

EARTHJUSTICE

FINANCIAL STATEMENTS

June 30, 2022 and 2021



EARTHJUSTICE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Earthjustice

Opinion

We have audited the financial statements of Earthjustice, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Earthjustice as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Earthjustice and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Earthjustice's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees of
Earthjustice

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Earthjustice's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Earthjustice's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

San Francisco, California
October 31, 2022

EARTHJUSTICE

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Operating cash, including client trust funds	\$ 26,709,106	\$ 1,962,825
Short-term investments at fair value, including cash equivalents	10,456,602	26,078,850
Contributions receivables, net	31,080,086	28,468,694
Prepaid expenses and other assets	5,031,422	4,707,982
Deferred compensation asset	1,733,834	1,129,668
Split-interest gift agreements	13,259,895	15,926,855
Long-term investments at fair value	179,821,843	212,894,827
Property and equipment, net	<u>8,558,906</u>	<u>10,041,368</u>
Total assets	<u>\$ 276,651,694</u>	<u>\$ 301,211,069</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 12,590,626	\$ 10,150,928
Deferred compensation liability	1,733,834	1,129,668
Deferred rent and lease incentive liabilities	8,912,422	9,439,925
Liabilities related to split-interest gift agreements	<u>7,604,894</u>	<u>7,139,812</u>
Total liabilities	<u>30,841,776</u>	<u>27,860,333</u>
Net assets:		
Without donor restrictions:		
For current operations	31,398,309	10,256,941
Board designated - Cash Flow Reserve Fund	-	47,427,952
Board designated - Endowment Fund	168,800,248	166,942,282
Investment in property and equipment	<u>8,558,906</u>	<u>10,041,368</u>
Total without donor restrictions	<u>208,757,463</u>	<u>234,668,543</u>
With donor restrictions:		
Unspent purpose restricted fund	17,398,350	13,617,881
Time restricted funds and investments	14,101,348	19,193,850
Split-interest gift reserves, net of liabilities	3,626,510	3,962,462
Endowment	<u>1,926,247</u>	<u>1,908,000</u>
Total with donor restrictions	<u>37,052,455</u>	<u>38,682,193</u>
Total net assets	<u>245,809,918</u>	<u>273,350,736</u>
Total liabilities and net assets	<u>\$ 276,651,694</u>	<u>\$ 301,211,069</u>

EARTHJUSTICE

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contributions	\$ 63,093,834	\$ 56,075,863	\$ 119,169,697	\$ 57,172,370	\$ 35,867,743	\$ 93,040,113
Donated services	10,802,159	-	10,802,159	6,234,021	-	6,234,021
Bequests	8,620,651	326,065	8,946,716	13,585,068	1,156,003	14,741,071
Court awarded attorney fees and costs	7,297,428	-	7,297,428	4,036,477	-	4,036,477
Change in value of split-interest gift agreements	(2,335,274)	(299,970)	(2,635,244)	1,432,249	1,488,528	2,920,777
Net realized and unrealized (loss) gain from investments and split-interest agreements	(37,264,883)	(248,717)	(37,513,600)	38,438,446	507,395	38,945,841
Interest and dividend income, net	4,414,497	47,795	4,462,292	2,338,444	30,037	2,368,481
Other income	365,958	-	365,958	295,802	-	295,802
Satisfaction of program/time restrictions	57,530,774	(57,530,774)	-	50,192,330	(50,192,330)	-
Total revenues	<u>112,525,144</u>	<u>(1,629,738)</u>	<u>110,895,406</u>	<u>173,725,207</u>	<u>(11,142,624)</u>	<u>162,582,583</u>
Expenses:						
Program services:						
Litigation	71,323,818	-	71,323,818	59,168,711	-	59,168,711
Donated litigation services	2,710,869	-	2,710,869	1,874,741	-	1,874,741
Public information	31,842,704	-	31,842,704	26,273,899	-	26,273,899
Donated public information services	8,091,290	-	8,091,290	4,359,280	-	4,359,280
Supporting services:						
Management and general	12,006,968	-	12,006,968	9,900,916	-	9,900,916
Fundraising	12,460,576	-	12,460,576	11,290,468	-	11,290,468
Total expenses	<u>138,436,225</u>	<u>-</u>	<u>138,436,225</u>	<u>112,868,015</u>	<u>-</u>	<u>112,868,015</u>
Change in net assets	(25,911,081)	(1,629,738)	(27,540,819)	60,857,192	(11,142,624)	49,714,568
Net assets, beginning of year	234,668,544	38,682,193	273,350,737	173,811,352	49,824,817	223,636,169
Net assets, end of year	<u>\$ 208,757,463</u>	<u>\$ 37,052,455</u>	<u>\$ 245,809,918</u>	<u>\$ 234,668,544</u>	<u>\$ 38,682,193</u>	<u>\$ 273,350,737</u>

