EARTHJUSTICE

FINANCIAL STATEMENTS

June 30, 2019 and 2018

BPM

EARTHJUSTICE

TABLE OF CONTENTS

BPM

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Earthjustice

Report on the Financial Statements

We have audited the accompanying financial statements of Earthjustice, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earthjustice as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") *2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU has been applied retrospectively to all periods presented, except for the statement of functional expenses. The organization elected to present summarized comparative information for statement of functional expenses. Our opinion is not modified with respect to this matter.

BPM LLP

San Francisco, California
October 14, 2019

EARTHJUSTICE

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

	2019	2018
ASSETS		
Operating cash, including client trust funds	$ 8,172,376	$ 1,024,449
Short-term investments at fair value, including cash equivalents	20,068,788	26,119,024
Contributions receivables, net	26,993,730	19,232,835
Court awards receivable	1,105,143	798,182
Prepaid expenses and other assets	2,080,005	1,594,564
Deferred compensation asset	642,553	1,063,134
Split-interest gift agreements	10,019,288	9,979,059
Long-term investments at fair value	111,019,934	91,424,417
Property and equipment, net	3,513,218	3,420,122
Total assets	$ 183,615,035	$ 154,655,786
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 2,284,823	$ 2,496,420
Accrued vacation payable	2,851,396	2,401,239
Client trust funds	565,235	813,418
Deferred compensation liability	642,553	1,063,134
Deferred rent and lease incentive liabilities	2,005,576	1,351,437
Liabilities related to split-interest gift agreements	5,263,802	5,117,944
Total liabilities	13,613,385	13,243,592
Net assets:		
Without donor restrictions:		
For current operations	12,156,308	14,108,213
Board designated - Cash Flow Reserve Fund	34,877,533	27,266,723
Board designated - Sustaining Reserve Fund	73,597,009	57,523,975
Investment in property and equipment	3,513,218	3,420,122
Total without donor restrictions	124,144,068	102,319,033
With donor restrictions:		
Unspent purpose restricted fund	30,880,907	30,455,013
Time restricted funds and investments	10,836,336	4,645,284
Split-interest gift reserves, net of liabilities	2,232,402	2,138,905
Endowment	1,907,937	1,853,959
Total with donor restrictions	45,857,582	39,093,161
Total net assets	170,001,650	141,412,194
Total liabilities and net assets	$ 183,615,035	$ 154,655,786

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

EARTHJUSTICE

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contributions	$ 28,737,830	$ 53,281,012	$ 82,018,842	$ 30,316,958	$ 37,063,551	$ 67,380,509
Donated services	4,085,068	-	4,085,068	6,303,024	-	6,303,024
Bequests	13,750,126	50,000	13,800,126	6,781,949	569,196	7,351,145
Court awarded attorney fees and costs	3,487,389	-	3,487,389	2,547,054	-	2,547,054
Change in value of split-interest gift agreements	331,410	124,542	455,952	39,779	(90,833)	(51,054)
Net realized and unrealized gain from investments and split-interest agreements	4,764,269	90,836	4,855,105	4,393,845	96,173	4,490,018
Interest and dividend income, net	2,181,627	32,307	2,213,934	1,516,693	32,425	1,549,118
Other income	200,259	-	200,259	351,997	-	351,997
Satisfaction of program/time restrictions	46,814,276	(46,814,276)	-	46,551,313	(46,551,313)	-
Total revenues	104,352,254	6,764,421	111,116,675	98,802,612	(8,880,801)	89,921,811
Expenses:						
Program services:						
Litigation	43,938,501	-	43,938,501	35,757,621	-	35,757,621
Donated litigation services	3,303,422	-	3,303,422	3,002,386	-	3,002,386
Public information	17,665,197	-	17,665,197	13,590,065	-	13,590,065
Donated public information services	781,646	-	781,646	3,300,638	-	3,300,638
Supporting services:						
Management and general	8,732,601	-	8,732,601	5,099,818	-	5,099,818
Fundraising	8,105,852	-	8,105,852	9,450,174	-	9,450,174
Total expenses	82,527,219	-	82,527,219	70,200,702	-	70,200,702
Change in net assets	21,825,035	6,764,421	28,589,456	28,601,910	(8,880,801)	19,721,109
Net assets, beginning of year	102,319,033	39,093,161	141,412,194	73,717,123	47,973,962	121,691,085
Net assets, end of year	$ 124,144,068	$ 45,857,582	$ 170,001,650	$ 102,319,033	$ 39,093,161	$ 141,412,194

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

EARTHJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)

