

# **Earth Force, Inc.**

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**Financial Statements and Report  
of  
Independent Certified Public Accountants  
As of September 30, 2018 and 2017**

# Table of Contents

	<b>Page</b>
Report of Independent Certified Public Accountants .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	5



**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## **Report of Independent Certified Public Accountants**

Board of Directors  
Earth Force, Inc.

We have audited the accompanying financial statements of Earth Force, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, 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.

### **Auditor's 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 auditor's 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 Earth Force, Inc. as of September 30, 2018, and 2017, 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.

Littleton, Colorado  
December 11, 2018



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**Earth Force, Inc.**  
**Statements of Financial Position**  
**September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 310,158	\$ 374,293
Grants and accounts receivable	163,593	132,301
Other current assets	<u>13,225</u>	<u>13,927</u>
<b>Total Assets</b>	<u>\$ 486,976</u>	<u>\$ 520,521</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	87,802	\$ 60,927
Deferred revenue	<u>27,319</u>	<u>55,018</u>
Total Liabilities	<u>115,121</u>	<u>115,945</u>
<b>Net assets:</b>		
Unrestricted	217,214	199,274
Temporarily restricted	<u>154,641</u>	<u>205,302</u>
Total net assets	<u>371,855</u>	<u>404,576</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 486,976</u>	<u>\$ 520,521</u>

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

**Earth Force, Inc.**  
**Statements of Activities**  
**For the Years Ended September 30, 2018 and 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue:</b>						
Grants and contributions	470,007	\$414,771	\$ 884,778	\$ 317,995	\$ 483,322	\$ 801,317
Government grants	226,307	-	226,307	166,319	-	166,319
Product sales, net of cost of goods sold of \$5,821 (2018) and \$7,731 (2017)	8,249	-	8,249	4,576	-	4,576
In-kind contributions	6,112	-	6,112	3,815	-	3,815
Other income	36,831	-	36,831	33,163	-	33,163
Interest and dividend income	245	-	245	156	-	156
Net assets released from restrictions due to satisfaction of program expenditure requirements	465,432	(465,432)	-	526,149	(526,149)	-
Total support and revenue	1,213,183	(50,661)	1,162,522	1,052,173	(42,827)	1,009,346
<b>Expenses:</b>						
Program Services	1,053,234	-	1,053,234	847,919	-	847,919
Supporting services - Management and general	62,804	-	62,804	68,522	-	68,522
Fundraising	79,205	-	79,205	89,637	-	89,637
Total Expenses	1,195,243	-	1,195,243	1,006,078	-	1,006,078
<b>Change in Net Assets</b>	17,940	(50,661)	(32,721)	46,095	(42,827)	3,268
Net Assets Beginning of Year	199,274	205,302	404,576	153,179	248,129	401,308
Net Assets End of Year	\$ 217,214	\$154,641	\$ 371,855	\$ 199,274	\$ 205,302	\$ 404,576

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

**Earth Force, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (32,721)	\$ 3,268
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities		
Grants and accounts receivable	(31,292)	(43,141)
Other current assets	702	(3,875)
Accounts payable and accrued expenses	26,875	(24,425)
Deferred revenue	(27,699)	11,247
Net cash from operating activities	(64,135)	(56,926)
Net change in cash and cash equivalents	(64,135)	(56,926)
<b>Cash balance—beginning of year</b>	<b>374,293</b>	<b>431,219</b>
<b>Cash balance—end of year</b>	<b>\$ 310,158</b>	<b>\$ 374,293</b>

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

# Earth Force, Inc.

## Notes to Financial Statements

### September 30, 2018 and 2017

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#### 1. Organization

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Earth Force Inc. (Earth Force) was incorporated under the laws of the state of Delaware in 1993. Its primary mission is to help youth learn about the environment and their communities and to take civic action to address issues they see there. Earth Force's mission is to engage young people as active citizens who improve the environment and their communities now and in the future. All programs include the fundamental elements of youth decision making, civic engagement, environmental action, and service learning.

Earth Force has an office in Denver, Colorado, and staff working across most of the country as well as in Canada. States in which Earth Force currently supports partners and programs include Colorado, Illinois, Kansas, Kentucky, Maryland, Michigan, Missouri, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Florida, South Carolina, Texas, Virginia, West Virginia and Washington D.C. Earth Force receives most of its funding through grants and contributions.

#### 2. Summary of Significant Accounting Policies

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##### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables, and other liabilities. Earth Force reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in Earth Force's operations.

