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CERTIFIED PUBLIC ACCOUNTANTS
Building Service Partnerships Since 1976

March 4, 2015

Patricia Smith, Executive Director
EarthShare California
870 Market Street, Suite 703
San Francisco, CA 94102

Dear Pat:

Enclosed are four unbound copies of the financial statements of Environmental Federation of California, Inc. (operating as EarthShare California) for the year ended June 30, 2013, together with our Independent Auditors' Report thereon.

If you have any questions or need additional copies, please do not hesitate to call me.

Sincerely,



Kenneth A. Preston

KAP:kmw

Enclosures

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**ENVIRONMENTAL FEDERATION
OF CALIFORNIA, INC.
(Operating as EarthShare California)**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2013**

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Independent Auditors' Report

Board of Directors
Environmental Federation of California, Inc.

We have audited the accompanying financial statements of Environmental Federation of California, Inc., (operating as EarthShare California) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

Management is responsible for the preparation of 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 of 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 auditor considers 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 Environmental Federation of California, Inc. as of June 30, 2013, 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.

San Francisco, California
February 26, 2015

Bregante + Company LLP

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

STATEMENT OF FINANCIAL POSITION

June 30, 2013

ASSETS

Cash	\$ 806,138
Pledges receivable, net of allowance for uncollectible pledges of \$75,820	731,722
Accounts receivable	1,220
Prepaid expenses	13,105
Property and equipment, net of accumulated depreciation of \$30,420	3,306
Deposits	<u>2,974</u>
 Total assets	 <u>\$ 1,558,465</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	\$ 41,388
Campaign proceeds payable, net	1,117,523
Affiliation fees payable to national confederation	<u>74,905</u>
 Total liabilities	 1,233,816
 Net assets:	
Unrestricted	319,938
Temporarily restricted	<u>4,711</u>
 Total net assets	 <u>324,649</u>
 Total liabilities and net assets	 <u>\$ 1,558,465</u>

See accompanying notes and auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue:			
Campaign revenue:			
Campaign results (gross)	\$ 1,263,673	\$ -	\$ 1,263,673
Total shrinkage	<u>(103,557)</u>	<u>-</u>	<u>(103,557)</u>
Net total pledges	<u>1,160,116</u>	<u>-</u>	<u>1,160,116</u>
Less designations to others	(683,461)	-	(683,461)
Shrinkage on designated to others	<u>56,009</u>	<u>-</u>	<u>56,009</u>
Net designations to others	<u>(627,452)</u>	<u>-</u>	<u>(627,452)</u>
Net undesignated pledges	532,664	-	532,664
Other revenue:			
Administrative fees for raising funds on behalf of others	477,758	-	477,758
Contributions	50,902	-	50,902
In-kind donations	950	-	950
Interest and dividend income	363	-	363
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Total support and revenue	<u>1,063,637</u>	<u>(1,000)</u>	<u>1,062,637</u>
Expenses:			
Program services:			
Undesignated campaign proceeds distributions	532,664	-	532,664
Other program expenses	<u>344,236</u>	<u>-</u>	<u>344,236</u>
Total program services	876,900	-	876,900
General and administrative	136,478	-	136,478
Fundraising	<u>42,809</u>	<u>-</u>	<u>42,809</u>
Total expenses	<u>1,056,187</u>	<u>-</u>	<u>1,056,187</u>
Changes in net assets	7,450	(1,000)	6,450
Net assets, beginning of year	<u>312,488</u>	<u>5,711</u>	<u>318,199</u>
Net assets, end of year	<u>\$ 319,938</u>	<u>\$ 4,711</u>	<u>\$ 324,649</u>

See accompanying notes and auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Changes in net assets	\$ 6,450
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	640
(Increase) decrease in assets:	
Pledges receivable, net	14,582
Accounts receivable	(31)
Prepaid expenses	(7,963)
Deposits	(1,139)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(1,781)
Campaign proceeds payable, net	238,063
Affiliation fees payable to national confederation	<u>26,406</u>
Total adjustments	<u>268,777</u>
Net cash provided by operating activities	<u>275,227</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(1,845)</u>
Net cash used by investing activities	<u>(1,845)</u>
Net increase in cash	273,382
Cash, beginning of year	<u>532,756</u>
Cash, end of year	<u>\$ 806,138</u>

Noncash investing activities:

Fully depreciated equipment with an original cost of \$2,180 was retired during the year ended June 30, 2013.