	Program					
	Litigation	Public Information	Management and General	Fundraising	2019 Total	2018 Total
Salaries and related expenses:						
Salary	$ 23,985,174	$ 7,692,852	$ 3,593,276	$ 4,223,161	$ 39,494,463	$ 32,375,749
Employee benefits	2,861,727	1,075,266	611,304	490,278	5,038,575	4,256,758
Payroll taxes	1,681,654	555,409	287,652	298,475	2,823,190	2,288,424
Retirement plan contributions	1,811,911	506,799	233,360	227,369	2,779,439	2,219,857
Total salaries and related expenses	30,340,466	9,830,326	4,725,592	5,239,283	50,135,667	41,140,788
Other expenses:						
Professional services	2,409,722	1,911,328	1,169,027	656,481	6,146,558	3,932,064
Occupancy	2,814,737	1,117,069	494,486	605,090	5,031,382	3,787,245
Donated services	3,303,422	781,646	-	-	4,085,068	6,303,024
Direct case costs	3,509,448	-	3,249	3,249	3,515,946	2,828,218
Travel, conferences, and meetings	1,312,685	800,262	644,694	444,314	3,201,955	2,062,018
Media	36,741	1,483,082	76,268	80,250	1,676,341	2,203,968
Equipment rental and maintenance	768,388	239,733	272,335	79,757	1,360,213	867,949
Miscellaneous	701,706	214,156	224,127	93,098	1,233,087	1,041,893
Depreciation and amortization	646,018	256,250	122,958	112,435	1,137,661	1,032,482
Printing, publications, and reproduction	18,192	749,350	118,719	168,592	1,054,853	1,054,932
Postage	26,579	508,635	190,524	139,428	865,166	958,828
Telephone and internet	425,344	108,476	42,684	44,737	621,241	556,825
Grants and allocations	479,393	30,000	3,750	11,250	524,393	305,128
Bank fees	40,682	16,137	377,393	7,080	441,292	271,574
Supplies	234,083	93,083	36,078	27,066	390,310	461,220
Contracted services	19	186,207	95,321	92,950	374,497	622,620
Research	174,298	99,043	47,156	11,785	332,282	318,249
Fundraising professional services	-	-	-	289,007	289,007	300,027
Insurance	-	22,060	88,240	-	110,300	151,650
Total other expenses	16,901,457	8,616,517	4,007,009	2,866,569	32,391,552	29,059,914
	$ 47,241,923	$ 18,446,843	$ 8,732,601	$ 8,105,852	$ 82,527,219	$ 70,200,702

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

EARTHJUSTICE

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 28,589,456	$ 19,721,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,137,661	1,032,482
Change in discount on contributions receivable	459,192	(920,465)
Contributions and actuarial (gain) loss on split-interest liabilities	(55,714)	98,064
Net realized and unrealized gains from investments and split-interest agreements	(4,855,105)	(4,490,018)
Investment income from endowment	(32,307)	(32,425)
Bad debts	(113,306)	(125)
Deferred rent and lease incentive liabilities	654,139	45,743
Changes in assets and liabilities:		
Contributions receivables	(8,106,781)	10,127,649
Court awards receivable	(306,961)	(457,137)
Prepaid expenses and other assets	(485,441)	(197,699)
Accounts payable	(211,597)	911,745
Accrued vacation payable	450,157	381,518
Client trust funds	(248,183)	438,696
Net cash provided by operating activities	16,875,210	26,659,137
Cash flows from investing activities:		
Proceeds of short-term investments	35,290	15,034
Proceeds from sales of long-term investments	1,979,067	26,491,615
Purchase of long-term investments	(16,794,599)	(56,496,912)
Proceeds from dissolution of charitable trusts	767,274	225,286
Purchase of property and equipment	(1,230,757)	(1,696,156)
Net cash used in investing activities	(15,243,725)	(31,461,133)
Cash flows from financing activities:		
Investment income from endowment	32,307	32,425
Investment income from split-interest agreement	(185,123)	(144,590)
Payments to split-interest beneficiaries	665,803	675,042
Additions of new split-interest gifts	(1,048,519)	(733,215)
Net cash used in financing activities	(535,532)	(170,338)
Change in cash and cash equivalents	1,095,953	(4,972,334)
Cash and cash equivalents, beginning of year	26,911,494	31,883,828
Cash and cash equivalents, end of year	$ 28,007,447	$ 26,911,494

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

1. History and Organization

Earthjustice is the premier nonprofit environmental law organization in the country, wielding the power of law to protect people's health; to preserve magnificent places and wildlife; to advance clean energy; and to combat climate change. Earthjustice achieves long-lasting protection of the environment through far-reaching, high-impact litigation, strengthened by targeted lobbying and communications, and by protecting access to the courts. Earthjustice takes on the biggest, most precedent-setting cases across the country, partnering with thousands of groups, supporters and citizens to bring about positive change.

For nearly 50 years, Earthjustice has represented more than 1,000 clients, ranging from large national health and environmental organizations to smaller community groups. This free legal expertise is an essential service that helps clients think strategically about their work, participate effectively in administrative processes, challenge the government or industry in court when needed, and negotiate skillfully when litigation (or the threat of it) brings stake-holders to the bargaining table.

Earthjustice was incorporated in March 1970, under the laws of the State of California. It presently employs over 100 attorneys in fifteen locations: San Francisco, California (which also houses the organization headquarters); Los Angeles, California; Sacramento, California; Washington, D.C.; Denver, Colorado; Juneau, Alaska; Anchorage, Alaska; Seattle, Washington; Honolulu, Hawaii; Tallahassee, Florida; Miami, Florida; Bozeman, Montana; New York, New York; Philadelphia, Pennsylvania; and Chicago, Illinois. This nationwide litigation effort is supported by policy and legislation experts and by the organization's communications team, which has broad experience in print and broadcast media as well as digital advocacy and social media.

Earthjustice divides its current work into four key program areas: fighting for healthy communities by holding polluters and the government accountable for following our nation's bedrock environmental laws safeguarding human health; preserving the wild by enforcing laws to protect endangered species, sensitive habitats and threatened wildlands and waters; advancing clean energy and a stable climate by using the power of law to speed a transformation from dirty fossil fuels to renewable energy; and advancing access to justice.

Earthjustice's volunteer members of the Board are active in oversight of governance, finances, investments and fundraising, and all make a contribution to the organization.

2. Summary of Significant Accounting Policies

Income Taxes

Earthjustice has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. Earthjustice files exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. federal and California jurisdictions.

Continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Under these guidelines, contributions of cash and other assets are classified as one of the following three categories:

Net Assets Without Donor Restrictions – Those net assets and activities which represent the portion of expendable funds that are available to support Earthjustice's operations. Additionally, the Board of Directors may designate a portion of these net assets for specified purposes. As of June 30, 2019, the following funds were established by the Board of Directors:

Cash Flow Reserve Fund – These funds are designated to provide a stable source of funding for anticipated and unanticipated budgetary needs, maintained at approximately three months of operating expenses.

Sustaining Reserve Fund – These funds are designated to protect Earthjustice's work commitments in the event of a longer term change in our revenue prospects. Earthjustice represents clients in legal matters that create ethical obligations to clients and courts requiring long term investments of staff and financial resources to fulfill. The fund is designed to provide stable funding to support meeting client commitments on existing work if needed.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions and Receivables

Contributions of cash and other assets, including unconditional promises to give, are recorded as with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, either through the passage of a stipulated time period or the purpose being completed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as satisfaction of program/time restrictions. Revenue from contractual foundation grants is recorded as contribution with donor restrictions upon contract ratification.

Such grants normally have outlined expenditures that Earthjustice will incur upon collection of the receivable, however, the contributions are not considered conditional based on the occurrence of such costs. Contributions receivable with payment terms in excess of one year are subject to discounting using a rate of 3.5%. One multi-year pledge of $5 million is subject to discounting using a rate of 12%. Conditional promises to give are excluded from revenue and support until the conditions are substantially met. As of June 30, 2019 and 2018, there were no conditional promises to give outstanding.

Continued

2. Summary of Significant Accounting Policies, continued

Contributions and Receivables, continued

Revenue from bequests is recognized as receivables and contributions if they are irrevocable, unconditional, and measurable. If a gift does not meet these criteria it is not recognized as contribution revenue until the will is declared valid and subject to final distribution. At that time, Earthjustice recognizes the contribution at fair value, net of a discount for likely fees and taxes, based on historical experience. Bequest amounts estimated to be received in excess of one year are subject to discounting.

Donated Services

Donated legal services are recognized as contributions and a corresponding expense at their estimated value at date of receipt, in accordance with accounting principles generally accepted in the United States of America, 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 Earthjustice. Attorneys who contribute services provide Earthjustice a detail of the dollar value of the time spent. The value of law clerks' time is estimated by management using current rates included in court filings. Total donated legal services for the years ended June 30, 2019 and 2018, was estimated to be $3,303,422 and $3,002,386, respectively.

Earthjustice also receives donated space for public service announcements in various print, television, and web-based media as well as in major U.S. airport locations and various outdoor locations. The fair value of these donations has been estimated using published advertising rates for comparable space in the publications and an estimate for like kind space in airports and amounted to $781,646 and $3,300,638 for the years ended June 30, 2019 and 2018, respectively. It is Earthjustice's policy to record the value of the donated space when management becomes aware of the ad placement.

Court Awarded Attorney Fees and Costs

Revenue from court awards is recognized when the court has approved payment and the opposing side to the case has no further avenues of appeal.

Allowance for Doubtful Accounts

Earthjustice provides for amounts that may be uncollectible on pledged contributions, grants and other receivables. After considering such factors as prior collection history, the ability of the debtor to pay, and historical trends, management concluded that an allowance of $266,022 and $187,950 was necessary as of June 30, 2019 and 2018, respectively. In the years ended June 30, 2019 and 2018, Earthjustice incurred an additional $113,306 and $125, respectively, in bad debt expenses as the result of revaluing the longer-term collectability of all pledges receivable and in forgiving certain pledges receivable in prior years.

Continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash held at banks and other insured financial institutions which have an original maturity of three months or less when purchased. Client trust funds include court awards and other funds received for the possible benefit of clients that are initially deposited into separate client trust bank accounts. Once appropriately identified the funds are then refunded to the client or transferred into Earthjustice's operating fund accounts. For purposes of the statements of cash flows, cash and cash equivalents include:

	2019	2018
Operating cash, including client trust funds of \$565,235 and \$813,418 in 2019 and 2018, respectively	\$ 8,172,376	\$ 1,024,449
Cash equivalents included in short-term investments	19,835,071	25,887,045
	\$ 28,007,447	\$ 26,911,494

Short-Term Investments

Short-term investments consist of certificates of deposit, money market funds, cash equivalents and contributed investments that have not yet been sold by Earthjustice in the normal course of business (if applicable). All short-term investments are carried at fair value. At June 30, 2019 and 2018, short-term investments consisted of certificates of deposit with maturities of three months or more having a fair value of \$233,717 and \$231,979, respectively, and cash equivalents of \$19,835,071 and \$25,887,045, respectively.

Long-Term Investments

Long-term investments, which include mutual funds and money market funds, federal treasury and agency instruments, and equity securities are carried at fair value. Fair value measurements are disclosed in Note 7. Earthjustice also invests in various collective trust funds that are measured on a net asset value ("NAV") per share basis, which approximates fair value. These funds are index funds that seek investment results that correspond with the underlying assets of the funds, which the investment objectives to approximate the performance of benchmark index funds over the long term. Investments in the collective trust fund are fully redeemable and Earthjustice may make withdrawals from the fund at any time with no restrictions at the NAV per share less an exit fee. There are no unfunded commitments for these investments. Realized and unrealized gains and losses on investments, other than those held for split-interest gift agreements, are reflected in the statements of activities. Realized and unrealized gains and losses on investments held for split-interest gift agreements are reflected in the statements of activities as change in value of split-interest gift agreements.

