EARTHJUSTICE

FINANCIAL STATEMENTS

June 30, 2015

EARTHJUSTICE
BECAUSE THE EARTH NEEDS A GOOD LAWYER

CONTENTS

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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 statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Francisco, California
November 16, 2015

EARTHJUSTICE

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Operating cash, including client trust funds	$ 662,341
Short-term investments at fair value, including cash equivalents	13,370,313
Receivables - contributions, net	5,788,442
Court awards receivable	40,452
Prepaid expenses	973,001
Deferred compensation asset	481,081
Split-interest gift agreements	9,255,135
Long-term investments at fair value	44,788,575
Property and equipment, net	3,630,420
Total assets	$ 78,989,760

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 2,272,503
Accrued vacation payable	1,625,035
Client trust funds	192,211
Deferred compensation liability	481,081
Deferred rent and lease incentive liabilities	1,402,994
Liabilities related to split-interest gift agreements	4,982,917
Total liabilities	10,956,741
Net assets:	
Unrestricted:	
For current operations	4,327,937
Board designated - Cash Flow Reserve Fund	18,391,223
Board designated - Sustaining Reserve Fund	25,347,979
Investment in property and equipment	3,630,420
Total unrestricted	51,697,559
Temporarily restricted:	
Unspent purpose restricted fund	8,504,760
Time restricted funds and investments	3,933,684
Split-interest gift reserves, net of liabilities	2,449,183
Total temporarily restricted	14,887,627
Permanently restricted	1,447,833
Total net assets	68,033,019
Total liabilities and net assets	$ 78,989,760

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

EARTHJUSTICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 19,345,507	$ 22,480,611	$ -	$ 41,826,118
Donated services	6,077,198	-	-	6,077,198
Bequests	2,992,425	244,580	-	3,237,005
Court awarded attorney fees and costs	2,168,829	-	-	2,168,829
Change in value of split-interest gift agreements	(591,073)	134,210	-	(456,863)
Net realized and unrealized gains from investments	231,356	338,700	-	570,056
Interest and dividend income	891,708	13,415	-	905,123
Other income	79,945	-	-	79,945
Satisfaction of program/time restrictions	24,724,748	(24,724,748)	-	-
Total revenues	55,920,643	(1,513,232)	-	54,407,411
Expenses:				
Program services:				
Litigation	24,643,857	-	-	24,643,857
Donated litigation services	3,226,732	-	-	3,226,732
Public information	10,071,303	-	-	10,071,303
Donated public information services	2,850,466	-	-	2,850,466
Supporting services:				
Management and general	2,879,147	-	-	2,879,147
Fundraising	5,539,965	-	-	5,539,965
Total expenses	49,211,470	-	-	49,211,470
Change in net assets	6,709,173	(1,513,232)	-	5,195,941
Net assets, beginning of year	44,988,386	16,400,859	1,447,833	62,837,078
Net assets, end of year	$ 51,697,559	$ 14,887,627	$ 1,447,833	$ 68,033,019

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

EARTHJUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Program				
	Litigation	Public Information	Management and General	Fundraising	Total
Salaries and related expenses:					
Salary	$ 13,613,271	$ 4,365,904	$ 1,034,663	$ 2,209,177	$ 21,223,015
Employee fringe benefits	2,528,913	642,908	203,216	338,742	3,713,779
Payroll taxes	1,003,310	306,209	74,019	163,595	1,547,133
Retirement plan contributions	1,035,628	298,683	66,761	125,075	1,526,147
Total salaries and related expenses	18,181,122	5,613,704	1,378,659	2,836,589	28,010,074
Other expenses:					
Donated services	3,226,732	2,850,466	-	-	6,077,198
Occupancy	1,672,940	582,645	519,626	231,755	3,006,966
Direct case costs	2,088,246	2,166	-	-	2,090,412
Professional services	507,492	1,032,163	236,216	217,881	1,993,752
Media	432	1,837,193	1,416	72,997	1,912,038
Travel, conferences, and meetings	595,799	296,622	187,696	115,291	1,195,408
Printing, publications, and reproduction	-	53,752	22,834	689,839	766,425
Postage	28,959	71,460	43,676	590,172	734,267
Depreciation and amortization	428,882	125,734	70,003	48,684	673,303
Telephone and internet	449,103	33,520	8,375	10,245	501,243
Miscellaneous	123,907	198,534	56,828	37,235	416,504
Contracted services	-	40,968	24,581	337,717	403,266
Equipment rental and maintenance	179,492	74,788	74,864	45,286	374,430
Fundraising professional services	-	-	-	258,000	258,000
Investment advisory and bank fees	-	-	223,653	-	223,653
Supplies	134,022	28,515	16,768	39,794	219,099
Grants and allocations	171,500	-	-	-	171,500
Insurance	50,961	32,993	6,629	4,654	95,237
Research	31,000	46,546	7,323	3,826	88,695
Total other expenses	9,689,467	7,308,065	1,500,488	2,703,376	21,201,396
	$ 27,870,589	$ 12,921,769	$ 2,879,147	$ 5,539,965	$ 49,211,470