See accompanying notes and auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	<u>Other Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 223,154	\$ 76,330	\$ 38,563	\$ 338,047
Affiliation fees	44,228	-	-	44,228
Contract services	24,958	9,341	-	34,299
Accounting	-	32,000	-	32,000
Rent	18,971	3,805	2,004	24,780
Program expenses	11,627	-	-	11,627
Telephone	6,633	493	664	7,790
Office and computer supplies	5,285	1,290	956	7,531
Travel	6,025	-	349	6,374
Bank charges	-	5,746	-	5,746
Meetings and conferences	1,238	1,721	10	2,969
Insurance	-	2,705	-	2,705
Postage and delivery	1,430	87	139	1,656
Depreciation	569	-	71	640
Miscellaneous	118	2,960	53	3,131
	<u>118</u>	<u>2,960</u>	<u>53</u>	<u>3,131</u>
Total	<u>\$ 344,236</u>	<u>\$ 136,478</u>	<u>\$ 42,809</u>	<u>\$ 523,523</u>

See accompanying notes and auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – Nature of the Federation

Environmental Federation of California, Inc. (the Federation), which operates as EarthShare California, was established in 1982 as a coalition of various independent environmental groups (affiliated organizations). The primary purpose of the Federation is to broaden its affiliates' financial support by obtaining access to and coordinating participation in corporate and governmental payroll deduction fundraising campaigns throughout California. This support will help: (1) prevent human health problems from air, water and toxic pollution; (2) preserve and conserve fresh water, marine and land resources; and (3) develop educational programs which promote a sound and balanced use of our natural resources. The Federation represents 83 environmental organizations in over 187 workplace-giving campaigns.

For an organization to be accepted in the Federation, the organization must meet the qualifications specified in the Federation's by-laws. The Board of Directors determines the acceptance of a new member organization. The new member organizations are required to pay a joining fee of \$5,000 plus 10% of their respective net income from distributions for the first three years. Member organizations are required to perform a minimum of 30 service hours per year. Undesignated monies, less expenses, are normally divided 60/40 between local/common members and national members. The Federation can choose to apply for a different split, on a year-by-year basis (see Note H). Local and common members receive an equal share of the Federation's undesignated monies less expenses and any other member fees levied by the Board of Directors. There are currently 46 local and common members in the Federation.

NOTE B – Summary of significant accounting policies

Basis of accounting

The Federation maintains its accounting records and prepares its financial statements on the accrual basis.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the Federation considers cash and cash equivalents to consist of demand deposits as well as cash on hand.

Pledges

Unconditional promises to give (pledges) are all expected to be collected within one year and are recorded at their net realizable value, net of uncollectible pledges. Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

Allowance for uncollectible pledges

The allowance for uncollectible pledges is an estimate of annual campaign payroll pledges receivable that will not be collected. The estimate is based on collection history of prior year campaigns and is offset against campaign contribution revenue.

See auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B -- Summary of significant accounting policies (continued)

Property and equipment

Property and equipment with useful lives of greater than one year costing \$1,000 or more are capitalized and are recorded at cost, or fair value if donated. Capitalized property and equipment are depreciated over their estimated useful lives of three to seven years on the straight-line basis. Donated material and equipment are recorded as contributions at their estimated value on the date of receipt.

Net assets

The Federation classifies its net assets and activities into one of three categories:

Unrestricted: Those net assets and activities which represent the portion of expendable funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily restricted: Those net assets and activities which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. The Federation had \$4,711 of net assets temporarily restricted for specific activities and future periods at June 30, 2013.

Permanently restricted: Those net assets and activities which are permanently donor-restricted for holdings of: (a) assets donated with stipulations that they be preserved and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The Federation has no permanently restricted net assets at June 30, 2013.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing unrestricted net assets and decreasing temporarily restricted net assets in the Statement of Activities, and the release from restrictions is reported separately from other transactions.

Recognition of public support and allocations

The annual campaigns at worksites are conducted primarily in the fall of each year to raise support for allocations to the affiliated organizations. Donor contribution revenue is recognized as pledges are made based on donor pledge forms or employer summarized information. For campaigns where there is no such information, pledges are estimated based on prior year actual collections and allocations.

Contributions are allocated to affiliated organizations to the extent the donor designates a preference. The total amount of contributions allocated to affiliated organizations is ultimately determined by the Board of Directors.

See auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B – Summary of significant accounting policies (continued)

Recognition of public support and allocations (continued)

Affiliated organizations also receive contributions directly from donors or third party processors that are attributable to the Federation's annual worksite campaigns. The affiliated organizations are required to send these contributions to the Federation, so that these amounts may be recognized in the Federation's gross campaign results, and distributed appropriately. Management believes that not all of these direct payments are properly routed through the Federation, and the amounts may be significant, but difficult to ascertain.

Grants

Grants are recorded as revenue in accordance with generally accepted accounting principles. Revenue that is donor-restricted is included in temporarily restricted net assets. As the restrictions are met, the revenue is shown as a release from restrictions and transferred from temporarily restricted net assets to unrestricted net assets.