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

EARTHJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	Program				2022 Total
	Litigation	Public Information	Management and General	Fundraising	
Salaries and related expenses:					
Salary	\$ 41,955,346	\$ 13,702,112	\$ 6,024,286	\$ 6,386,337	\$ 68,068,081
Employee benefits	4,452,724	1,678,818	911,985	673,458	7,716,985
Retirement plan contributions	3,057,245	1,017,402	460,221	475,281	5,010,149
Payroll taxes	2,931,319	1,021,672	459,253	443,422	4,855,666
Total salaries and related expenses	<u>52,396,634</u>	<u>17,420,004</u>	<u>7,855,745</u>	<u>7,978,498</u>	<u>85,650,881</u>
Other expenses:					
Donated services	2,710,869	8,091,290	-	-	10,802,159
Professional and contracted services	2,730,769	4,595,808	1,297,063	1,718,589	10,342,229
Occupancy	4,513,932	1,979,497	757,997	739,835	7,991,261
Direct case costs	3,882,193	446,142	8,464	20,488	4,357,287
Media	67,089	2,773,082	86,018	63,425	2,989,614
Grants and allocations	2,317,725	144,025	7,775	16,275	2,485,800
Travel, conferences, and meetings	1,174,396	361,829	554,799	336,410	2,427,434
Equipment rental and maintenance	1,260,058	501,693	436,920	146,428	2,345,099
Printing, publications, and reproduction	24,257	1,507,415	259,659	393,125	2,184,456
Depreciation and amortization	1,095,828	486,573	184,328	179,842	1,946,571
Mailing	34,126	751,304	255,282	219,072	1,259,784
Research	562,171	275,313	67,561	18,348	923,393
Telephone and internet	474,252	193,720	77,221	77,558	822,751
Bank fees	7	207,117	27,664	477,565	712,353
Supplies	293,375	172,951	54,463	57,871	578,660
Insurance	367,150	-	7,649	7,649	382,448
Miscellaneous	129,856	26,231	68,360	9,598	234,045
Total other expenses	<u>21,638,053</u>	<u>22,513,990</u>	<u>4,151,223</u>	<u>4,482,078</u>	<u>52,785,344</u>
	<u>\$ 74,034,687</u>	<u>\$ 39,933,994</u>	<u>\$ 12,006,968</u>	<u>\$ 12,460,576</u>	<u>\$ 138,436,225</u>

EARTHJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program				2021 Total
	Litigation	Public Information	Management and General	Fundraising	
Salaries and related expenses:					
Salary	\$ 34,977,938	\$ 11,526,797	\$ 5,182,218	\$ 5,622,448	\$ 57,309,401
Employee benefits	4,896,024	1,850,416	921,378	770,030	8,437,848
Retirement plan contributions	2,479,279	816,295	342,948	425,533	4,064,055
Payroll taxes	2,359,365	828,570	414,215	347,576	3,949,726
Total salaries and related expenses	<u>44,712,606</u>	<u>15,022,078</u>	<u>6,860,759</u>	<u>7,165,587</u>	<u>73,761,030</u>
Other expenses:					
Donated services	1,874,741	4,359,280	-	-	6,234,021
Professional and contracted services	1,871,688	3,030,593	925,785	1,584,998	7,413,064
Occupancy	4,321,773	1,867,171	683,707	751,166	7,623,817
Direct case costs	3,387,997	617,190	5,355	15,828	4,026,370
Media	34,388	2,125,375	46,246	11,154	2,217,163
Grants and allocations	1,221,141	180,725	8,075	17,250	1,427,191
Travel, conferences, and meetings	297,655	96,532	59,455	62,927	516,569
Equipment rental and maintenance	735,660	299,369	370,905	100,063	1,505,997
Printing, publications, and reproduction	20,327	1,158,004	208,246	328,135	1,714,712
Depreciation and amortization	1,061,136	464,512	174,857	184,601	1,885,106
Mailing	25,675	682,797	299,009	207,082	1,214,563
Research	341,531	158,537	45,552	12,153	557,773
Telephone and internet	465,727	189,864	73,382	78,162	807,135
Bank fees	-	174,553	55,409	685,551	915,513
Supplies	291,133	206,599	61,151	67,317	626,200
Insurance	268,187	-	5,587	5,587	279,361
Miscellaneous	112,087	-	17,436	12,907	142,430
Total other expenses	<u>16,330,846</u>	<u>15,611,101</u>	<u>3,040,157</u>	<u>4,124,881</u>	<u>39,106,985</u>
	<u>\$ 61,043,452</u>	<u>\$ 30,633,179</u>	<u>\$ 9,900,916</u>	<u>\$ 11,290,468</u>	<u>\$ 112,868,015</u>