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

EARTHJUSTICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	$ 5,195,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	673,303
Gain on sale of property and equipment	(55)
Amortization of discount on contributions receivable	24,848
Actuarial gain on split-interest liabilities	276,010
Dividends reinvested from split-interest agreement	(194,757)
Net realized and unrealized gains from investments and split-interest agreements	(570,056)
Bad debts	35,260
Changes in assets and liabilities:	
Receivables - contributions	(239,127)
Other receivables	42,471
Court awards receivable	690,408
Prepaid expenses	(127,703)
Accounts payable	709,567
Accrued vacation payable	109,442
Client trust funds	54,133
Deferred rent and lease incentive liabilities	469,984
Total adjustments	1,953,728
Net cash provided by operating activities	7,149,669
Cash flows from investing activities:	
Purchase of short-term investments	(5,654)
Proceeds from sales of long-term investments	5,853,044
Purchase of long-term investments	(14,843,959)
Proceeds from dissolution of charitable trusts	392,771
Proceeds from sale of property and equipment	55
Purchase of property and equipment	(923,664)
Net cash used in investing activities	(9,527,407)
Cash flows from financing activities:	
Payments to split-interest beneficiaries	708,253
Cash received from new split-interest agreements	(494,078)
Net cash provided by financing activities	214,175
Change in cash and cash equivalents	(2,163,563)
Cash and cash equivalents, beginning of year	15,969,670
Cash and cash equivalents, end of year	$ 13,806,107
Supplemental disclosure of cash flow information:	
Leasehold improvements paid by landlord	$ 933,010

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 savvy lobbying and communications. 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 in the law.

For over 40 years, Earthjustice has represented more than 1,000 public interest clients, ranging from large national to smaller grassroots organizations. 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 approximately over 100 attorneys in twelve locations: San Francisco, California (which also houses the organization headquarters); Washington, D.C.; Denver, Colorado; Juneau, Alaska; Anchorage, Alaska; Seattle, Washington; Honolulu, Hawaii; Tallahassee, Florida; Bozeman, Montana; New York, New York; Philadelphia, Pennsylvania; and Los Angeles, CA. This nationwide litigation effort is supported by policy and legislation experts and by the organization's veteran communications team, which has broad experience in print and broadcast media as well as web-based advocacy.

Recent Earthjustice victories include: successfully litigating to ban a bee-killing pesticide; winning a major settlement to protect the habits of vulnerable marine mammal populations in Hawaii and Southern California from sonar and explosive testing; strengthening of the worker protection standard for farmworkers exposed to toxic pesticides; and helping to spur Shell's decision to withdraw drilling operations from the Arctic.

Earthjustice has divided its current work into three key program areas: fighting for healthy communities, by holding polluters and the government accountable for following our nation's bedrock environmental laws that exist to ensure widespread protections from pollution and toxic chemicals; preserving the wild, by enforcing laws to ensure that species and wild ecosystems can freely exist and adapt to a changing world; advancing clean energy and a healthy climate, by using the courts to cut carbon emissions and to force a shift from dirty to clean energy. Earthjustice is committed to securing lasting protections that help restore the earth to ecological balance and to ensure a healthy environment for all.

Earthjustice's volunteer members of the Board are active in oversight of governance, finances, investments and fundraising, and in making private contributions.

