

EARTH ISLAND INSTITUTE, INC.

BERKELEY, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-22

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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
December 7, 2018

Earth Island Institute, Inc.
STATEMENTS OF FINANCIAL POSITION
 June 30, 2018
 (With Comparative Totals for June 30, 2017)

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,989,312	\$ 2,475,324
Investments	8,596,571	5,765,592
Grants receivable	664,090	925,673
Accounts receivable	98,364	50,323
Bequests receivable	25,000	114,981
Inventory	34,962	27,201
Prepaid expenses and other current assets	267,358	199,070
Deposit for land purchase	2,100,000	-
Total current assets	13,775,657	9,558,164
Non-current assets:		
Fixed assets, net of accumulated depreciation	1,176,164	1,157,811
Total non-current assets	1,176,164	1,157,811
Total assets	\$ 14,951,821	\$ 10,715,975
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 427,110	\$ 272,463
Accrued vacation	225,722	202,260
Deferred revenue	155,745	147,322
Total current liabilities	808,577	622,045
Net assets:		
Unrestricted, undesignated	4,233,183	4,052,897
Unrestricted, board designated	3,542,148	3,475,918
Temporarily restricted	6,367,913	2,565,115
Total net assets	14,143,244	10,093,930
Total liabilities and net assets	\$ 14,951,821	\$ 10,715,975

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

Earth Island Institute, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues:				
Grants	\$ -	\$ 4,727,373	\$ 4,727,373	\$ 4,536,419
Contributions and membership	68,016	7,263,150	7,331,166	3,820,024
Events	401,234	-	401,234	340,189
Earned revenue	1,231,244	164,612	1,395,856	1,503,386
In-kind	-	1,041,403	1,041,403	108,261
Merchandise sales, net	169,988	-	169,988	143,215
Investment income	343,384	-	343,384	651,458
Other revenue	93,680	-	93,680	273,691
Net assets released from restrictions	<u>9,393,740</u>	<u>(9,393,740)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>11,701,286</u>	<u>3,802,798</u>	<u>15,504,084</u>	<u>11,376,643</u>
Expenses:				
Program services	9,697,441	-	9,697,441	7,975,966
Supportive services:				
Administrative and general	840,064	-	840,064	949,065
Fundraising	<u>917,265</u>	<u>-</u>	<u>917,265</u>	<u>979,825</u>
Total expenses	<u>11,454,770</u>	<u>-</u>	<u>11,454,770</u>	<u>9,904,856</u>
Change in net assets	246,516	3,802,798	4,049,314	1,471,787
Net assets, beginning of period	<u>7,528,815</u>	<u>2,565,115</u>	<u>10,093,930</u>	<u>8,622,143</u>
Net assets, end of period	<u>\$ 7,775,331</u>	<u>\$ 6,367,913</u>	<u>\$ 14,143,244</u>	<u>\$ 10,093,930</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Supportive Services</u>			Total 2018	Total 2017
	Program Services	Administrative and General	Fundraising		
Expenses:					
Salaries	\$ 4,433,070	\$ 450,826	\$ 441,739	\$ 5,325,635	\$ 4,883,513
Payroll taxes and benefits	759,603	77,248	75,692	912,543	782,666
Outside services and contractors	1,340,168	103,136	33,213	1,476,517	1,279,605
Rent and utilities	316,061	32,142	31,494	379,697	397,045
In-kind rent	17,082	1,737	1,702	20,521	20,304
Fundraising and membership	14,696	-	94,871	109,567	159,763
Special events	45,258	-	125,509	170,767	205,397
Office expenses	292,792	29,776	29,175	351,743	367,445
In-kind equipment	-	-	-	-	83,361
Travel and meetings	382,385	38,886	38,103	459,374	478,932
Insurance, legal and taxes	170,334	86,454	8,930	265,718	263,154
In-kind legal and contractors	1,020,882	-	-	1,020,882	4,956
Printing and mailing	88,701	8,373	8,205	105,279	117,140
Promotions and public relations	76,775	-	17,381	94,156	107,854
Grants made to others	616,534	-	-	616,534	566,159
Other	123,100	11,486	11,251	145,837	187,922
	<u>\$ 9,697,441</u>	<u>\$ 840,064</u>	<u>\$ 917,265</u>	<u>\$ 11,454,770</u>	<u>\$ 9,905,216</u>
Total expenses					

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ 4,049,314	\$ 1,471,787
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,547	65,120
Net realized/unrealized (gains) and losses on investments	(177,740)	(513,084)
Changes in certain assets and liabilities:		
Grants receivable	261,583	139,809
Accounts receivable	(48,041)	223,991
Bequests receivable	89,981	(681)
Inventory	(7,761)	24,810
Prepaid expenses and other current assets	(68,288)	(48,564)
Deposit for land purchase	(2,100,000)	-
Accounts payable and accrued expenses	154,647	195,254
Accrued vacation	23,462	8,408
Deferred revenue	8,423	(6,638)
Net cash provided (used) by operating activities	2,256,127	1,560,212
Cash flows from investing activities:		
Acquisition of investments	(4,843,830)	(1,706,476)
Disposition of investments	2,190,591	1,187,553
Acquisition of fixed assets	(88,900)	(34,029)
Net cash provided by investing activities	(2,742,139)	(552,952)
Net increase (decrease) in cash during the period	(486,012)	1,007,260
Cash balance, beginning of period	2,475,324	1,468,064
Cash balance, end of period	\$ 1,989,312	\$ 2,475,324
Supplemental disclosures of cash flow information:		
Noncash activities:		
Disposition of fixed assets	\$ -	\$ 42,680

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

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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 environmental justice. In FY 2018 there were 77 projects under the Organization's sponsorship, creating solutions to interconnected challenges and threats facing our planet.