EARTHJUSTICE

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (27,540,819)	\$ 49,714,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,946,571	1,885,106
Gain on disposal of property and equipment	-	(152,200)
Change in discount on contributions receivable	(204,000)	(1,392,902)
Contributions and actuarial loss (gain) on split-interest liabilities	1,725,788	(4,791,713)
Net realized and unrealized loss (gain) from investments and split-interest agreements	37,481,892	(38,729,670)
Investment income from endowment	(47,795)	(30,037)
Bad debts (recovery)	31,683	(81,190)
Deferred rent and lease incentive liabilities	(527,503)	1,303,012
Changes in assets and liabilities:		
Contributions receivables	(2,439,076)	12,208,908
Prepaid expenses and other assets	(323,440)	(929,447)
Accounts payable and accrued liabilities	2,439,700	2,075,507
Net cash provided by operating activities	12,543,001	21,079,942
Cash flows from investing activities:		
Proceeds of short-term investments	-	1,194
Proceeds from sales of long-term investments	57,848,716	-
Purchase of long-term investments	(62,258,095)	(44,269,653)
Proceeds from dissolution of charitable trusts	725,047	223,487
Proceeds from sale of property and equipment	-	231,200
Purchase of property and equipment	(464,109)	(2,728,417)
Net cash used in investing activities	(4,148,441)	(46,542,189)
Cash flows from financing activities:		
Investment income from endowment	47,795	30,037
Investment income from split-interest agreement	(265,459)	(176,480)
Payments to split-interest beneficiaries	946,665	756,628
Net cash provided by financing activities	729,001	610,185
Change in cash and cash equivalents	9,123,561	(24,852,062)
Cash and cash equivalents, beginning of year	27,805,637	52,657,699
Cash and cash equivalents, end of year	\$ 36,929,198	\$ 27,805,637
Noncash financing and investing activities:		
Change in accounts payable related to purchase of property and equipment	\$ -	\$ (247,063)

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 over 50 years, Earthjustice has represented more than 1,000 clients, ranging from large national environmental and health 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 stakeholders to the bargaining table.

Earthjustice was incorporated in March 1970, under the laws of the State of California. It presently employs approximately 200 attorneys in sixteen office locations: Anchorage, Alaska; Juneau, Alaska; Los Angeles, California; Sacramento, California; San Francisco, California (which also houses the organization's headquarters); Denver, Colorado; Washington, D.C.; Miami, Florida; Tallahassee, Florida; Honolulu, Hawaii; Chicago, Illinois; New Orleans, Louisiana; Bozeman, Montana; New York, New York; Philadelphia, Pennsylvania; and Seattle, Washington. 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, finance, investments and fundraising activities of the organization.

2. Summary of Significant Accounting Policies

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 applicable to nonprofits. 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, 2022, 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. In November 2021, the Board approved to eliminate the cash flow reserve fund.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. **Summary of Significant Accounting Policies**, continued

Basis of Presentation, continued

Board-Designated Endowment Fund – These funds are designated to protect Earthjustice’s work commitments in the event of a longer term change in 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. While the Board Designated Endowment is intended to support Earthjustice’s work and client obligations over time, it does not functionally operate as an endowment.

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.

