	11,814	8,993	117,140	108,129
Promotions and public relations	95,699	-	12,155	107,854	94,830
Grants made to others	566,159	-	-	566,159	421,553
Other	155,665	18,312	13,945	187,922	193,023
Total expenses	<u>\$ 7,975,966</u>	<u>\$ 949,065</u>	<u>\$ 979,825</u>	<u>\$ 9,904,856</u>	<u>\$ 10,601,020</u>

The accompanying notes are an integral part of these financial statements.

Earth Island Institute, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ 1,471,787	\$ (21,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,120	88,322
Net realized/unrealized (gains) and losses on investments	(513,084)	49,731
Changes in certain assets and liabilities:		
Grants receivable	139,809	(418,279)
Accounts receivable	223,991	(137,030)
Bequests receivable	(681)	57,853
Inventory	24,810	14,825
Prepaid expenses and other current assets	(48,564)	(31,870)
Accounts payable and accrued expenses	195,254	(168,031)
Accrued vacation	8,408	(5,375)
Deferred revenue	(6,638)	79,072
Net cash provided (used) by operating activities	1,560,212	(492,621)
Cash flows from investing activities:		
Acquisition of investments	(1,706,476)	(1,163,045)
Disposition of investments	1,187,553	1,124,092
Acquisition of fixed assets	(34,029)	(24,520)
Net cash provided by investing activities	(552,952)	(63,473)
Net increase (decrease) in cash during the period	1,007,260	(556,094)
Cash balance, beginning of period	1,468,064	2,024,158
Cash balance, end of period	\$ 2,475,324	\$ 1,468,064
Supplemental disclosures of cash flow information:		
Noncash activities:		
Disposition of fixed assets	\$ 42,680	\$ 26,892

The accompanying notes are an integral part of these financial statements.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL

A. Organization

Earth Island Institute (the Organization) was founded in 1982 by veteran environmentalist David R. Brower (1912 - 2000) to confront the unprecedented threats to life on Earth. The Organization provides mentorship and training to emerging and seasoned leaders, supports initiatives that are urgent and responsive, and inspires people to get involved and take action. The Organization supports a diverse and vibrant network of more than 75 activist projects, helps emerging youth leaders and builds effective grassroots environmental activism.

B. Program Services

The Organization cultivates environmental leadership by acting as an incubator for new programs and providing long-term support for established environmental projects, giving crucial assistance to groups and individuals promoting ecological sustainability and social justice. Project Support provides incubation services to the project network; Public Education publishes *Earth Island Journal*, a quarterly publication on international environmental issues as well as Earth Island's website and monthly *IslandWire* e-newsletter; the New Leaders Initiative oversees the Brower Youth Awards and emerging leaders; Restoration Initiative supports grassroots environmental restoration.

The following is a list of 77 projects under sponsorship with the Organization during all or part of fiscal year 2017. This includes 10 new projects and 6 that either spun-off to become independent organizations or closed down.

*These projects were *inactive* during all or part of fiscal year 2017.

**These projects *separated* from the Organization during the fiscal year 2017.

~These projects were *new* to the Organization in fiscal year 2017.

AGRICULTURE & FOOD SYSTEMS

- **Cultivate Oregon** is raising awareness about the socio-political and health implications of pesticide-intensive transgenic crops, while also strengthening seed diversity, cultural connections to food, and urban and rural alliances.
- **Ecovet Global** ~ partners with organizations and communities around the world to improve animal health (domestic and wildlife) as a sustainable path to resolving issues connecting poverty, threats to public health, food insecurity, and loss of biodiversity.
- **Food Shift** is developing sustainable solutions that reduce wasted food and hunger by addressing the underlying structural causes and developing an effective and equitable system for food recovery and redistribution.
- **Hempstead Project HEART's** mission is to use music and the arts to raise awareness of the many benefits of hemp for people and the planet.
- **Oakland Food Policy Council** is a 21-seat community council working towards an equitable and sustainable food system.
- **Real Food Real Stories** humanizes the food system and uplifts local changemakers through authentic storytelling to connect and inspire eaters to social actions.
- **Urban Farmacy**** is a wellness, entrepreneurship and education organization that provides personalized sustainable food production programs for schools, businesses, and communities.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