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

Net Asset Classifications

The accompanying financial statements have been prepared 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:

Unrestricted – Those net assets and activities which represent the portion of expendable funds that are available to support the Earthjustice's operations. Additionally, the Board of Directors may designate a portion of these net assets for specified purposes. As of June 30, 2015, 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.

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met by actions of Earthjustice and/or the passage of time. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of program/time restrictions.

Permanently Restricted – Unconditional promises to give by a donor that specifies that the assets donated be invested to provide a permanent source of income. Permanently restricted gifts (endowments) are managed according to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") law of the State of California. If the donor does not restrict the allowed use of the income, the organization classifies income as temporarily restricted net assets until those amounts are appropriated for expenditure by Earthjustice in a manner consistent with the standard of prudence prescribed by UPMIFA.

Contributions and Receivables

Earthjustice reports contributions of cash and other assets, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of program/time restrictions. Revenue from contractual foundation grants is recorded as a temporarily restricted contribution 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%. Conditional promises to give are excluded from revenue and support until the conditions are substantially met. As of June 30, 2015, 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 year ended June 30, 2015, was estimated to be $3,175,303. The estimate of donated administrative legal services for the year ended June 30, 2015 totaled $51,429.

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 $2,778,369 for the year ended June 30, 2015. It is Earthjustice's policy to record the value of the donated space when management becomes aware of the ad placement.

In the year ended June 30, 2015, Earthjustice received other donate public information services, the estimated value of which totaled $72,097.

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 $110,475 was necessary as of June 30, 2015. In the year ended June 30, 2015, Earthjustice incurred an additional $35,260 in bad debt expenses as the result of revaluing the longer-term collectability of certain bequests receivable and in redirecting a prior paid bequest to its intended beneficiary.

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:

Operating cash, including client trust funds of $192,211	$ 662,341
Cash equivalents included in short-term investments	13,143,766
	$ 13,806,107

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, 2015, short-term investments consisted of certificates of deposit with maturities of three months or more having a fair value of $226,547 and cash equivalents of $13,143,766.

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 6. In the current year, Earthjustice invested in a collective trust fund that is measured on a net asset value ("NAV") per share basis, which approximates fair value. The Fund is an index fund that seeks investment results that correspond with the underlying assets of the fund, which primarily comprise of domestic and foreign equities index funds. 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. 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-restricted 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 Flow 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. An investment's categorization 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 investments include highly liquid government bonds, actively traded mutual funds, and exchange traded equities. Level 2 investments 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, investments are classified within Level 3 of the hierarchy. Level 3 investments include beneficial interests in non-trusteed trusts which hold residential real estate. Inputs used for valuation of remainder interests 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.

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") 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 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

Continued

2. Summary of Significant Accounting Policies, continued

Endowments, continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

Earthjustice has adopted a policy of appropriating for distribution each year up to 5% 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Earthjustice in a manner consistent with the standard of prudence prescribed by CUPMIFA.

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 unrestricted net assets. For the year ended June 30, 2015, 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. 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 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 temporarily restricted contributed income 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.

Continued

2. Summary of Significant Accounting Policies, continued

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 a cost or 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
Library holdings	7 years

Depreciation and amortization expense totaled $673,303 for the year ended June 30, 2015.

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.

Concentrations of Credit Risk

At June 30, 2015, Earthjustice maintained approximately 50% of total investments with four investment managers, the largest constituting approximately 21% 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.

Allocations to Functional Expenses

Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

Lobbying

Earthjustice conducts limited lobbying activities in its efforts to provide increased public and policy-making awareness of environmental issues and the role of law in resolving them. Earthjustice incurred $88,094 in grassroots lobbying and an additional $366,397 in direct lobbying for total lobbying expenditures of $454,491 during the period ended June 30, 2015. All lobbying expenditures are included in the Public Information functional category.

Continued

2. Summary of Significant Accounting Policies, continued

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.