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, except funds held in long-term investment or split-interest purposes. 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 transferred to the client and/or transferred into Earthjustice’s operating fund accounts. For purposes of the statements of cash flows, cash and cash equivalents include:

	<u>2022</u>	<u>2021</u>
Operating cash, including client trust funds of \$877,475 and \$287,946 in 2022 and 2021, respectively	\$ 26,709,106	\$ 1,962,825
Cash equivalents included in short-term investments	<u>10,220,092</u>	<u>25,842,812</u>
	<u>\$ 36,929,198</u>	<u>\$ 27,805,637</u>

Contributions and Receivables

Contributions of cash and other assets, including unconditional promises to give, are recorded as with or without donor restrictions 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 contributions with donor restrictions upon contract ratification.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Contributions and Receivables, continued

Such grants normally have anticipated expenditures that Earthjustice will incur upon collection of the receivable, however, the contributions are not considered conditional based on the occurrence of such expenditures. 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, 2022 and 2021, there were no outstanding conditional promises to give.

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 bequest 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 details 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, 2022 and 2021, was estimated to be \$2,710,869 and \$1,874,741, respectively. There are no donor restrictions associated with the donated legal services.

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 \$8,091,290 and \$4,359,280 for the years ended June 30, 2022 and 2021, respectively. It is Earthjustice's policy to record the value of the donated space when management becomes aware of the ad placement. There are no donor restrictions associated with the donated space for public service announcements.

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 allowances of \$306,439 and \$277,394 were necessary as of June 30, 2022 and 2021, respectively. In the years ended June 30, 2022 and 2021, Earthjustice incurred \$31,683 and recovered \$81,190, 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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

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, 2022 and 2021, short-term investments consisted of certificates of deposit with maturities of three months or more having a fair value of \$447,743 and \$236,038, respectively, and cash equivalents of \$10,220,092 and \$25,842,812, 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. The collective trust funds are index funds and seek investment results that correspond with the underlying assets of the funds. The objective is to provide returns as close to the benchmark indexes as possible 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 a change in value of split-interest gift agreements. There were no investments measured using the NAV basis at June 30, 2022.

Long-term investments consist of a pool of funds that includes both donor restricted and board-designated funds. To a limited extent, the Board allows reserve investments to help fund current operations, subject to any donor-imposed restrictions on the initial contributions.

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

Level 2 – Observable inputs other than Level 1 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.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

Level 1 assets include highly liquid government bonds, 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 1 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 flow 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-trusted trusts which hold residential real estate and liabilities related to split-interest agreements.

In addition, Earthjustice reports certain investments using the 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. There were no investments measured using the NAV basis at June 30, 2022.

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 gift principle at the fair value 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.

In accordance with CUPMIFA, Earthjustice considers the following factors when investing or 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 below the fair value of the gift principal.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Endowments, continued

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, 2022 and 2021, there were no such deficiencies.

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 a 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 \$5,000 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

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Deferred Rent and Lease Incentive Liabilities

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

Concentrations of Credit Risk

At June 30, 2022 and 2021, Earthjustice maintained its investments with three investment firms, the largest single investment constituting approximately 23% of investments. (Assets separated 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). As of June 30, 2022 and 2021, Earthjustice held investments in excess of the Securities Investor Protection Corporation (“SIPC”) insurance limits.

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, 2022 and 2021, advertising and media expenses amounted to \$10,795,663 and \$6,220,997, respectively, which includes \$8,091,290 and \$4,359,280, respectively, in donated advertising services.

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.

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.

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Reclassifications

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

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. The ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. Earthjustice implemented this ASU for the year ended June 30, 2022.

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, 2021 and interim periods beginning the following year. Earthjustice will implement this ASU during the fiscal year ending June 30, 2023.

3. Liquidity and Availability

Earthjustice’s working capital and cash flows have seasonal variations 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, Earthjustice has a board-designated endowment reserve available for re-designation if additional funds are needed.

The following reflects Earthjustice’s financial assets as of June 30:

	2022	2021
Financial assets at fiscal year end:		
Operating cash, including client trust funds	\$ 26,709,106	\$ 1,962,825
Short-term investments at fair value, including cash equivalents	10,456,602	26,078,850
Contribution receivables, net	31,080,086	28,468,694
Other assets - court awards receivable	1,949,181	703,456
Long-term investments at fair value	179,821,843	212,894,827
Deferred compensation assets	1,733,834	1,129,668
Total financial assets	251,750,652	271,238,320
Less amounts unavailable for general expenditure within one year:		
Contribution receivables due after one year, net	(15,664,375)	(16,306,042)
Deferred compensation assets	(1,733,834)	(1,129,668)
Donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(1,926,247)	(1,908,000)
Board-designated reserve funds	(168,800,248)	(214,370,234)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 63,625,948</u>	<u>\$ 37,524,376</u>