Contributed goods and services

The Federation's policy is to recognize the fair value of certain contributed goods and services received as both revenue and an offsetting expense in accordance with generally accepted accounting principles. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the year ended June 30 2013, the value of contributed goods and services included as an in-kind donation in the accompanying financial statements was \$950 and consisted of the use of facilities for the Federation's annual general meeting. Other notable volunteer time that does not require recognition in the financial statements totaled over 1,600 hours during the year ended June 30, 2013.

Functional allocation of expenses

The costs of providing the program services and supporting activities of the Federation is summarized in the Statement of Activities and in the Statement of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and the supporting activities benefited. Occupancy related expense allocation is based on the square footage of the space used. Personnel related expense allocation is based on the staff time spent on each function.

The Federation reports its expenses on a functional basis as follows:

- Program services include specific campaign activities and educational efforts on the part of the Federation, as well as activities dealing with and providing information and referral for member agencies. Additionally, program services also include activities expenses related to the management of existing campaigns.

See auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B -- Summary of significant accounting policies (continued)

Functional allocation of expenses (continued)

- General and administrative relates to all Federation overhead activities, including management and general aspects that are not related to fundraising or program activities.

Income taxes

The Federation is a qualified organization exempt from federal and California income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code. Therefore, no provision for federal or California income tax is reflected in the financial statements.

The Federation's income tax returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed. The Federation believes that there are no material uncertain tax positions which require adjustment to the financial statements or additional footnote disclosure.

Use of estimates

Management is required 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Significant estimates include accrual of pledges receivable and the provision for uncollectible pledges.

NOTE C -- Concentration of credit risk

Financial instruments that potentially subject the Federation to a concentration of credit risk consist primarily of cash and pledges receivable. The Federation maintains its cash in several accounts at one bank. The combined balance at times may exceed federally insured limits. Pledges receivable consist of promises from individuals to give through workplace giving campaigns. The Federation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk. A shrinkage allowance is recognized for expected uncollectible pledges. Management does not expect results to differ significantly from net pledge revenue recognized.

See auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE D -- Property and equipment

Property and equipment at June 30, 2013 consist of the following:

Computer equipment	\$	3,965
Software		25,812
Office equipment		<u>3,949</u>
		33,726
Less accumulated depreciation		<u>(30,420)</u>
Property and equipment, net	\$	<u>3,306</u>

Depreciation expense was \$640 for the year ended June 30, 2013.

NOTE E -- Temporarily restricted net assets

Temporarily restricted net assets consisted of \$4,711 for investment in technology infrastructure at June 30, 2013.

NOTE F -- Lease commitments

The Federation has a lease for its San Francisco office which expires on August 31, 2017. The Federation also rents office space in Los Angeles and storage space on a month-to-month basis.

The future minimum lease payments attributable to facility leases are as follows:

<u>Years Ending June 30,</u>		
2014	\$	23,704
2015		24,410
2016		25,148
2017		25,902
2018		<u>4,338</u>
	\$	<u>103,502</u>

See auditors' report.

ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare California)

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE G -- Affiliation with EarthShare National

Environmental Federation of California, Inc. and other state environmental fundraising organizations have an affiliation agreement under the name EarthShare in their own respective states. The purpose of the agreement is to create a unified environmental fundraising confederation and adopt consistent financial accounting practices and disbursement arrangements.

Under the terms of the affiliation agreement, the Federation is required to remit 4% of net campaign revenue to EarthShare National as well as 40% of undesignated campaign revenue net of overhead and other allowable expenses to the members of EarthShare National. On a year-by-year basis, the Federation can submit a request to modify the required percentage remittance of the undesignated campaign revenue remittance.

Related party balances and related party transactions under the terms of the affiliation agreement are as follows:

Assets and liabilities as of June 30, 2013:	
Net campaign proceeds payable to national confederation	\$ 129,304
Affiliation fees payable to national confederation	<u>74,905</u>
Total due to national confederation	<u>\$ 204,209</u>
Revenue and expenses for the year ended June 30, 2013:	
Campaign proceeds distributions (net of fees)	\$ 133,561
Affiliation fees expense	<u>44,228</u>
	<u>\$ 177,789</u>

NOTE H -- Subsequent event

The current year allocation of undesignated campaign proceeds of \$532,664 was made based on the normal 60/40 split between local/common members and national members. This allocation affects only the split between the national confederation and the local/common affiliated organizations, and will have no effect on the change in net assets of the Federation. Actual allocation of disbursements of undesignated campaign proceeds made during the year ending June 30, 2013 may vary from amounts accrued at June 30, 2014.

See auditors' report.

**ENVIRONMENTAL FEDERATION OF CALIFORNIA, INC.
(Operating as EarthShare of California)**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE H – Subsequent event (continued)

The date to which events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure is February 26, 2015, which is the date on which the financial statements were available to be issued.

See auditors' report.