Long-term investments consist of a pool of funds that includes both donor restricted and board-designated reserve funds. The reserve investments are, in turn, split into two pools of funds, a Cash Flow Reserve Fund and a Sustaining Reserve Fund. The Cash Flows Reserve Fund is invested in money market funds and fixed income funds, while the Sustaining Reserves Fund is invested 80% in equity funds and 20% in a Treasury inflation-protected securities ("TIPS") fund. The asset allocation of the reserve funds follows the Investment Policy Statement, which is set by the Earthjustice Board of Trustees. To a limited extent, the Board allows reserve investments to help fund current operations. In the process, donor restrictions in the use of these funds are honored.

Continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework for measuring fair value prioritizes the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. The categorization of an asset or liability is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs are used to measure fair value:

Level l – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level l prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Level 1 assets include highly liquid government bonds, actively traded mutual funds, and exchange traded equities. Level 2 assets may include fixed income investments traded in a limited market, certificates of deposit, and collective trust funds. In certain cases where Level l or Level 2 inputs are not available, assets are classified within Level 3 of the hierarchy. Level 3 assets and liabilities may include financial instruments whose value is determined using discounted cash flows methodologies or similar techniques as well as instruments for which the determination of fair value requires significant management judgement or estimation. Level 3 assets include beneficial interests in non-trusteed trusts which hold residential real estate and liabilities related to split-interest agreements.

In addition, Earthjustice reports certain investments using the Net Asset Value ("NAV") per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Endowments

Interpretation of Relevant Law

The Board of Trustees of Earthjustice has interpreted the provisions of the California's Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary, and to allow endowment funds to be appropriated for expenditure or accumulated as Earthjustice determines is prudent for the uses, benefits, purposes, and duration for which the endowment funds were established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by Earthjustice.

Continued

2. Summary of Significant Accounting Policies, continued

Endowments, continued

Interpretation of Relevant Law, continued

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

a. The duration and preservation of the fund
b. The purposes of Earthjustice and the donor-restricted endowment fund
c. General economic conditions.
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of Earthjustice
g. The investment policies of Earthjustice

Spending Policy and How the Investment Objectives Relate to Spending Policy

Earthjustice has adopted a policy of appropriating for distribution each year up to 4% of its endowment fund's average fair value over the prior twelve quarters through the most recent quarter end preceding the fiscal year in which the distribution is planned. In establishing this policy, Earthjustice considered the long-term expected return on its endowment. In accordance with CUPMIFA, distributions are allowed from the endowment funds even if the funds are "underwater." The endowment funds are invested in the Sustaining Reserves Fund.

Financial Statement Presentation

For financial statement purposes, Earthjustice classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, and (d) the remaining portion of the donor-restricted endowment fund whose use is restricted until those amounts are appropriated for expenditure by Earthjustice in a manner consistent with the standard of prudence prescribed by California's enacted version of UPMIFA.

Aggregate Amount of Deficiencies for Donor-Restricted Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Earthjustice to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. For the years ended June 30, 2019 and 2018, there were no such deficiencies.

Continued

2. Summary of Significant Accounting Policies, continued

Split-Interest Gift Agreements

Earthjustice has entered into several Charitable Gift Annuity Agreements and Charitable Remainder Unitrusts whereby Earthjustice is the trustee and the donor contributes assets in exchange for distributions based on the value of trust assets for a specified period of time to the donor or other beneficiaries. These assets are recorded as split-interest gifts (Note 5). At the end of the specified time, the remaining assets are available for Earthjustice's use. Assets received are recorded at fair value on the date the agreement or unitrust is recognized and, as required by state law, are invested primarily in U.S. government obligations. A liability equal to the present value of the future distributions to other beneficiaries is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue as change in value of split-interest gift agreements in the statement of activities. Assets held by third-party trustees are recorded as a beneficial interest within contribution receivables.

Assets of pooled income funds are stated at fair value based on present value techniques that involve estimations of investment returns, life expectancies based on mortality tables, and discount rates. The remainder interest in the assets received is recognized as contributed income with donor restrictions in the period in which the assets are received from the donor and is measured at the fair value of the assets received, discounted for the estimated time period until the donor's death.

Property and Equipment

Property and equipment are included in the financial statements at cost when acquired by purchase and at fair value when received by gift. Earthjustice capitalizes property and equipment with an aggregate cost or fair-market value of $2,500 or more. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Depreciation and amortization is provided using the straight-line method over estimated useful lives as follows:

Building	40 years
Furniture and equipment	7 years
Computer equipment and software	5 years
Leasehold improvements	Term of leases

Depreciation and amortization expense totaled $1,137,661 and $1,032,482 for the years ended June 30, 2019 and 2018, respectively.

Deferred Rent and Lease Incentive Liabilities

Earthjustice recognizes rent expense on a straight-line basis over the life of the lease. Leasehold improvement paid for by the landlord are recorded as a deferred lease incentive liabilities and amortized over the lease term on a straight-line basis.

Continued

2. Summary of Significant Accounting Policies, continued

Concentrations of Credit Risk

At June 30, 2019 and 2018, Earthjustice maintained its investments with three investment firms, the largest single investment constituting approximately 29% of investments. (Assets segregated for split-interest gifts are not included. Assets administered by The Vanguard Group but representing distinct registered investment companies are considered separate investments for purposes of this calculation.)

In the regular course of business, Earthjustice may maintain operating cash balances at a bank in excess of federally insured limits. Earthjustice seeks to control the risk of loss by maintaining deposits with only high quality financial institutions.