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

4. Contributions Receivables

Contributions receivable at June 30, 2022 and 2021, include both contributions with and without donor restrictions that are 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. These receivables consist of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants receivable, net of discount of \$490,463	\$ -	\$ 11,704,538	\$ 11,704,538
Pledges receivable, net of discount of \$2,707,124	-	18,627,054	18,627,054
Beneficial interest in charitable remainder unitrust	-	742,644	742,644
Bequest receivables	-	312,289	312,289
Allowance for doubtful accounts	-	(306,439)	(306,439)
	<u>\$ -</u>	<u>\$ 31,080,086</u>	<u>\$ 31,080,086</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants receivable, net of discount of \$301,108	\$ -	\$ 8,864,655	\$ 8,864,655
Pledges receivable, net of discount of \$3,100,479	-	17,950,506	17,950,506
Beneficial interest in charitable remainder unitrust	-	706,660	706,660
Bequest receivables	68,264	1,156,003	1,224,267
Allowance for doubtful accounts	-	(277,394)	(277,394)
	<u>\$ 68,264</u>	<u>\$ 28,400,430</u>	<u>\$ 28,468,694</u>

Receivables from beneficial interests in charitable unitrusts not under control of Earthjustice represent 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 five and nine estates at June 30, 2022 and 2021, respectively. All bequests receivable are expected to be received within one year.

One donor comprised 11% and 15% of total contributions for the years ended June 30, 2022 and 2021, respectively. Unconditional promise to give from two donors comprised 45% and 16% of total contributions for the years ended June 30, 2022 and 2021, respectively.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

4. Contributions Receivables, continued

The pledge receivable and foundation grant receivable balances at June 30, 2022, are expected to be collected as follows:

Year ending June 30:	
2023	\$ 14,667,217
2024	8,189,462
2025	3,922,500
2026	2,350,000
2027	2,350,000
Thereafter	<u>2,050,000</u>
	33,529,179
Less discount	(3,197,587)
Less allowance	<u>(306,439)</u>
	<u><u>\$ 30,025,153</u></u>

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, 2022 and 2021 have been estimated using applicable published actuarial tables and the estimated average rate of return on the fund, which was approximately 3%.

Charitable Remainder Unitrusts – Earthjustice held seven and eight trusts at June 30, 2022 and 2021, respectively, 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 separate the associated assets from other assets to the extent of the reserve requirements. While Earthjustice elects to separate 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 \$2,359,288 and \$2,213,173 for June 30, 2022 and 2021, 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%.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

5. Split-Interest Gift Agreements, continued

Split-interest gift agreements as of June 30, 2022 are as follows:

	Pooled Income Fund	Charitable Remainder Unitrusts	Charitable Gift Annuities	Split- Interest Gifts Total
Investments, beginning of year	\$ 818,881	\$ 2,393,515	\$ 12,714,459	\$ 15,926,855
Contributions	-	903,498	678,795	1,582,293
Amounts withdrawn at death of planned giving donors	(143,746)	(175,736)	(405,565)	(725,047)
Annuity and beneficiary payments	(26,150)	(195,466)	(725,049)	(946,665)
Investment returns:				
Interest and dividend	20,809	82,354	162,296	265,459
Realized and unrealized loss	(96,669)	(518,102)	(2,228,229)	(2,843,000)
Investments, end of year	<u>\$ 573,125</u>	<u>\$ 2,490,063</u>	<u>\$ 10,196,707</u>	<u>\$ 13,259,895</u>
Comprised of:				
Marketable securities	<u>\$ 573,125</u>	<u>\$ 2,490,063</u>	<u>\$ 10,196,707</u>	<u>\$ 13,259,895</u>
Liabilities related to split-interest gift agreements	<u>\$ 167,499</u>	<u>\$ 1,756,552</u>	<u>\$ 5,680,843</u>	<u>\$ 7,604,894</u>
Split-interest gift investment classifications:				
With donor restrictions	\$ 573,125	\$ 2,490,063	\$ 2,359,288	\$ 5,422,476
Without donor restrictions	-	-	7,837,419	7,837,419
Total	<u>\$ 573,125</u>	<u>\$ 2,490,063</u>	<u>\$ 10,196,707</u>	<u>\$ 13,259,895</u>

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

5. Split-Interest Gift Agreements, continued

Split-interest gift agreements as of June 30, 2021 are as follows:

	Pooled Income Fund	Charitable Remainder Unitrusts	Charitable Gift Annuities	Split- Interest Gifts Total
Investments, beginning of year	\$ 758,394	\$ 561,869	\$ 9,131,550	\$ 10,451,813
Contributions	-	1,628,671	1,905,709	3,534,380
Amounts withdrawn at death of planned giving donors	(62,375)	-	(161,112)	(223,487)
Annuity and beneficiary payments	(31,278)	(57,919)	(667,431)	(756,628)
Investment returns:				
Interest and dividend	30,151	24,162	122,167	176,480
Realized and unrealized gain	123,989	236,732	2,383,576	2,744,297
Investments, end of year	<u>\$ 818,881</u>	<u>\$ 2,393,515</u>	<u>\$ 12,714,459</u>	<u>\$ 15,926,855</u>
Comprised of:				
Marketable securities	\$ 803,995	\$ 2,324,527	\$ 8,750,007	\$ 11,878,529
Common collective trust	-	-	3,582,106	3,582,106
Cash equivalents	14,886	68,988	382,346	466,220
Total	<u>\$ 818,881</u>	<u>\$ 2,393,515</u>	<u>\$ 12,714,459</u>	<u>\$ 15,926,855</u>
Liabilities related to split-interest gift agreements	<u>\$ 291,726</u>	<u>\$ 1,171,381</u>	<u>\$ 5,676,705</u>	<u>\$ 7,139,812</u>
Split-interest gift investment classifications:				
With donor restrictions	\$ 818,881	\$ 2,393,515	\$ 2,213,173	\$ 5,425,569
Without donor restrictions	-	-	10,501,286	10,501,286
Total	<u>\$ 818,881</u>	<u>\$ 2,393,515</u>	<u>\$ 12,714,459</u>	<u>\$ 15,926,855</u>

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

6. Long-Term Investments

The following table details long-term investments by category for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments, beginning of year	\$ 212,894,827	\$ 129,897,261
Net transfers due to portfolio balancing, fulfillment of operating requirements and surpluses, and reclassification to short-term investments	5,414	41,939,061
Investment returns:		
Interest and dividends	4,407,577	2,328,835
Realized and unrealized (loss) gain	<u>(37,485,975)</u>	<u>38,729,670</u>
Investments, end of year	<u>\$ 179,821,843</u>	<u>\$ 212,894,827</u>
Long-term investment classifications:		
With donor restrictions	\$ 3,127,847	\$ 3,889,879
Without donor restrictions	<u>176,693,996</u>	<u>209,004,948</u>
Total	<u>\$ 179,821,843</u>	<u>\$ 212,894,827</u>

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021:

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Receivables - contributions, net:				
Beneficial interest in unitrust	\$ -	\$ -	\$ 742,644	\$ 742,644
Short-term investments:				
Cash equivalents and certificates of deposit	10,008,859	447,743	-	10,456,602
Deferred compensation assets:				
Mutual funds:				
International equity	31,773	-	-	31,773
Global fixed income	13,186	-	-	13,186
Target date retirement	1,601,191	-	-	1,601,191
Domestic equity	30,854	-	-	30,854
Domestic fixed income	56,830	-	-	56,830
Total deferred compensation assets	1,733,834	-	-	1,733,834
Long-term investments:				
Cash equivalents	152,988	-	-	152,988
Equities:				
Domestic	10,355,419	-	-	10,355,419
International	41,925,700	-	-	41,925,700
Exchange traded funds	35,076,663	-	-	35,076,663
REITs	297,246	-	-	297,246
Mutual funds:				
Fixed income	30,466,031	-	-	30,466,031
Domestic equity	17,083,259	-	-	17,083,259
Treasury inflation protected securities	34,705,096	-	-	34,705,096
Real estate	9,759,441	-	-	9,759,441
Total long-term investments	179,821,843	-	-	179,821,843
Split-interest gifts:				
Cash equivalents	616,204	-	-	616,204
Mutual funds:				
Domestic equity	4,225,372	-	-	4,225,372
International equity	2,060,452	-	-	2,060,452
Emerging markets equity	676,883	-	-	676,883
Domestic real estate	1,294,726	-	-	1,294,726
International real estate	634,530	-	-	634,530
Fixed income	3,751,728	-	-	3,751,728
Total split-interest gifts	13,259,895	-	-	13,259,895
Total for assets measured at fair value	<u>\$ 204,824,431</u>	<u>\$ 447,743</u>	<u>\$ 742,644</u>	<u>\$ 206,014,818</u>
Liabilities:				
Liabilities under split-interest agreement	\$ -	\$ -	\$ 7,604,894	\$ 7,604,894
Deferred compensation liabilities	1,733,834	-	-	1,733,834
Total for liabilities measured at fair value	<u>\$ 1,733,834</u>	<u>\$ -</u>	<u>\$ 7,604,894</u>	<u>\$ 9,338,728</u>