3. Receivables - Contributions

Contributions receivable at June 30, 2015, include both unrestricted and temporarily restricted contributions, 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:

	Unrestricted	Temporarily Restricted	Total
Foundation grants receivable	$ 700,000	$ 3,112,359	$ 3,812,359
Pledges receivable, net of discount of $59,808	792,775	675,192	1,467,967
Beneficial interest in charitable remainder unitrust	-	360,657	360,657
Bequest receivables, net of allowance of $110,475	147,459	-	147,459
	$ 1,640,234	$ 4,148,208	$ 5,788,442

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.

Approximately 84% of the bequests receivable are from three estates at June 30, 2015. All bequests receivable are expected to be received within one year.

One donor made up approximately 27% of revenues for the year ended June 30, 2015.

The pledge receivable and foundation grant receivable balances at June 30, 2015, will be collected as follows:

Year ending June 30:	
2016	$ 4,205,134
2017	600,000
2018	410,000
2019	125,000
	$ 5,340,134

Continued

4. 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, 2015 have been estimated using applicable published actuarial tables and the estimated average rate of return on the fund, which was approximately 3.4%.

Charitable Remainder Unitrusts – Earthjustice held six trusts at June 30, 2015, 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 $1,121,699 for June 30, 2015. As a result, this amount constitutes temporarily restricted net assets. 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

4. Split-Interest Gift Agreements, continued

	Pooled Income Fund	Charitable Remainder Unitrusts	Charitable Gift Annuities	Split-Interest Gifts Total
Investments, beginning of year	$ 834,678	$ 1,330,146	$ 7,540,028	$ 9,704,852
Added split-interest gifts:				
Gifts creating annuity trusts	15,213	-	478,865	494,078
Amounts withdrawn at death of planned giving donors	-	(270,064)	(122,707)	(392,771)
Annuity and beneficiary payments	(28,867)	(73,737)	(605,649)	(708,253)
Investment returns (net of expenses and fees):				
Dividends, interest, rents, and expenses	28,612	4,708	161,436	194,756
Realized and unrealized gains	(9,107)	10,983	(39,403)	(37,527)
Investments, end of year	$ 840,529	$ 1,002,036	$ 7,412,570	$ 9,255,135
Liabilities related to split-interest gift agreements	$ 239,049	$ 621,961	$ 4,121,907	$ 4,982,917
Comprising of:				
Marketable securities	$ 832,544	$ 972,013	$ 6,898,326	$ 8,702,883
Cash equivalents	7,985	30,023	514,244	552,252
Total	$ 840,529	$ 1,002,036	$ 7,412,570	$ 9,255,135
Split-interest gift investment classifications:				
Temporarily restricted	$ 840,529	$ 1,002,036	$ 1,121,699	$ 2,964,264
Unrestricted	-	-	6,290,871	6,290,871
Total	$ 840,529	$ 1,002,036	$ 7,412,570	$ 9,255,135

Continued

5. Long-Term Investments

The following table details long-term investments by category for the year ended June 30, 2015:

	Long-term Investments
Investments, beginning of year	$ 35,531,475
Net transfers due to portfolio balancing, fulfillment of operating (requirements)/surpluses, and reclassification to short-term investments	8,261,960
Investment returns (net of expenses and fees):	
Dividends, interest, rents, and expenses	728,954
Realized and unrealized gains	266,186
Investments, end of year	$ 44,788,575
Comprising of:	
Marketable securities	$ 44,788,575
Cash equivalents	-
Total	$ 44,788,575
Long-term investment classifications:	
Permanently restricted	$ 1,447,833
Temporarily restricted	2,200,751
Unrestricted	41,139,991
Total	$ 44,788,575

Continued

6. Fair Value Measurements

The following table presents the fair value measurements of assets 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, 2015.