Allocation of Functional Expenses

Expenses are summarized and categorized based upon their functional classification as program, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses; occupancy; depreciation and amortization; and indirect operating expenses. These expenses are allocated on the basis of estimated time and effort by employees.

Advertising

Earthjustice expenses advertising costs as incurred. For the years ended June 30, 2019 and 2018, advertising and media expenses amounted to $1,108,690 and $3,684,586, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include functional allocation of expenses, net present value of split-interest gift agreements, fair value of investments and the fair value determination of contributed goods and services.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Continued

2. Summary of Significant Accounting Policies, continued

Changes in Accounting Principles

During the year ended June 30, 2019, Earthjustice adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements.

Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily-restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added (Note 3).

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. Earthjustice is currently evaluating the impact of adoption on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This new guidance has removed the requirement to present the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. Earthjustice is currently evaluating the impact of adoption on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (842)*. The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. Earthjustice is currently evaluating the impact of adoption on its financial statements.

3. Liquidity and Availability

Earthjustice's working capital and cash flows have seasonal variation during the year attributable to the high concentration of contributions received near calendar year end. With the oversight of the Board Investment Committee, management projects for future cash needs on a biannual basis and maintains roughly 4–6 months in liquid assets available for current operations. If needed, reserve funds are available to meet general expenditures.

Continued

3. Liquidity and Availability, continued

The following reflects Earthjustice's financial assets as of June 30, 2019:

Financial assets at fiscal year end:	
Operating cash, including client trust funds	$ 8,172,376
Short-term investments at fair value, including cash equivalents	20,068,788
Contribution receivables, net	26,993,730
Long-term investments at fair value	111,019,934
Split-interest assets	10,019,288
Deferred compensation assets	642,553
Total financial assets	176,916,669
Less amounts unavailable for general expenditure within one year	
Contribution receivables due after one year, net	(13,693,272)
Split-interest liabilities	(5,263,802)
Deferred compensation assets	(642,553)
Donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	(1,907,937)
Board-designated reserve funds	(108,474,542)
Financial assets available to meet cash needs for general expenditures within one year	$ 46,934,563

4. Contributions Receivables

Contributions receivable at June 30, 2019 and 2018, include both contributions with and without donor restrictions, attributable to pledges, foundation grants, bequests, and charitable remainder unitrusts. Pledges receivable and bequests which are expected to be collected over a period of time in excess of one year are discounted using a discount rate at the date of the contribution. These receivables consist of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants receivable, net of discount of $520,228	$ 2,000,000	$ 8,054,309	$ 10,054,309
Pledges receivable, net of discount of $3,323,989	3,762,242	10,036,940	13,799,182
Beneficial interest in charitable remainder unitrust	-	639,883	639,883
Bequest receivables	2,716,378	50,000	2,766,378
Allowance for doubtful accounts	(266,022)	-	(266,022)
	$ 8,212,598	$ 18,781,132	$ 26,993,730

Continued

4. Contributions Receivables, continued

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants receivable, net of discount of $129,319	$ -	$ 3,815,290	$ 3,815,290
Pledges receivable, net of discount of $3,255,705	2,072,642	12,913,275	14,985,917
Beneficial interest in charitable remainder unitrust	-	608,837	608,837
Bequest receivables	10,741	-	10,741
Allowance for doubtful accounts	(187,950)	-	(187,950)
	$ 1,895,433	$ 17,337,402	$ 19,232,835

The receivable from the beneficial interest in charitable unitrusts not under the control of Earthjustice represents the present value of the estimated future benefits to be received from the trust upon death of the settlers or beneficiaries of the trusts. The receivable has been estimated using published actuarial tables.

Bequests receivable are from four estates at June 30, 2019 and 2018. All bequests receivable are expected to be received within one year.

Additionally, one donor comprised of 16% and 26% of total contributions for the years ended June 30, 2019 and 2018, respectively.

The pledge receivable and foundation grant receivable balances at June 30, 2019, are expected to be collected as follows:

Year ending June 30:	
2020	$ 10,160,219
2021	8,387,489
2022	1,450,000
2023	1,550,000
2024	1,650,000
Thereafter	4,500,000
	27,697,708
Less discount	(3,844,217)
Less allowance	(266,022)
	$ 23,587,469

Continued

5. Split-Interest Gift Agreements

In the regular course of fund development, Earthjustice enters into various split-interest gift agreements with donors. Earthjustice currently has three different categories of such agreements:

Pooled Income Fund – Donors contributing to this category are assigned a specific number of units in the pool based on their contribution and receive a life interest in any income earned on those units. Upon the donor's death, the value of the units held by the donor within the fund becomes available to Earthjustice for its unrestricted use. The liabilities at June 30, 2019 have been estimated using applicable published actuarial tables and the estimated average rate of return on the fund, which was approximately 4%.

Charitable Remainder Unitrusts – Earthjustice held five trusts at June 30, 2019, whereby the donors have contributed assets to Earthjustice, in exchange for a life interest in the income from the trusts or a specified percentage of the fair value. Some of these trusts require Earthjustice to share the corpus upon maturity with another charity. The assets held and the corresponding liabilities are grossed up to include the amounts ultimately payable to the other charities. The liabilities associated with these trusts have been estimated using applicable published actuarial tables and an estimated average rate of return on the trusts of 6%.