CLEAN ENERGY & CLIMATE CHANGE

- **CarbonfreeDC**** is a grassroots initiative to promote local environmental causes and build community resilience in Washington, DC.
- **Center for Safe Energy**** strengthens democratic society and improves environmental conditions with a focus on energy issues in the former Soviet Union.
- **CoalSwarm** serves as an information clearinghouse for the worldwide clean energy movement.
- **EcoEquity** is a small, activist think tank working to inform the international climate equity debate by producing political and economic analyses and developing practical policy proposals.
- **ÉnergieRich** ~ offers global solutions for energy access, food sustainability, technology acquisition and employment, by establishing local production of innovative renewable energy powered products.
- **HBCU Green People** (formerly HBCU Green Fund) educates students at historically black colleges and universities about environmental sustainability.
- **Renew Missouri**** is working to transform Missouri into a leading state in renewable energy and energy efficiency.
- **Richmond Trees** ~ promotes and grows the City of Richmond's urban forest and green infrastructure through community planting, tree care, education and advocacy in order to improve the health and well-being of the diverse Richmond community.

CONSERVATION, PRESERVATION, & RESTORATION

- **Altai Project** protects the natural and cultural heritage of the Altai – a uniquely diverse, mountainous region of southern Siberia – through small grants, professional exchanges, and joint projects with indigenous partners.
- **Armenia Environmental Network** promotes sound environmental policymaking and enforcement; stakeholder education and participation; and sustainable development.
- **Baikal Watch** aims to help nurture the growing environmental movement in northeast Asia.
- **California Urban Stream Partnership** (formerly Urban Creeks Coalition and Urban Stream Alliance) works to protect, restore, and steward urban streams and watersheds in California. They advocate for the improvement of habitat and the return of functioning ecosystems.
- **Center for Ecosystem Restoration** improves communities through projects that restore land and water, strengthen local economies, and foster civic engagement.
- **Global Trails Alliance's*** mission is to identify, inform, and inspire trail visionaries – expanding the environmental, cultural, health and economic benefits of trails worldwide.
- **Guias Unidos** ~ works to inspire community based, conservation-minded tourism on Nicaragua's Ometepe Island, by unifying local and international expertise and resources.
- **John Muir Project** is dedicated to the ecological management of our national forests – using scientific research, public outreach, and legal action to protect critical forest ecosystems.
- **Kelly Creek Protection Project** ~ supports the community effort to protect a 58 acre parcel of land at the edge of Petaluma, California from excessive development.
- **Nature in the City** is inspiring San Francisco to discover local nature – through eco-literacy, restoration, and stewardship.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **Public Lands Media** ~ provides greater ecological understanding, accuracy, and context by the media for environmental issues by doing research and publishing articles, essays, and editorials on a variety of natural resource/environmental topics.
- **Serengeti Watch** (formerly Save the Serengeti) is building a strong coalition of support, advocacy, and funding for the Serengeti ecosystem, the people living near it, and adjacent reserves and protected areas.
- **South Coast Habitat Restoration's** mission is to protect, conserve, and restore the various habitats and native biodiversity of the Santa Barbara and Ventura areas.
- **The Wild Oyster Project** is bringing native oysters back to the San Francisco Bay through restoration, community engagement, and thoughtful urban planning.
- **Wild Hope** publishes stories and images that raise awareness of the need to preserve the biodiversity heritage and inspire readers to get involved in protecting other species from extinction.

ENVIRONMENTAL EDUCATION

- **Bay Area Wilderness Training** creates opportunities for youth from the San Francisco Bay Area to experience wilderness first hand. To this end, they train teachers and youth workers, provide outdoor gear loans, give financial support, and foster community collaboration.
- **Children in Nature Collaborative** is part of a network of regional movements across the country focused on helping people to create healthier lives and more vibrant communities through restoring their relationship with nature and each other.
- **EcoVillage Farm Learning Center** works towards the creation of a healthy environment and socially/economically just society for present and future generations.
- **Junior Wildlife Rangers** (formerly National Junior Refuge Rangers) propels childhood curiosity into lasting environmental stewardship through education and engagement with the public lands system.
- **Kids for the Bay** (formerly Estuary Action Challenge) collaborates with teachers to inspire environmental consciousness in children and cultivate a love of learning. They are committed to equal access to environmental education and to restoring a healthy environment for all.
- **Los Angeles Wilderness Training** creates opportunities for urban youth to experience wilderness first-hand by training and equipping their adult leaders.
- **Numi Foundation** nurtures and empowers thriving communities through environmental education and access to clean, safe drinking water.
- **Sustainable World Coalition** produces programs, events, and education materials to promote engagement and action that restores and maintains the health of the planet.
- **West County DIGS (Developing Instructional Gardens in the Schools)** support school gardens in West Contra Costa County by providing resources, advocacy, and partnerships that build community resilience and cultivate wellness, academic achievement, and sustainability.