The Organization's Project Support program provides governance, finance, administration, human resource, and other capacity building services to our project network; Public Education publishes *Earth Island Journal*, a quarterly publication on international environmental issues as well as the Organization's website and monthly *IslandWire* e-newsletter; our New Leaders Initiative oversees the Brower Youth Awards and emerging leaders program; and Earth Island Advocates uses the law to fight for justice for the planet's beautiful and varied ecosystems and inhabitants.

The following is a list of 77 projects under sponsorship with the Organization during all or part of FY 2018. This includes 7 new projects and 4 that either spun-off to become independent organizations or closed down.

*These projects were *inactive* during all or part of fiscal year 2018.

**These projects *separated* from the Organization during the fiscal year 2018.

~These projects were *new* to the Organization in fiscal year 2018.

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.
- **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.
- **Mississippi Farm to School Network** ~ seeks to strengthen the local agricultural economy and educate Mississippians on the importance of eating locally-grown, nutritionally-dense foods.
- **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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

CLEAN ENERGY & CLIMATE CHANGE

- **Covenant Solar Initiative** ~ works to eliminate poverty, diminish climate change, and create thriving indigenous communities with the clean and regenerative power of solar.
- **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.

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.
- **John Muir Trail Foundation** ~ works to restore and conserve the historic John Muir Trail (est. 1915) and its network of access trails and resupply sites, as well as the historic buildings, in its path along the high Sierra Nevada of California.
- **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.
- **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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **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.
- **Wild Oyster Project** is bringing native oysters back to the San Francisco Bay through restoration, community engagement, and thoughtful urban planning.
- **Wild Heritage** ~ works to safeguard ecosystem by advocating for primary forest and protecting wilderness protection around the world.
- **Wild Hope** publishes stories and images that raise awareness of the need to preserve our 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 our 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.
- **Planet Earth Arts** ~ brings together a community of artists from all disciplines in bold new collaborative partnerships with scientists, public policy leaders, universities and non-profit organizations to create work that fosters a commitment to the environment.
- **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.
- **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 our communities while protecting our shared environment.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **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.
- **People of the Global Majority in the Outdoors, Nature, and Environment (PGM ONE)** ~ convenes emerging and established professionals of the global majority who work in the environmental and outdoor movement to share, learn, collaborate, heal, celebrate, build community, find support and sharpen their analysis of racial equity in their field.

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.
- **Seeding Sovereignty** is a multigenerational, youth-led, multi-ethnic coalition working to pool our strengths to build a movement based on centuries of traditional native knowledge and modern day environmental protection.
- **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.
- **Save our Soil** (formerly Safe Food and Fertilizer) seeks to ban the use of hazardous and other industrial wastes in fertilizer, soil amendments, and animal feeds due to of their potential risk to human health and the environment.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.
- **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.
- **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.

WILDLIFE PROTECTION

- **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.
- **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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL (concluded)

B. Program Services (concluded)

- **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.
- **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.
- **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 our 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.
- **Conservation Kids** ~ connects the next generation of young adults with the environment through the use of photography.
- **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.
- **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.

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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 December 7, 2018, the date the financial statements were available to be issued.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

U. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Earth Island Institute, Inc.'s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

V. Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958: Presentation of Financial Statements of Not-for-Profit Entities)*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - INCOME TAXES (concluded)

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, 2018.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	2018	2017
Wells Fargo Bank	\$ 647	\$ 1,697,975
Bank of the West	1,606,323	-
Merrill Lynch	374,038	772,456
Petty cash	8,304	4,893
Total	\$ 1,989,312	\$ 2,475,324

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 - INVESTMENTS

Activity for the year ended June 30, 2018 is as follows:

	<u>Merrill Lynch</u>
Account balances as of 6/30/17	\$ 5,765,592
Purchases	4,765,917
Dividends and interest	77,913
Sales	(2,190,591)
Net realized/unrealized capital gains and (losses), net of fees	177,740
Account balances as of 6/30/18	\$ 8,596,571
Fixed Income	\$ 4,589,850
Equities	2,911,570
Mutual Funds	1,095,151
Total	\$ 8,596,571

NOTE 6 - 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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

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, 2018:

Level 1: Quoted prices	\$ 8,596,571
Level 2: Other significant observable inputs	-
Level 3: Significant unobservable inputs	-
Total	\$ 8,596,571