Temporarily restricted amounts are monies restricted by donor specifically for certain periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by Earth Force as required by the donor, but Earth Force is permitted to use or expend part or all of any income derived from those assets. Earth Force does not currently maintain any permanently restricted net assets.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

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**2. Summary of Significant Accounting Policies (continued)**

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**Cash and Cash Equivalents**

Earth Force considers all demand deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization's cash deposits are held at financial institutions at which deposits are insured up to \$250,000 per institution by the FDIC. As of September 30, 2018 and 2017, the FDIC's insurance limit was exceeded by approximately \$188,050 and \$124,328, respectively.

**Grants and Accounts Receivable**

Grants receivable consist primarily of amounts due from federal and state governments. Accounts receivable represent amounts due from third parties for services provided. Receivables are stated at the amount management expects to collect on outstanding balances. Earth Force considers the receivable amounts to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary as of September 30, 2018 and 2017. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

**Investments**

Investments in equity security with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income, gains, and losses are reported in the statements of activities.

**Property and Equipment**

Property and equipment is stated at cost or, if donated, at fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from 3 to 15 years, and related lease terms for leasehold improvements. Expenditures for major repairs and improvements are capitalized, and expenditures for minor repairs and maintenance are expensed when incurred.

It is the policy of Earth Force to capitalize all purchases of \$5,000 and greater. As of September 30, 2018 and 2017, the Organization had no capitalized property or equipment.

**Contributions**

Contributions are recognized as unrestricted or temporarily restricted when received, depending on the existence and nature of donor restrictions. When restrictions are satisfied, revenues are reclassified and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Contributions include amounts received from donors related to special events and are reported net of direct benefits to donors.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

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**2. Summary of Significant Accounting Policies (continued)**

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**In-Kind Donations**

In-kind donations of property, materials, and personal services are recorded at estimated fair value at date of receipt. These donations (other than contributions of property and equipment) are included as program costs to properly reflect the total cost of the particular program.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**Income Taxes**

Earth Force, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. During 2018, the Organization had no unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal tax return (Form 990) for 2018 is subject to examination by the IRS, generally for three years after the return is filed

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization evaluated all events or transactions that occurred after September 30, 2018 through December 11, 2018, the date the financial statements were available to be issued. During this period, the Organization was not aware of any material recognizable subsequent events.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

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**3. Retirement Plan**

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Earth Force sponsors a 401(k) retirement plan (the “Plan”) that covers all employees. The Plan is available to employees who work 20 hours or more per week. Employees may contribute amounts based on limits established by the IRS. The plan provides for discretionary employer matching contributions. As of September 30, 2018 and 2017, employer matching contributions were determined to be up to \$1,500 per qualifying employee on an annual basis, which have been paid for by forfeitures available in the Plan or cash reserves. Plan participants become 100% vested in employer contributions to the Plan after three years of employment. During the years ended September 30, 2018 and 2017, matching contributions totaled \$15,260 and \$13,152, respectively.

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**4. Commitments and Contingencies**

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**Government Contracts**

Earth Force receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with term and conditions specified in the contracts and are subject to audit by the contracting agencies.

The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. However, management believes Earth Force is in compliance with its contract requirements, and no liability has arisen in the past or is currently expected.

**Operating Leases**

Earth Force leases office space under a non-cancelable operating lease with monthly payments not to exceed \$963. The lease was renewed in 2018 to extend the term one more year through December 2018. Future minimum lease payments for this office space are approximately \$2,889 for the fiscal year ending September 30, 2019.

In June 2017, Earth Force entered into an agreement with the Department of Natural Resources, Colorado Parks and Wildlife to lease lab equipment in two Colorado locations with options to renew annually through June 2022. Future minimum lease payments for the lab equipment for fiscal year ending September 30, 2019, is \$4,500.

Rent expense for the years ended September 30, 2018 and 2017 was \$18,121 and \$14,433, respectively.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

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**4. Commitments and Contingencies (continued)**

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**Subleases**

A portion of the leased space was subleased to various unaffiliated not-for-profit organizations through December 2018. Sublease income for Think 360 Arts for Learning for the years ended September 30, 2018 and 2017 was \$3,620 and \$3,543, respectively. Sublease income for Easter Seals for the years ended September 30, 2018 and 2017 was \$3,093 and \$3,036, respectively. In August of 2017, Earth Force signed a sub-rental agreement to lease additional space to the Denver Food Rescue through December 2018. For the year ended September 30, 2018 and 2017, sublease income for this unaffiliated not-for-profit organization was \$4,752 and \$390, respectively.

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**5. Related Party**

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Board members contribute financially to the Organization. Unrestricted cash contributions for the year ended September 30, 2018 and 2017 was \$13,187 and \$11,822, respectively.

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**6. Temporarily Restricted Net Assets**

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Temporarily restricted net assets are comprised of the following:

	September 30,	
	2018	2017
Community programs	\$ 133,381	\$ 171,858
Water-based programs	21,260	33,444
Total	<u>\$ 154,641</u>	<u>\$ 205,302</u>