ENVIRONMENTAL JUSTICE

- **AlterTerra** works for restoration, protection, conservation and sustainable development of coastal zones through the design and implementation of innovative and effective education, scientific research, and infrastructure projects that promote healthy terrestrial and aquatic ecosystems.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **California Trade Justice Coalition** ~ is an alliance of labor, social justice, public health, and environmental organizations working to stop bad trade schemes and advance an equitable trade agenda that creates quality jobs for the communities while protecting our shared environment.
- **Green Life** peer education, self-sufficiency, and eco-literacy program teaches incarcerated individuals and those reentering community the importance of a healthy relationship with the Earth.
- **Seeding Sovereignty** ~ is a multigenerational, youth-led, multi-ethnic coalition working to pool the coalition's strengths to build a movement based on centuries of traditional native knowledge and modern day environmental protection.

INDIGENOUS RIGHTS

- **Borneo Project** brings international attention and support to community-led efforts to defend forests, sustainable livelihoods, and human rights in Malaysian Borneo.
- **Friends of Muonde** supports locally driven efforts to foment creativity and sustainable development in the Mazvihwa and neighboring areas of south central Zimbabwe.
- **Sacred Land Film Project** produces a variety of media and educational materials designed to rekindle reverence for land, increase respect for cultural diversity, stimulate dialogue about nature and culture, and help protect sacred lands and diverse spiritual practices.
- **Viva Sierra Gorda** (formerly Friends of Sierra Gorda) is building public and private partnerships for long-term conservation and sustainability of high biodiversity regions in extreme poverty, particularly the Sierra Gorda Biosphere Reserve, Mexico.

OCEAN & WATER

- **Alaska Clean Water Advocacy** (formerly Campaign to Safeguard America's Waters) works to protect and maintain the beneficial uses of all public waters by advocating for the full implementation of the goals and objectives of the Clean Water Act.
- **All One Ocean** educates people about the destructive impacts of our trash by providing a simple way for beachgoers, any time they visit the beach, to help clean up our Ocean, beautify beaches and prevent needless death and suffering to marine life.
- **Wholly H2O** is a catalyst for sustainable, localized water management in California. Their education and outreach advances locally-appropriate solutions for water conservation and water reuse.

POLLUTION & TOXICS

- **ALERT: A Locally Empowered Response Team** (formerly Energy Democracy Program) empowers front-line communities, at-risk from social, economic, and environmental impacts of oil activities, to have a voice in the energy choices that impact them.
- **Plastic Pollution Coalition** is a global alliance of individuals, organizations, businesses and policy makers working toward a world free of plastic pollution and its toxic impact on humans, animals, the ocean, and the environment.
- **Safe Food and Fertilizer** seeks to ban the use of hazardous and other industrial wastes in fertilizer, soil amendments, and animal feeds due to their potential risk to human health and the environment.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

SUSTAINABILITY & COMMUNITY RESILIENCE

- **California Institute for Community, Art, and Nature** ~ is home to a family of projects designed to create community and capture the human imagination; furthering the battle for a sustainable, healthy, diverse, and beautiful world through beauty, joy, and laughter.
- **Changing Gears Community Bike Shop** is a social enterprise that recycles used bikes and benefits the under-served people of our local area through bicycle sales, repairs, job training, and service opportunities.
- **Environmental Finance Center West** works to create a more sustainable world, through research, training, and capacity building that integrates economy, environment, community, and culture.
- **Ethical Traveler** is dedicated to educating travelers about the social and environmental impact of their decisions, showing how travel can be a potent form of diplomacy, and giving travelers a forum through which their united voices can serve the world community.
- **Green Schoolyard America** ~ is a national organization that expands and strengthens the green schoolyard movement and empowers Americans to become stewards of their school and neighborhood environments.
- **Rooted in Resilience** (formerly Bay Localize) inspires and supports community leaders in building equitable, resilient communities.
- **Transition Earth** promotes human rights and nature's rights in a world of unsustainable population and economic growth and advocates for global systems change to enable the shift to a sustainable planet for all.
- **Urban Biofilter*** designs, implements, and advocates for the integration of biological systems into our existing urban infrastructure. They focus on transforming undervalued urban resources, such as brownfields and wastewater, into community assets.