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, 2018 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Fixed Income	\$ 4,589,850	\$ 4,589,850	\$ -	\$ -
Equities	2,911,570	2,911,570	-	-
Mutual Funds	1,095,151	1,095,151	-	-
Total	\$ 8,596,571	\$ 8,596,571	\$ -	\$ -

NOTE 7 - GRANTS RECEIVABLE

Grants receivable as of June 30, 2018 and June 30, 2017 was \$664,090 and \$925,673, 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 8 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 and June 30, 2017 was \$98,364 and \$50,323, 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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 9 - BEQUESTS RECEIVABLE

Bequests receivable as of June 30, 2018 and June 30, 2017 was \$25,000 and \$114,981, 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 10 - DEPOSIT FOR LAND PURCHASE – KELLY CREEK PROTECTION PROJECT

During the year ended June 30, 2018, the Organization started the Kelly Creek Protection Project to raise funds to purchase land in Petaluma named the Helen Putnam Regional Park extension. The Organization raised \$3,040,000 during the year ended June 30, 2018 and raised another \$1,087,000 during the subsequent year ending June 30, 2019 for a grand total of \$4,127,000 for the project.

In May 2018, the Organization made a deposit of \$2,100,000 for the purchase of the land. In August 2018, the Organization made a final payment of \$2,000,000 to complete the purchase.

NOTE 11 - FIXED ASSETS

Fixed assets as of June 30, 2018 are as follows:

	<u>Years</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Balance</u> <u>June 30, 2017</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>265,257</u>	<u>176,357</u>
Total		1,721,887	1,632,987
Less: accumulated depreciation		<u>(545,723)</u>	<u>(475,176)</u>
Fixed assets, net		<u>\$ 1,176,164</u>	<u>\$ 1,157,811</u>

Depreciation expense was \$70,547 and \$65,120 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 12 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$225,722 and \$202,260 as of June 30, 2018 and June 30, 2017, respectively.

NOTE 13 - DEFERRED REVENUE

Deferred revenue represents funds received in advance for camp fees. Deferred revenue was \$155,745 and \$147,322 as of June 30, 2018 and June 30, 2017, respectively.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 14 - 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:

	2018	2017
Merchandise sales	\$ 242,198	\$ 222,625
Cost of goods sold	(72,210)	(79,410)
Merchandise sales, net of expenses	\$ 169,988	\$ 143,215

NOTE 15 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

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

	2018	2017
Agriculture and Food Systems	\$ 221,960	\$ 104,721
Clean Energy and Climate Change	27,611	240,625
Conservation, Preservation and Restoration	19,508	197,558
Environmental Education	847,024	778,267
Environmental Justice	16,549	40,568
Indigenous Rights	98,644	49,826
Ocean and Water	13,592	6,700
Pollution and Toxics	277,818	255,294
Sustainability and Community Resilience	253,097	207,592
Wildlife Protection	1,702,458	1,509,913
Women's Environmental Leadership	16,562	16,562
Youth Empowerment	47,325	68,292
Total	\$ 3,542,148	\$ 3,475,918

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 16 - 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, 2018 were available for the following purposes:

	Beginning Balance	Additions	Releases	Ending Balance
Agriculture and Food Systems	\$ -	\$ 732,248	\$ (732,248)	\$ -
Agriculture and Food Systems	281,515	812,405	(715,902)	378,018
Clean Energy and Climate Change	129,095	413,518	(468,139)	74,474
Conservation, Preservation and Restoration	448,438	4,673,002	(1,448,258)	3,673,182
Environmental Education	872,990	966,984	(1,185,939)	654,035
Environmental Justice	82,202	196,376	(144,762)	133,816
Indigenous Rights	92,850	846,194	(617,627)	321,417
Ocean and Water	95,446	176,593	(203,065)	68,974
Pollution and Toxics	11,469	1,349,312	(895,335)	465,446
Sustainability and Community Resilience	120,691	648,957	(701,148)	68,500
Wildlife Protection	358,087	1,936,441	(1,838,530)	455,998
Women's Environmental Leadership	63,892	349,004	(364,193)	48,703
Youth Empowerment	8,440	95,504	(78,594)	25,350
Total	<u>\$ 2,565,115</u>	<u>\$ 13,196,538</u>	<u>\$ (9,393,740)</u>	<u>\$ 6,367,913</u>

NOTE 17 - 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.

Earth Island Institute, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 17 - LEASES (concluded)

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 \$20,521 and \$20,304 for the years ended June 30, 2018 and June 30, 2017, 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, 2018 and June 30, 2017 for all the leases, net of sublease income, totaled \$400,218 and \$417,349, respectively.

The future minimum payments for these leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2019	\$ <u>271,710</u>

NOTE 18 - RELATED PARTY TRANSACTIONS

The Organization leases office space from the David Brower Center (see Note 17). Furthermore, the Organization has several board members that serve on the board of the David Brower Center.

NOTE 19 - RECLASSIFICATIONS

Certain amounts in the June 30, 2017 financial statements have been reclassified to conform with the June 30, 2018 presentation, specifically the expense categories in the Statement of Functional Expenses. These reclassifications have no effect on the change in net assets as previously reported.