Charitable Gift Annuities – Donors contribute assets in exchange for a promise by Earthjustice to pay a fixed amount to designated beneficiaries until death of the last named beneficiary. Various states in which annuitants reside require that Earthjustice maintain statutory reserves. These statutory reserves typically require that Earthjustice segregate the associated assets from other assets to the extent of the reserve requirements. While Earthjustice elects to segregate all assets associated with the annuity contracts, assets in excess of required reserve requirements are essentially unrestricted. Earthjustice has computed the reserve requirements based upon the most restrictive computation, which exceeds the liability due to annuitants by $1,420,806 and $1,274,676 for June 30, 2019 and 2018, respectively. As a result, this amount constitutes net assets with donor restrictions. It is Earthjustice's practice not to liquidate the net asset value of annuity contracts until such time as the contracts mature. Liabilities estimating the present value of the expected annuity payments have been estimated using applicable published actuarial tables and an estimated average rate of return on the trusts of 6%.

Continued

5. Split-Interest Gift Agreements, continued

Split-interest gift agreements as of June 30, 2019 are as follows:

	Pooled Income Fund	Charitable Remainder Unitrusts	Charitable Gift Annuities	Split-Interest Gifts Total
Investments, beginning of year	$ 799,549	$ 674,718	$ 8,504,792	$ 9,979,059
Added split-interest gifts:				
Gifts creating annuity trusts	-	-	1,048,519	1,048,519
Amounts withdrawn at death of planned giving donors	-	(77,601)	(689,673)	(767,274)
Annuity and beneficiary payments	(34,336)	(37,583)	(593,884)	(665,803)
Investment returns:				
Interest and dividend	38,143	17,141	129,839	185,123
Realized and unrealized gains	20,797	13,197	205,670	239,664
Investments, end of year	$ 824,153	$ 589,872	$ 8,605,263	$ 10,019,288
Liabilities related to split-interest gift agreements	$ 348,439	$ 253,990	$ 4,661,373	$ 5,263,802
Comprising of:				
Marketable securities	$ 807,185	$ 558,825	$ 8,210,658	$ 9,576,668
Cash equivalents	16,968	31,047	394,605	442,620
Total	$ 824,153	$ 589,872	$ 8,605,263	$ 10,019,288
Split-interest gift investment classifications:				
With donor restrictions	$ 824,153	$ 589,872	$ 867,880	$ 2,281,905
Without donor restrictions	-	-	7,737,383	7,737,383
Total	$ 824,153	$ 589,872	$ 8,605,263	$ 10,019,288

Continued

5. Split-Interest Gift Agreements, continued

Split-interest gift agreements as of June 30, 2018 are as follows:

	Pooled Income Fund	Charitable Remainder Unitrusts	Charitable Gift Annuities	Split-Interest Gifts Total
Investments, beginning of year	$ 819,316	$ 664,242	$ 7,801,046	$ 9,284,604
Added split-interest gifts:				
Gifts creating annuity trusts	-	-	733,215	733,215
Amounts withdrawn at death of planned giving donors	(30,021)	-	(195,265)	(225,286)
Annuity and beneficiary payments	(25,617)	(39,748)	(609,677)	(675,042)
Investment returns:				
Interest and dividend	32,840	18,809	92,941	144,590
Realized and unrealized gains	3,031	31,415	682,532	716,978
Investments, end of year	$ 799,549	$ 674,718	$ 8,504,792	$ 9,979,059
Liabilities related to split-interest gift agreements	$ 313,074	$ 296,963	$ 4,507,907	$ 5,117,944
Comprising of:				
Marketable securities	$ 786,388	$ 654,307	$ 8,247,138	$ 9,687,833
Cash equivalents	13,161	20,411	257,654	291,226
Total	$ 799,549	$ 674,718	$ 8,504,792	$ 9,979,059
Split-interest gift investment classifications:				
With donor restrictions	$ 799,549	$ 674,718	$ 1,274,676	$ 2,748,943
Without donor restrictions	-	-	7,230,116	7,230,116
Total	$ 799,549	$ 674,718	$ 8,504,792	$ 9,979,059

Continued

6. Long-Term Investments

The following table details long-term investments by category for the years ended June 30, 2019 and 2018:

	2019	2018
Investments, beginning of year	$ 91,424,417	$ 57,772,357
Net transfers due to portfolio balancing, fulfillment of operating (requirements)/surpluses, and reclassification to short-term investments	13,054,000	28,651,000
Investment returns:		
Interest and dividends	1,761,530	1,354,297
Realized and unrealized gains	4,779,987	3,646,763
Investments, end of year	$ 111,019,934	$ 91,424,417
Long-term investment classifications:		
With donor restrictions	$ 3,643,746	$ 3,824,652
Without donor restrictions	107,376,188	87,599,765
Total	$ 111,019,934	$ 91,424,417