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

7. Fair Value Measurements, continued

	2021				Total
	Level 1	Level 2	Level 3	NAV	
Assets:					
Receivables - contributions, net:					
Beneficial interest in unitrust	\$ -	\$ -	\$ 706,660	\$ -	\$ 706,660
Short-term investments:					
Cash equivalents and certificates of deposit	25,632,814	446,036	-	-	26,078,850
Deferred compensation assets:					
Cash equivalents	43	-	-	-	43
Mutual funds:					
Fixed income	207,133	-	-	-	207,133
Target retirement mutual funds	865,870	-	-	-	865,870
International term bond fund	56,622	-	-	-	56,622
Total deferred compensation assets	1,129,668	-	-	-	1,129,668
Long-term investments:					
Money market fund	516	-	-	-	516
Mutual funds:					
Fixed income	28,443,407	-	-	-	28,443,407
Domestic equity	48,511,330	-	-	-	48,511,330
Treasury inflation protected securities	36,522,454	-	-	-	36,522,454
International equity	18,292,539	-	-	-	18,292,539
Real estate	14,900,428	-	-	-	14,900,428
Developed ex-fossil fuel funds - NAV	-	-	-	66,224,153	66,224,153
Total long-term investments	146,670,674	-	-	66,224,153	212,894,827
Split-interest gifts:					
Cash equivalents	466,220	-	-	-	466,220
Mutual funds:					
Fixed income	1,357,932	-	-	-	1,357,932
International equity	2,061,503	-	-	-	2,061,503
Real estate	178,569	-	-	-	178,569
Exchange traded funds	7,209,477	-	-	-	7,209,477
Government obligations	841,301	-	-	-	841,301
Receivables	-	229,747	-	-	229,747
Common collective trusts - NAV:					
Fixed income	-	-	-	1,559,458	1,559,458
Real estate	-	-	-	210,451	210,451
Exchange traded funds	-	-	-	1,303,211	1,303,211
Government obligations	-	-	-	508,986	508,986
Total split-interest gifts	12,115,002	229,747	-	3,582,106	15,926,855
Total for assets measured at fair value	<u>\$ 185,548,158</u>	<u>\$ 675,783</u>	<u>\$ 706,660</u>	<u>\$ 69,806,259</u>	<u>\$ 256,736,860</u>
Liabilities:					
Liabilities under split-interest agreement	\$ -	\$ -	\$ 7,139,812	\$ -	\$ 7,139,812
Deferred compensation liabilities	1,129,668	-	-	-	1,129,668
Total for liabilities measured at fair value	<u>\$ 1,129,668</u>	<u>\$ -</u>	<u>\$ 7,139,812</u>	<u>\$ -</u>	<u>\$ 8,269,480</u>

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021:

	Beneficial Interest in Trusts
Balance, June 30, 2020	\$ 672,420
Increase in value due to change in market value and actuarial life expectancy	34,240
Balance, June 30, 2021	706,660
Increase in value due to change in market value and actuarial life expectancy	35,984
Balance, June 30, 2022	\$ 742,644

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021:

	<u>Liabilities under Split-Interest Agreements</u>
Balance, June 30, 2020	\$ 5,652,847
New agreements	3,534,380
Payments to beneficiaries	(756,628)
Dissolution of agreements	(223,487)
Increase in value due to change in market value and actuarial life expectancy	<u>(1,067,300)</u>
Balance, June 30, 2021	7,139,812
New agreements	1,582,293
Payments to beneficiaries	(946,665)
Dissolution of agreements	(725,047)
Increase in value due to change in market value and actuarial life expectancy	<u>554,501</u>
Balance, June 30, 2022	<u><u>\$ 7,604,894</u></u>

8. Property and Equipment

The major classes of property and equipment at June 30, 2022 and 2021 are as follows:

	2022	2021
Computer equipment and software	\$ 4,539,820	\$ 4,075,711
Furniture and equipment	3,234,708	3,294,150
Leasehold improvements	11,301,911	11,301,911
Building	475,112	475,112
Land - Alaska office	<u>153,880</u>	<u>153,880</u>
	19,705,431	19,300,764
Less accumulated depreciation and amortization	<u>(11,146,525)</u>	<u>(9,259,396)</u>
	<u><u>\$ 8,558,906</u></u>	<u><u>\$ 10,041,368</u></u>

Depreciation and amortization expense totaled \$1,946,571 and \$1,885,106 for the years ended June 30, 2022 and 2021, respectively.

