

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

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2015 and 2014**

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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 statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

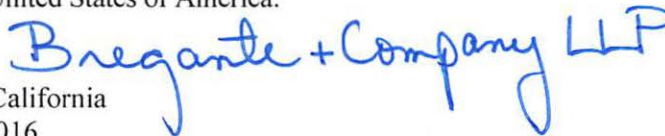
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2015 and 2014, 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.

San Francisco, California  
December 12, 2016



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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Assets:		
Cash	\$ 547,325	\$ 840,775
Pledges receivable, net of allowance for uncollectible pledges of \$77,832 and \$69,755	813,376	694,462
Accounts receivable	9,217	1,220
Prepaid expenses	14,101	13,568
Property and equipment, net of accumulated depreciation of \$32,396 and \$31,200	3,959	3,320
Deposits	2,760	2,760
Total assets	\$ 1,390,738	\$ 1,556,105
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 156,408	\$ 106,988
Campaign proceeds payable, net	987,472	1,081,076
Affiliation fees payable to national confederation	39,499	82,159
Total liabilities	1,183,379	1,270,223
Net assets:		
Unrestricted	204,648	282,171
Temporarily restricted	2,711	3,711
Total net assets	207,359	285,882
Total liabilities and net assets	\$ 1,390,738	\$ 1,556,105

See accompanying notes to the financial statements.

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

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Campaign revenue:						
Campaign results (gross)	\$ 1,095,329	\$ -	\$ 1,095,329	\$ 1,172,917	\$ -	\$ 1,172,917
Total shrinkage	(61,788)	-	(61,788)	(69,755)	-	(69,755)
Net total pledges	<u>1,033,541</u>	<u>-</u>	<u>1,033,541</u>	<u>1,103,162</u>	<u>-</u>	<u>1,103,162</u>
Less designations to others	(642,792)	-	(642,792)	(582,086)	-	(582,086)
Shrinkage on designated to others	<u>36,260</u>	<u>-</u>	<u>36,260</u>	<u>22,235</u>	<u>-</u>	<u>22,235</u>
Net designations to other	<u>(606,532)</u>	<u>-</u>	<u>(606,532)</u>	<u>(559,851)</u>	<u>-</u>	<u>(559,851)</u>
Net undesignated pledges	427,009	-	427,009	543,311	-	543,311
Other revenue:						
Administrative fees for raising funds on behalf of others	387,803	-	387,803	410,930	-	410,930
Contributions	51,598	-	51,598	36,520	-	36,520
In-kind donations	950	-	950	950	-	950
Interest and dividend income	263	-	263	203	-	203
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Total support and revenue	<u>868,623</u>	<u>(1,000)</u>	<u>867,623</u>	<u>992,914</u>	<u>(1,000)</u>	<u>991,914</u>
Expenses:						
Program services:						
Undesignated campaign proceeds distributions	427,009	-	427,009	543,311	-	543,311
Other program expenses	<u>307,836</u>	<u>-</u>	<u>307,836</u>	<u>316,530</u>	<u>-</u>	<u>316,530</u>
Total program services	734,845	-	734,845	859,841	-	859,841
General and administrative	161,126	-	161,126	122,896	-	122,896
Fundraising	<u>50,175</u>	<u>-</u>	<u>50,175</u>	<u>47,944</u>	<u>-</u>	<u>47,944</u>
Total expenses	<u>946,146</u>	<u>-</u>	<u>946,146</u>	<u>1,030,681</u>	<u>-</u>	<u>1,030,681</u>
Changes in net assets	(77,523)	(1,000)	(78,523)	(37,767)	(1,000)	(38,767)
Net assets, beginning of year	<u>282,171</u>	<u>3,711</u>	<u>285,882</u>	<u>319,938</u>	<u>4,711</u>	<u>324,649</u>
Net assets, end of year	<u>\$ 204,648</u>	<u>\$ 2,711</u>	<u>\$ 207,359</u>	<u>\$ 282,171</u>	<u>\$ 3,711</u>	<u>\$ 285,882</u>

See accompanying notes to the financial statements.

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

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets	\$ (78,523)	\$ (38,767)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,196	780
(Increase) decrease in assets:		
Pledges receivable, net	(118,914)	37,260
Accounts receivable	(7,997)	-
Prepaid expenses	(533)	(463)
Deposits	-	214
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	49,420	65,600
Campaign proceeds payable, net	(93,604)	(36,447)
Affiliation fees payable to national confederation	<u>(42,660)</u>	<u>7,254</u>
Total adjustments	<u>(213,092)</u>	<u>74,198</u>
Net cash provided (used) by operating activities	<u>(291,615)</u>	<u>35,431</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,835)</u>	<u>(794)</u>
Net cash used by investing activities	(1,835)	(794)
Net increase (decrease) in cash	(293,450)	34,637
Cash, beginning of year	<u>840,775</u>	<u>806,138</u>
Cash, end of year	<u>\$ 547,325</u>	<u>\$ 840,775</u>

See accompanying notes to the financial statements.