Continued

7. Fair Value Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018.

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Receivables - contributions, net:					
Beneficial interest in unitrust	$ -	$ -	$ 639,883	$ -	$ 639,883
Short-term investments:					
Cash equivalents and certificates of deposit	19,627,510	441,278	-	-	20,068,788
Deferred compensation assets:					
Fixed income mutual funds	186,233	-	-	-	186,233
Target retire mutual funds	403,971	-	-	-	403,971
International term bond fund	52,329	-	-	-	52,329
Total deferred compensation assets	642,533	-	-	-	642,533
Long-term investments:					
Reserves:					
Money market fund	57,179	-	-	-	57,179
Fixed income mutual funds	21,039,523	-	-	-	21,039,523
Domestic equity mutual funds	23,495,626	-	-	-	23,495,626
Treasury inflation protected securities fund	17,900,942	-	-	-	17,900,942
International equity mutual funds	8,767,541	-	-	-	8,767,541
Real estate mutual fund	7,083,977	-	-	-	7,083,977
Developed ex-fossil fuel funds - NAV	-	-	-	32,675,146	32,675,146
Total long-term investments	78,344,788	-	-	32,675,146	111,019,934
Split-interest gifts:					
Cash and cash equivalents	442,620	-	-	-	442,620
Fixed income mutual funds	954,872	-	-	-	954,872
International equity mutual funds	233,131	-	-	-	233,131
Real estate mutual fund	252,070	-	-	-	252,070
Exchange traded mutual funds	4,802,040	-	-	-	4,802,040
Government obligations	680,600	-	-	-	680,600
Receivables	-	-	189,863	-	189,863
Mortgage Backed Securities	109	-	-	-	109
Common Collective Trusts - NAV:					
Fixed income	-	-	-	857,262	857,262
Real estate	-	-	-	261,783	261,783
Exchange traded funds	-	-	-	747,637	747,637
Government obligations	-	-	-	597,301	597,301
Total split-interest gifts	7,365,442	-	189,863	2,463,983	10,019,288
Total for assets measured at fair value	$ 105,980,273	$ 441,278	$ 829,746	$ 35,139,129	$ 142,390,426
Liabilities:					
Liabilities under split-interest agreement	$ -	$ -	$ 5,263,802	$ -	$ 5,263,802
Deferred compensation liabilities	642,553	-	-	-	642,553
Total for liabilities measured at fair value	$ 642,553	$ -	$ 5,263,802	$ -	$ 5,906,355

Continued

7. Fair Value Measurements, continued

	2018				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Receivables - contributions, net:					
Beneficial interest in unitrust	$ -	$ -	$ 608,837	$ -	$ 608,837
Short-term investments:					
Cash equivalents and certificates of deposit	25,804,053	314,971	-	-	26,119,024
Deferred compensation assets:					
Fixed income mutual funds	585,044	-	-	-	585,044
Domestic equity mutual funds	365,780	-	-	-	365,780
International term bond fund	112,310	-	-	-	112,310
Total deferred compensation assets	1,063,134	-	-	-	1,063,134
Long-term investments:					
Reserves:					
Money market fund	3,671	-	-	-	3,671
Fixed income mutual funds	16,349,343	-	-	-	16,349,343
Domestic equity mutual funds	20,073,074	-	-	-	20,073,074
Treasury inflation protected securities fund	14,908,085	-	-	-	14,908,085
International equity mutual funds	6,698,825	-	-	-	6,698,825
Real estate mutual fund	6,443,087	-	-	-	6,443,087
Developed ex-fossil fuel funds - NAV	-	-	-	26,948,332	26,948,332
Total long-term investments	64,476,085	-	-	26,948,332	91,424,417
Split-interest gifts:					
Cash and cash equivalents	291,226	-	-	-	291,226
Fixed income mutual funds	963,733	-	-	-	963,733
International equity mutual funds	307,336	-	-	-	307,336
Real estate mutual fund	166,815	-	-	-	166,815
Exchange traded mutual funds	5,018,875	-	-	-	5,018,875
Government obligations	716,901	-	-	-	716,901
Mortgage Backed Securities	133	-	-	-	133
Common Collective Trusts - NAV:					
Fixed income	-	-	-	902,510	902,510
Real estate	-	-	-	189,003	189,003
Exchange traded funds	-	-	-	805,655	805,655
Government obligations	-	-	-	616,872	616,872
Total split-interest gifts	7,465,019	-	-	2,514,040	9,979,059
Total for assets measured at fair value	$ 98,808,291	$ 314,971	$ 608,837	$ 29,462,372	$ 129,194,471
Liabilities:					
Liabilities under split-interest agreement	$ -	$ -	$ 5,117,944	$ -	$ 5,117,944
Deferred compensation liabilities	1,063,134	-	-	-	1,063,134
Total for liabilities measured at fair value	$ 1,063,134	$ -	$ 5,117,944	$ -	$ 6,181,078

Continued

7. Fair Value Measurements, continued

While management believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

Transfers to or from Level 3 measurements are based on relevant accounting guidance and are assessed during the period of the transfer and are recognized at the end of the fiscal year. No such transfers occurred for the years ended June 30, 2019 and 2018.

Inputs used for valuation of remainder interest trusts are based on qualified appraisals provided by the trustee, the life expectancy of the income beneficiaries, and an applicable discount rate determined by the organization. The fair value of beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rate and market value of the trust. The fair value of liabilities associated with these trusts have been adjusted using applicable published actuarial tables. There was no change in valuation methods during the current fiscal year.

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the periods ended June 30, 2019 and 2018:

	Beneficial Interest in Trusts
Balance, June 30, 2017	$ 579,336
Increase in value due to change in market value and actuarial life expectancy	29,501
Balance, June 30, 2018	608,837
Increase in value due to change in market value and actuarial life expectancy	31,046
Balance, June 30, 2019	$ 639,883

Continued

7. Fair Value Measurements, continued

The following table provides a reconciliation of liabilities measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the periods ended June 30, 2019 and 2018:

	Liabilities under Split-Interest Agreements
Balance, June 30, 2017	$ 5,129,396
New agreements	733,215
Payments to beneficiaries	(675,042)
Dissolution of agreements	(225,286)
Increase in value due to change in market value and actuarial life expectancy	155,661
Balance, June 30, 2018	5,117,944
New agreements	858,655
Payments to beneficiaries	(665,803)
Dissolution of agreements	(767,274)
Increase in value due to change in market value and actuarial life expectancy	720,280
Balance, June 30, 2019	$ 5,263,802