	Level 1	Level 2	Level 3	Total
Assets:				
Receivables - contributions, net:				
Beneficial interest in unitrust	$ -	$ -	$ 360,657	$ 360,657
Short-term investments:				
Cash equivalents	13,062,428	307,885	-	13,370,313
Deferred compensation assets:				
Fixed income mutual funds	280,628	-	-	280,628
Domestic equity mutual funds	133,553	-	-	133,553
International term bond fund	66,900	-	-	66,900
Total deferred compensation assets	481,081	-	-	481,081
Long-term investments:				
Reserves:				
Fixed income mutual funds	7,442,507	-	-	7,442,507
Domestic equity mutual funds	8,830,777	-	-	8,830,777
Treasury inflation protected securities fund	10,170,876	-	-	10,170,876
International equity mutual funds	3,519,458	-	-	3,519,458
Real estate fund	2,482,747	-	-	2,482,747
Collective trust fund	-	12,342,210	-	12,342,210
Total long-term investments	32,446,365	12,342,210	-	44,788,575
Split-interest gifts:				
Cash and cash equivalents	552,252	-	-	552,252
Fixed income mutual funds	1,941,298	-	-	1,941,298
Domestic equity mutual funds	2,540,056	-	-	2,540,056
International equity mutual funds	291,020	-	-	291,020
Alternatives mutual funds	2,039	-	-	2,039
Exchange traded mutual funds	1,608,969	-	-	1,608,969
Government obligations	2,319,501	-	-	2,319,501
Total split-interest gifts	9,255,135	-	-	9,255,135
Total assets	$ 55,245,009	$ 12,650,095	$ 360,657	$ 68,255,761

Continued

6. **Fair Value Measurements**, continued

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the period ended June 30, 2015:

	Beneficial Interest in Trusts
Balance, June 30, 2014	$ 343,158
Unrealized gain on investments, included in realized and unrealized losses	17,499
Balance, June 30, 2015	$ 360,657

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.

The following table represents the liquidity and redemption restrictions on the financial investments above:

	June 30, 2015			
	Fair Value at Year-End	Redemption Frequency	Redemption Notice Period	Other Restrictions
Beneficial interest in unitrust:				
Residential real estate	$ 360,657	Not eligible	Not applicable	None

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.

Fair value for the beneficial interest in trusts is based on a discounted cash flows model which factors in real estate appraisals, applicable published actuarial tables, and a 6% discount rate. There was no change in valuation methods during the current fiscal year.

Continued

7. Property and Equipment

The major classes of property and equipment at June 30, 2015 are as follows:

Computer equipment and software	$ 2,154,778
Furniture and equipment	2,037,763
Leasehold improvements	2,624,588
Building	444,222
Land - Alaska office	153,880
Land - Alaska (donated)	79,000
	7,494,231
Less accumulated depreciation and amortization	(3,863,811)
	$ 3,630,420

8. Deferred Compensation Plan

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, 2015, 8 employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire.

9. Lease Commitments

Earthjustice has entered into various lease agreements having initial terms greater than one year for office space which expire in 2025. Rental expense under these leases totaled $2,948,862 for the year ended June 30, 2015. Most lease agreements provide for periodic adjustments based on fixed percentage increases in rent.

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

Year ending June 30:	
2016	$ 2,565,922
2017	2,553,177
2018	2,471,419
2019	2,507,306
2020	2,311,400
Thereafter	4,128,208
	$ 16,537,432

Continued

10. Restricted Net Assets

Temporarily restricted net assets at June 30, 2015, are restricted for the following purposes:

	Balance	Releases
Program activities	$ 8,504,760	$ 22,474,523
Time restricted funds and investments	3,933,684	1,980,161
Charitable remainder trusts and pooled income fund agreements	1,327,504	270,064
Annuity agreements, segregation required by state law	1,121,679	-
	$ 14,887,627	$ 24,724,748

Permanently restricted net assets are restricted to endowment investments and contributions. 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, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, June 30, 2014	$ -	$ 298,195	$ 1,447,833	$ 1,746,028
Investment income	-	13,415	-	13,415
Net appreciation	-	23,877	-	23,877
Amounts appropriated for expenditure	-	(86,484)	-	(86,484)
Endowment net assets, June 30, 2015	$ -	$ 249,003	$ 1,447,833	$ 1,696,836

11. Retirement Annuity Plan

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. In addition, through calendar year 2014, the Board of Trustees had elected to contribute an additional 6.2% of an employee's compensation above the social security wage base to the retirement annuity plan subject to regulatory limits. This additional benefit was rescinded in 2015. Contributions to the retirement annuity plan of $1,526,147 have been expensed for the year ended June 30, 2015.

12. Subsequent Events

Earthjustice evaluated subsequent events for recognition and disclosure through November 16, 2015, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in such financial statements.