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2015 and 2014**

	2015				2014			
	Other Program Expenses	General and Administrative	Fundraising	Total	Other Program Expenses	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 141,888	\$ 82,400	\$ 39,447	\$ 263,735	\$ 157,310	\$ 62,111	\$ 41,467	\$ 260,888
Contract services	77,960	25,987	-	103,947	82,481	27,494	-	109,975
Affiliation fees	41,192	-	-	41,192	35,916	-	-	35,916
Rent	16,681	5,986	2,601	25,268	15,897	5,713	3,229	24,839
Accounting	-	37,339	-	37,339	-	19,082	-	19,082
Program expenses	14,666	-	-	14,666	8,931	-	-	8,931
Bank charges	-	5,613	-	5,613	-	3,864	-	3,864
Travel	4,425	-	899	5,324	6,018	-	1,222	7,240
Special events	-	-	5,246	5,246	-	-	-	-
Telephone	3,027	1,086	472	4,585	2,181	783	443	3,407
Meetings and conferences	2,288	821	357	3,466	550	1,698	111	2,359
Insurance	2,058	739	321	3,118	2,411	867	490	3,768
Postage and delivery	844	303	132	1,279	1,226	60	249	1,535
Depreciation	790	283	123	1,196	499	179	102	780
Office and computer supplies	636	228	99	963	681	245	138	1,064
Miscellaneous	1,381	341	478	2,200	2,429	800	493	3,722
<b>Total</b>	<b>\$ 307,836</b>	<b>\$ 161,126</b>	<b>\$ 50,175</b>	<b>\$ 519,137</b>	<b>\$ 316,530</b>	<b>\$ 122,896</b>	<b>\$ 47,944</b>	<b>\$ 487,370</b>

See accompanying notes to the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015 and 2014**

**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 98 environmental organizations in over 182 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 purposes of the Statements 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.



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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

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

**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.

**Fair value of financial instruments**

The carrying amount of cash, pledges and accounts receivable, prepaid expenses and payables are stated at a fair value or approximate fair value.

**Property and equipment**

Property and equipment with useful lives of greater than one year costing \$500 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 \$2,711 and \$3,711 of net assets temporarily restricted for specific activities and future periods at June 30, 2015 and 2014, respectively.

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, 2015 and 2014.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

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

**Net assets** (continued)

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 Statements 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. Each member organization is distributed a proportionate share of receipts based on donor designations to each member.

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. Net undesignated pledges are not affected by the shortfall of direct payments.

**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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

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

**Contributed goods and services**

The Federation's policy is to recognize the fair value of certain contributed goods and services received as both a 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, 2015 and 2014, the value of contributed goods and services included as in kind donations in the accompanying financial statements was \$950 per period and consisted of the use of facilities for Federation's annual general meeting. Other notable volunteer time that does not require recognition in the financial statements totaled over 1,430 and 1,170 hours during the years ended June 30, 2015 and 2014, respectively. The hours contributed were mainly devoted to speaker workplace presentations during campaigns and participation in the Federation's Board of Directors.

**Functional allocation of expenses**

The costs of providing the program services and supporting activities of the Federation are summarized in the Statements of Activities and in the Statements 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.
- Fundraising represents the costs related to attracting new campaigns and raising funds for internal operations. The fundraising activities include soliciting gifts, special events, writing grants and direct mail solicitation.
- General and administrative relates to all Federation overhead activities, including management and general aspects that are not related to fundraising or program activities.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

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

**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 two banks. The combined balance at times may exceed federally insured limits. The Federation has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk.

Pledges receivable consist of promises from individuals to give through workplace giving campaigns. A shrinkage allowance is recognized for expected uncollectable pledges. Management does not expect actual results to differ significantly from net pledge revenue recognized.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE D -- Property and equipment**

Property and equipment at June 30 consist of the following:

	2015	2014
Computer equipment	\$ 6,594	\$ 4,759
Software	25,812	25,812
Office equipment	3,949	3,949
	36,355	34,520
Less accumulated depreciation	(32,396)	(31,200)
Property and equipment, net	\$ 3,959	\$ 3,320

Depreciation expense for the years ended June 30, 2015 and 2014 was \$1,196 and \$780, respectively.

**NOTE E -- Temporarily restricted net assets**

Temporarily restricted net assets consisted of \$2,711 and \$3,711 for investment in technology infrastructure at June 30, 2015 and 2014, respectively.

**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 the facility lease are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 25,148
2017	25,902
2018	4,338
Thereafter	-
	\$ 55,388

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**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 cash receipts related to EarthShare member groups 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.

The balances and transactions under the terms of the affiliation agreement are as follows:

	<u>2015</u>	<u>2014</u>
Assets and liabilities as of June 30:		
Net campaign proceeds payable to national confederation	\$ 77,757	\$ 130,638
Affiliation fees payable to national confederation	<u>39,499</u>	<u>82,159</u>
Total due to national confederation	<u>\$ 117,256</u>	<u>\$ 212,797</u>
Revenue and expenses for the years ended June 30:		
Campaign proceeds distributions (net of fees)	\$ 64,042	\$ 108,306
Affiliation fees expense	<u>41,192</u>	<u>35,916</u>
	<u>\$ 105,234</u>	<u>\$ 144,222</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE H -- Subsequent events**

The current year allocation of undesignated campaign proceeds of \$427,009 was made based on a 60/40 split between local/common members and national members. This change in 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, 2016 may vary from amounts accrued at June 30, 2015.

The date to which events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure is December 12, 2016, which is the date on which the financial statements were available to be issued.