8. Property and Equipment

The major classes of property and equipment at June 30, 2019 and 2018 are as follows:

	2019	2018
Computer equipment and software	$ 3,306,651	$ 2,808,948
Furniture and equipment	2,437,509	2,247,251
Leasehold improvements	4,275,935	3,733,526
Building	475,112	475,112
Land - Alaska office	153,880	153,880
Land - Alaska (donated)	79,000	79,000
	10,728,087	9,497,717
Less accumulated depreciation and amortization	(7,214,869)	(6,077,595)
	$ 3,513,218	$ 3,420,122

Continued

9. Lease Commitments

Earthjustice has entered into various lease agreements having initial terms greater than one year for office space which expire through 2028. Rental expense under these leases totaled $4,944,365 and $3,725,135 for the years ended June 30, 2019 and 2018, respectively. Most lease agreements provide for periodic adjustments based on fixed percentage increases in rent.

Additionally, Earthjustice has entered into various lease agreements for the use of office equipment ranging in lease terms from 3 to 5 years, with total annual payments approximating $75,500.

The aggregate future minimum rental payments under these leases are as follows:

Year ending June 30:	
2020	$ 5,409,192
2021	4,759,329
2022	4,783,700
2023	4,629,786
2024	4,787,805
Thereafter	12,432,217
	$ 36,802,029

In July 2019, Earthjustice entered into a new lease agreement for an office space which expires in 2032 with annual average minimum rental payments of $2,165,250 with periodic adjustments.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, are restricted for the following purposes:

	2019		2018	
	Balance	Releases	Balance	Releases
Subject to expenditure of specified purpose:				
Climate and Energy	$ 8,361,417	$ (17,617,655)	$ 15,773,050	$ (19,114,696)
Healthy Communities	5,473,914	(8,467,857)	1,833,813	(6,946,647)
Lands, Wildlife and Oceans	8,482,776	(7,519,847)	6,103,087	(6,818,672)
Operational	3,258,529	(5,549,244)	5,646,822	(4,324,382)
Geographic	5,304,271	(4,729,955)	1,098,241	(5,733,365)
	30,880,907	(43,884,558)	30,455,013	(42,937,762)
Subject to passage of time	10,836,336	(2,929,718)	4,645,284	(3,613,551)
Charitable remainder trusts and pooled income fund agreements	811,596	-	864,230	-
Annuity agreements, segregation required by state law	1,420,806	-	1,274,675	-
Endowments:				
Subject to Earthjustice's spending policy and appropriation:				
Investment in perpetuity, which once appropriated, is expendable to support program activities	1,907,937	-	1,853,959	-
	$ 45,857,582	$ (46,814,276)	$ 39,093,161	$ (46,551,313)

Continued

10. Net Assets with Donor Restrictions, continued

Net assets are restricted to endowment investments and contributions and are entirely donor restricted endowments. However, the earnings on these investments can be spent either on general operations, specific programs, or must be added to endowment principal, depending on donor restrictions. The composition and changes in the endowment net assets as of June 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 1,447,833	$ 1,447,833
Accumulated appreciation	-	460,104	460,104
Total funds	$ -	$ 1,907,937	$ 1,907,937

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 1,447,833	$ 1,447,833
Accumulated appreciation	-	406,126	406,126
Total funds	$ -	$ 1,853,959	$ 1,853,959

Changes in endowment net assets for the fiscal years ended June 30, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, June 30, 2017	$ -	$ 1,792,823	$ 1,792,823
Investment income	-	32,425	32,425
Net appreciation	-	96,173	96,173
Amounts appropriated for expenditure	-	(67,462)	(67,462)
Endowment net assets, June 30, 2018	-	1,853,959	1,853,959
Investment income	-	32,307	32,307
Net appreciation	-	90,836	90,836
Amounts appropriated for expenditure	-	(69,165)	(69,165)
Endowment net assets, June 30, 2019	$ -	$ 1,907,937	$ 1,907,937

Continued

11. Retirement Plans

Earthjustice has established a retirement annuity plan and a tax-deferred annuity plan for its employees under Section 403 (b) of the Internal Revenue Code. The retirement annuity plan provides for an employer contribution to a defined contribution retirement plan of 9% of an employee's gross earnings, with an increase to 10% of gross earnings provided the employee contributes at least 3% to the tax deferred annuity plan. Contributions to the retirement annuity plan of $2,779,439 and $2,219,857 have been expensed for the years ended June 30, 2019 and 2018, respectively.

On August 1, 2010, Earthjustice established an eligible deferred compensation plan for a select group of highly compensated employees under Section 457(b) of the Internal Revenue Code. The plan allows pre-tax contributions of the maximum amount allowed by law per year through payroll deduction. At June 30, 2019, 8 employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire, and is the deferred compensation assets and liabilities on the statement of financial position.

12. Related Parties

In 2017, the Earthjustice board authorized the formation of an affiliated, but independent 501(c)(4) organization to help advance protection of the environment through political advocacy. Earthjustice Action was incorporated on June 27, 2017. Some members of the Earthjustice Action Board are also on the Earthjustice Board as of June 30, 2019. There is a formal cost-sharing agreement under which Earthjustice Action reimburses personnel and overhead costs incurred on its behalf by Earthjustice. Expenses charged to Earthjustice Action by Earthjustice under the cost sharing agreement were $18,477 and $14,434 for the years ended June 30, 2019 and 2018.

13. Subsequent Events

Earthjustice evaluated subsequent events for recognition and disclosure through October 14, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in such financial statements.