WILDLIFE PROTECTION

- **International Marine Mammal Project** is leading the international effort to stop the slaughter of dolphins, end commercial whaling, eliminate the use of drift nets, halt commercial exploitation of cetaceans by aquariums and sea parks, and protect key whale and dolphin habitats.
- **Project Coyote** is a coalition of wildlife scientists, educators, ranchers, and community leaders promoting compassionate conservation and coexistence between people and wildlife through education, science, and advocacy.
- **Raptors are the Solution** educates people about the ecological role of raptors and the enormous danger to raptors and all wildlife, as well as pets and children, from the wide use and availability of rat poisons.
- **SAVE International** (Spoonbill Action Voluntary Echo) seeks to protect the critically endangered Black-faced Spoonbill and its Asian habitat throughout its flyway by promoting alternative economic development and long-term sustainability of the ecosystems and local communities.
- **Shark Stewards** mission is to protect sharks and other imperiled marine life – restoring health to the oceans and protecting critical marine habitat.
- **Urban Bird Foundation** (formerly Burrowing Owl Conservation Network) works to engage, educate and nurture a broad-based constituency to ensure the conservation of bird populations, and preserve the interconnected relationship between people and nature.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - GENERAL (concluded)

B. Program Services (concluded)

- **WildFutures** (formerly the Wildlife Network) works with scientists, government agencies, and nonprofits to bridge the gap between science and conservation, finding collaborative ways to develop and implement effective conservation strategies.

WOMEN'S ENVIRONMENTAL LEADERSHIP

- **Climate Wise Women** is a global platform for the promotion of women's leadership on climate change.
- **Friends of Barefoot College**** (formerly Barefoot College Global) works to champion the work and values of barefoot education internationally through the creation of regional barefoot education centers -- transforming rural communities through the empowerment of women.
- **Global Women's Water Initiative** is training and building a movement of local women water experts -- bringing sustainable water solutions to their communities.
- **Women's Earth Alliance** invests in grassroots women's leadership to drive solutions to the most pressing ecological concerns -- water, food, land, and climate.

YOUTH EMPOWERMENT

- **California Student Sustainability Coalition** unites, connects, supports, and empowers students from across California to transform their educational institutions and communities into models of ecological, economic, and social sustainability.
- **Generation Waking Up** is igniting a generation of young people to bring forth a thriving, just, and sustainable world. Through workshops and leadership training programs, GWU is empowering the rising generation with the skills they need to thrive in the 21st century.
- **Rooted in Community**** is a national network that empowers young people to take leadership in their own communities -- fostering health and food justice through urban and rural agriculture, community gardening, food security, and related environmental justice work.
- **Ultimate Civics** -- changing minds, changing culture, changing the Constitution: they work in schools and communities across the nation to empower youth (and adults) to challenge corporate power and co-create the democracy we thought we had.
- **Youth Empowered Action (YEA) Camp** is a summer camp focused on leadership development for teens interested in environmental and social change. A life changing camp for world-changing teens.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, therefore, include support and revenues when earned and expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into during the course of its operations.

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets as restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

F. Investments

The Organization invests in marketable securities and money market funds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income are accrued when earned.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Contributions Receivable

The Organization accounts for contributions receivable in accordance with the recommendations of FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*. Under FASB ASC 958, contributions receivable are either unconditional or conditional. Unconditional contributions are contributions that depend only on the passage of time or the demand by the pledge for performance. A conditional contribution is a pledge that depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional contributions represent the remaining pledges due from the donors who have pledged funds to the Organization for use in its programs.

H. Inventory

Inventory consists primarily of T-shirts, books, bicycle parts and other various items sold to the general public for educational and fundraising purposes. The inventory is stated at the lower of cost or market with cost determined by the first-in, first-out method.