EARTHJUSTICE
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9. Commitments and Contingencies

Lease Commitments

Earthjustice has entered into various lease agreements having initial terms greater than one year for office space which expire through 2031. Rental expense under these leases totaled \$7,130,027 and \$6,854,231 for the years ended June 30, 2022 and 2021, respectively.

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:	
2023	\$ 7,512,577
2024	7,519,527
2025	6,866,123
2026	4,443,614
2027	4,544,755
Thereafter	<u>13,700,315</u>
	<u><u>\$ 44,586,911</u></u>

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on Earthjustice’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations, and workforce.

EARTHJUSTICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes:

	2022		2021	
	Balance	Releases	Balance	Releases
Subject to expenditure of specified purpose:				
Climate and Energy	\$ 8,611,003	\$ (31,303,734)	\$ 6,699,442	\$ (18,807,873)
Healthy Communities	5,997,884	(4,347,206)	1,223,218	(4,793,494)
Lands, Wildlife and Oceans	1,982,288	(4,000,689)	4,004,166	(6,057,006)
Operational	570,798	(4,055,061)	630,237	(2,857,656)
Geographic	236,377	(5,265,289)	1,060,818	(4,434,738)
Total subject to expenditure of specified purpose	17,398,350	(48,971,979)	13,617,881	(36,950,767)
Subject to passage of time	14,101,348	(8,481,405)	19,193,850	(13,167,580)
Charitable remainder trusts and pooled income fund agreements	1,267,222	-	1,749,289	-
Annuity agreements, segregation required by state law	2,359,288	-	2,213,173	-
Endowments:				
Subject to Earthjustice's spending policy and appropriation:				
Investment in perpetuity, which once appropriated, is expendable to support program activities	1,926,247	(77,390)	1,908,000	(73,983)
	<u>\$ 37,052,455</u>	<u>\$ (57,530,774)</u>	<u>\$ 38,682,193</u>	<u>\$ (50,192,330)</u>

Net assets with donor restrictions 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, 2022 and 2021 are as follows:

	2022		
	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	-	478,414	478,414
Total endowment funds	<u>\$ -</u>	<u>\$ 1,926,247</u>	<u>\$ 1,926,247</u>

EARTHJUSTICE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

10. Net Assets with Donor Restrictions, continued

	2021		
	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	-	460,168	460,168
Total endowment funds	\$ -	\$ 1,908,001	\$ 1,908,001

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, June 30, 2020	\$ -	\$ 1,908,001	\$ 1,908,001
Investment income	-	30,037	30,037
Net appreciation	-	43,945	43,945
Amounts appropriated for expenditure	-	(73,983)	(73,983)
Endowment net assets, June 30, 2021	-	1,908,000	1,908,000
Investment income	-	47,795	47,795
Net appreciation	-	47,842	47,842
Amounts appropriated for expenditure	-	(77,390)	(77,390)
Endowment net assets, June 30, 2022	\$ -	\$ 1,926,247	\$ 1,926,247

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 3.5% of an employee's gross earnings after one year of service. After two years of service, the employer contribution increases to 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 \$5,010,149 and \$4,064,055 have been expensed for the years ended June 30, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS
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11. Retirement Plans, continued

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, 2022, 30 employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire or are eligible for distribution and are presented as deferred compensation assets and corresponding liabilities on the statement of financial position.

12. Related Parties

On June 27, 2017, the Earthjustice board authorized the formation of Earthjustice Action, an independent 501(c)(4) organization to help advance protection of the environment through political advocacy. Some members of the Earthjustice Action Board are also on the Earthjustice Board as of June 30, 2022. 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 \$278,804 and \$188,055 for the years ended June 30, 2022 and 2021, respectively.

13. Subsequent Events

Earthjustice evaluated subsequent events for recognition and disclosure through October 31, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in such financial statements.