I. Property and Equipment

Property and equipment are stated at cost of acquisition or construction. Contributed property and equipment are recorded at their estimated fair market values at the date of donation. The Organization reports donated property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Restoration works on property where the Organization's project has no ownership title are reported as expenses. The cost of maintenance and repairs is expensed as incurred while significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the term of the lease including extensions. The Organization uses \$5,000 as its capitalization threshold for property and equipment.

J. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The projects of the Organization usually solicit contributions for its own use. All contributions received by the projects are reported as temporarily restricted net assets. Furthermore, for restricted contributions, when restrictions are fulfilled in the same period in which the contribution is received, they are reported first as temporarily restricted contributions and then released to unrestricted upon satisfaction of the restrictions.

K. Membership

Various projects of the Organization have memberships; the membership dues are in fact small donations and are recognized as revenue upon receipt.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

M. Grants Made

The Organization periodically provides grants to unrelated nonprofit organizations for the support of various environmental, educational, and informational activities. Unconditional grants made by the Organization to unrelated nonprofit organizations are recorded as expense upon commitment.

N. Functional Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Indirect Costs

The Organization uses a negotiated indirect cost rate approved by the National Oceanic and Atmospheric Administration. The 14.20% indirect rate is charged to each applicable grant on a regular basis.

P. Concentration of Credit Risk

The Organization maintains its cash, cash equivalents, and investments at one bank and one brokerage firm. The cash balances in the banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per customer per bank. The securities in the brokerage accounts are protected by Security Investor Protection Corporation (SIPC) for a maximum of \$500,000; moreover, the brokerage firms usually carry additional insurance to provide further protection for their customers. Neither SIPC nor the additional coverage protects against losses on investments due to market fluctuations.

At times, these balances may exceed the FDIC limits or the SIPC limits; however, the Organization has not experienced any losses with respect to its bank and brokerage accounts.

Q. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

R. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which are covered by commercial insurance.

S. Contingencies

The Organization participates in various federal grants. Disbursement of funds received under these grantor agencies requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

T. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 21, 2017, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Organization is an exempt corporation under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates.

The Organization has elected to utilize Section 501(h) of the Internal Revenue Code, which allows limited lobbying activities by Section 501(c)(3) nonprofit organizations.

The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2017.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Wells Fargo Bank	\$ 1,697,975	\$ 965,806
Merrill Lynch	772,456	497,758
Petty cash	<u>4,893</u>	<u>4,500</u>
Total	<u>\$ 2,475,324</u>	<u>\$ 1,468,064</u>

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 5 - CASH AND INVESTMENTS - WETLAND RESTORATION TRUST FUND

Cash and investments held for the Wetland Restoration Trust Fund (see Note 14) as of June 30 were as follows:

	<u>2017*</u>	<u>2016</u>
Merrill Lynch - cash	\$ -	\$ 405,463
Merrill Lynch - investments	<u>-</u>	<u>223,718</u>
Total	<u>\$ -</u>	<u>\$ 629,181</u>

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

*The Wetland Restoration Trust Fund was fully liquidated as of June 30, 2017.

NOTE 6 - INVESTMENTS

Activity for the year ended June 30, 2017 is as follows:

Account balances as of 6/30/16	<u>\$ 4,733,585</u>
Purchases	1,597,874
Dividends and interest	108,602
Sales	(1,187,553)
Realized capital gains and (losses), net of fees	(46,630)
Unrealized gains (losses)	<u>559,714</u>
Account balances as of 6/30/17	<u>\$ 5,765,592</u>
Fixed Income	\$ 796,809
Equities	3,361,685
Mutual Funds	<u>1,607,098</u>
Total	<u>\$ 5,765,592</u>

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

Level 1: Quoted prices	\$ 5,765,592
Level 2: Other significant observable inputs	-
Level 3: Significant unobservable inputs	-
Total	\$ 5,765,592

FSP FAS 157-4 which supersedes FSP FAS 157-3 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for June 30, 2017 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Fixed Income	\$ 796,809	\$ 796,809	\$ -	\$ -
Equities	3,361,685	3,361,685	-	-
Mutual Funds	1,607,098	1,607,098	-	-
Total	\$ 5,765,592	\$ 5,765,592	\$ -	\$ -

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - GRANTS RECEIVABLE

Grants receivable as of June 30, 2017 and June 30, 2016 was \$925,673 and \$1,065,482, respectively. The Organization has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and June 30, 2016 was \$50,323 and \$274,314, respectively. The Organization has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

NOTE 10 - BEQUESTS RECEIVABLE

Bequests receivable as of June 30, 2017 and June 30, 2016 was \$114,981 and \$114,300, respectively. The Organization did not provide a reserve against bequests receivable and believes the amounts to be fully collectible. The Organization has not recorded the discount to net present value because the amount was considered immaterial.

NOTE 11 - FIXED ASSETS

Fixed assets as of June 30, 2017 are as follows:

	<u>Years</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2016</u>
Land - EcoVillage	N/A	\$ 628,628	\$ 628,628
Land improvements - EcoVillage	15	533,589	533,589
Building and improvements - EcoVillage	30	63,638	63,638
Leasehold improvements – David Brower Center	15	230,775	230,775
Furniture, equipment & vehicles	3-30	<u>176,357</u>	<u>185,008</u>
Total		1,632,987	1,641,638
Less: accumulated depreciation		<u>(475,176)</u>	<u>(452,736)</u>
Fixed assets, net		<u>\$ 1,157,811</u>	<u>\$ 1,188,902</u>

Depreciation expense was \$65,120 and \$88,322 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 12 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$202,260 and \$193,852 as of June 30, 2017 and June 30, 2016, respectively.

NOTE 13 - DEFERRED REVENUE

Deferred revenue represents funds received in advance for camp fees. Deferred revenue was \$147,322 and \$153,960 as of June 30, 2017 and June 30, 2016, respectively.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 14 - WETLAND RESTORATION TRUST FUND

The Wetland Restoration Trust Fund was established at Merrill Lynch brokerage firm by the Organization per a Stipulation and Consent Decree as amended on March 22, 2001 by the United States District Court Southern District of California. This fund is to be used on restoration projects designated by the Southern California Wetlands Recovery Project Work Plan (the Recovery Project) and for administrative expenses. The Recovery Project is an inter-agency task force composed of the state and federal resources agencies and for which the California Coastal Conservancy acts as staff. According to the Consent Decree, the Organization must designate at least 33% of the Fund exclusively for use on any of these projects listed on the Recovery Project 2001-2002 Work Plan and approved by the Governing Board of the Recovery Project on or about May 18, 2001. The Organization should designate which projects were to be recipients of these funds before the expiration of the 2001-2002 Work Plan on or about June 1, 2002. The remaining funds must be designated to projects listed on any of the Recovery Projects work plan through June 1, 2004. Any funds remaining undesignated after June 1, 2004 should be allocated at the sole discretion of the Recovery Project. Any funds remaining unspent by the Recovery Project by June 1, 2005 might be redirected by the Organization to another restoration project on the then approved work plan. If any funds remaining unallocated after December 31, 2006, those funds should be released to the California Coastal Conservancy for wetlands restoration projects in Southern California. The parties have agreed to continue the administrative arrangement with the Organization under the same terms after December 31, 2006 until all funds are allocated. Any disbursement of the funds from Merrill Lynch needs to be approved by the California Coastal Conservancy.

The Wetland Restoration Trust Fund not yet spent is recorded as an agency obligation. The fund is invested through Merrill Lynch and the fair market value at June 30, 2017 and June 30, 2016 was \$0 and \$629,181, respectively. The Wetland Restoration Trust Fund was fully liquidated as of June 30, 2017.

NOTE 15 - MERCHANDISE SALES, NET

Merchandise sales consists of sales of T-shirts, books, bicycle parts and other various items sold to the general public for educational and fundraising purposes. Merchandise sales, net of cost of goods sold as of June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Merchandise sales	\$ 222,625	\$ 207,658
Cost of goods sold	<u>(79,410)</u>	<u>(86,693)</u>
Merchandise sales, net of expenses	<u>\$ 143,215</u>	<u>\$ 120,965</u>

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 16 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Unrestricted net assets were designated by the Board for supported projects. The amount of board designated net assets as of June 30 were available for the following purposes:

	2017	2016
Agriculture and Food Systems	\$ 104,721	\$ 80,475
Clean Energy and Climate Change	240,625	237,437
Conservation, Preservation and Restoration	197,558	45,893
Environmental Education	778,267	711,116
Environmental Justice	40,568	12,222
Indigenous Rights	49,826	103,544
Ocean and Water	6,700	4,951
Pollution and Toxics	255,294	188,459
Sustainability and Community Resilience	207,592	192,699
Wildlife Protection	1,509,913	944,527
Women's Environmental Leadership	16,562	16,290
Youth Empowerment	<u>68,292</u>	<u>86,511</u>
Total	<u>\$ 3,475,918</u>	<u>\$ 2,624,124</u>

NOTE 17 - TEMPORARILY RESTRICTED NET ASSETS

The Organization categorized its projects into groups based on the common nature of the projects. Temporarily restricted net assets as of June 30, 2017 were available for the following purposes:

	Beginning Balance	Additions	Releases	Ending Balance
Network Services	\$ -	\$ 703,990	\$ (703,990)	\$ -
Agriculture and Food Systems	275,133	526,949	(520,567)	281,515
Clean Energy and Climate Change	277,000	551,468	(699,373)	129,095
Conservation, Preservation and Restoration	324,573	1,078,013	(954,148)	448,438
Environmental Education	844,306	1,200,243	(1,171,559)	872,990
Environmental Justice	-	108,146	(25,944)	82,202
Indigenous Rights	91,599	429,727	(428,476)	92,850
Ocean and Water	76,223	169,700	(150,477)	95,446
Pollution and Toxics	149,404	525,908	(663,843)	11,469
Sustainability and Community Resilience	110,781	387,013	(377,103)	120,691
Wildlife Protection	294,888	945,249	(882,050)	358,087
Women's Environmental Leadership	140,759	540,958	(617,825)	63,892
Youth Empowerment	<u>43,222</u>	<u>118,469</u>	<u>(153,251)</u>	<u>8,440</u>
Total	<u>\$ 2,627,888</u>	<u>\$ 7,285,833</u>	<u>\$ (7,348,606)</u>	<u>\$ 2,565,115</u>

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 18 - LEASES

The Organization's main office is located at the David Brower Center in Berkeley, California. This lease is for five years commencing on April 20, 2009 with two five-year renewal options. In November 2013, the Organization renewed the lease for five years through April 2019. The monthly rent is currently \$23,044.

The Organization has been subleasing some of its office spaces at David Brower Center to other unrelated parties. These subleases are currently on a month-to-month basis.

The David Brower Center building was owned by Oxford Street Development, LLC until December 2014 when the David Brower Center acquired the building. The David Brower Center held a master lease for the building before its acquisition of the building. Oxford Street Development, LLC has two members and one of which is the David Brower Center, a California non-profit organization that qualifies within the meaning of Section 509(a)(3) of the Internal Revenue Code as a supporting organization for public charities described in section 509(a)(1) or (2) of the Internal Revenue Code. The David Brower Center has designated two supported organizations – one of them is the Earth Island Institute, Inc. The David Brower Center engages in efforts to protect the natural world, educates the public about the natural world, and promotes sustainable human communities.

In addition, the projects of the Organization also have separate offices that are under noncancelable term leases, one-time lease, and/or month-to-month leases. The Organization also pays some of the project directors for the usage of their home offices. Some may also sublease its spaces.

The monthly rent of some of these leases increases annually. In addition, one of the Organization's programs has free use of space with value totaling \$20,304 and \$20,298 for the years ended June 30, 2017 and June 30, 2016, respectively. The Organization and some of its projects subleased part of their space to unrelated parties, and the sublease revenue is reported as an offset against the rent expenses. The rent and occupancy costs incurred during the years ended June 30, 2017 and June 30, 2016 for all the leases, net of sublease income, totaled \$417,349 and \$417,011, respectively.

The future minimum payments for these leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2018	\$ 276,528
2019	<u>230,440</u>
Total	<u>\$ 506,968</u>

NOTE 19 - RELATED PARTY TRANSACTIONS

The Organization leases office space from the David Brower Center (see Note 18). Furthermore, the Organization has several board members that serve on the board of the David Brower Center.

NOTE 20 - RECLASSIFICATIONS

Certain amounts in the June 30, 2016 financial statements have been reclassified to conform with the June 30, 2017 presentation, specifically the revenue and expense categories in the Statement of Activities and the expense categories in the Statement of Functional Expenses. These reclassifications have no effect on the change in net assets as previously reported.