

Earth Force, Inc.

**Financial Statements and Report
of
Independent Certified Public Accountants
As of September 30, 2019 and 2018**

Table of Contents

	Page
Report of Independent Certified Public Accountants	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6



Certified Public Accountants (a professional corporation)

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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, 2019 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'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, 2019 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.

Report on Summarized Comparative Information

We have previously audited the Earth Force, Inc.'s 2018 financial statements, and our report dated December 11, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Littleton, Colorado
December 17, 2019

Earth Force, Inc.
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 372,360	\$ 310,158
Grants and accounts receivable	108,109	163,593
Other current assets	11,057	13,225
Total Assets	\$ 491,526	\$ 486,976
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	37,654	\$ 87,802
Deferred revenue	14,957	27,319
Total Liabilities	52,611	115,121
 Net assets:		
Net assets without donor restrictions	388,250	217,214
Net assets with donor restrictions	50,665	154,641
Total net assets	438,915	371,855
Total Liabilities and Net Assets	\$ 491,526	\$ 486,976

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

Earth Force, Inc.
Statements of Activities
For the Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	543,448	\$101,480	\$ 644,928	\$ 470,007	\$ 414,771	\$ 884,778
Government grants	278,154	-	278,154	226,307	-	226,307
Product sales, net of cost of goods sold of \$5,787 (2019) and \$5,821 (2018)	11,115	-	11,115	8,249	-	8,249
In-kind contributions	5,000	-	5,000	6,112	-	6,112
Other income	34,293	-	34,293	36,831	-	36,831
Interest and dividend income	644	-	644	245	-	245
Net assets released from restrictions due to satisfaction of program expenditure requirements	205,456	(205,456)	-	465,432	(465,432)	-
Total support and revenue	<u>1,078,110</u>	<u>(103,976)</u>	<u>974,134</u>	<u>1,213,183</u>	<u>(50,661)</u>	<u>1,162,522</u>
Expenses:						
Program Services	824,118	-	824,118	1,053,234	-	1,053,234
Supporting services - Management and general	48,694	-	48,694	62,804	-	62,804
Fundraising	34,262	-	34,262	79,205	-	79,205
Total Expenses	<u>907,074</u>	<u>-</u>	<u>907,074</u>	<u>1,195,243</u>	<u>-</u>	<u>1,195,243</u>
Change in Net Assets	171,036	(103,976)	67,060	17,940	(50,661)	(32,721)
Net Assets Beginning of Year	<u>217,214</u>	<u>154,641</u>	<u>371,855</u>	<u>199,274</u>	<u>205,302</u>	<u>404,576</u>
Net Assets End of Year	<u>\$ 388,250</u>	<u>\$ 50,665</u>	<u>\$ 438,915</u>	<u>\$ 217,214</u>	<u>\$ 154,641</u>	<u>\$ 371,855</u>

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

Earth Force, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 67,060	\$ (32,721)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities		
Grants and accounts receivable	55,484	(31,292)
Other current assets	2,168	702
Accounts payable and accrued expenses	(50,148)	26,875
Deferred revenue	(12,362)	(27,699)
Net cash from operating activities	62,202	(64,135)
Net change in cash and cash equivalents	62,202	(64,135)
Cash balance—beginning of year	310,158	374,293
Cash balance—end of year	\$ 372,360	\$ 310,158

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

Earth Force, Inc.
Statements of Functional Expenses
For the Year Ended September 30, 2019
(With Summarized Financial Information for the year ended September 30, 2018)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2019</u>	<u>Total 2018</u>
	<u>Social and community, public education and information, and public affairs</u>	<u>Fundraising</u>	<u>Management and General</u>		
Salaries	\$ 421,692	\$ 22,441	\$ 35,918	\$ 480,051	\$ 640,644
Payroll taxes and employee benefits	<u>82,276</u>	<u>2,838</u>	<u>5,942</u>	<u>91,056</u>	<u>131,692</u>
Total salaries, payroll taxes, and employee benefits	<u>503,968</u>	<u>25,279</u>	<u>41,860</u>	<u>571,107</u>	<u>772,336</u>
Accounting and audit	6,887	353	554	7,794	7,636
Professional fees	76,608	400	-	77,008	54,313
General material and supplies	29,219	49	95	29,363	29,571
Postage	2,368	41	344	2,753	4,811
Copying/printing	5,549	96	-	5,645	10,760
Equipment and software	18,069	-	240	18,309	29,475
Equipment rental and repair	15	-	-	15	3,778
Phone/internet	7,724	420	780	8,924	12,358
Other communications	3,050	2,702	2,489	8,241	9,600
Commercial travel	16,813	48	-	16,861	39,805
Lodging / event space rentals	22,564	368	-	22,932	28,952
Other travel and meeting costs	34,821	43	260	35,124	27,704
Stipends	27,740	-	-	27,740	73,960
Sub-awards and mini-grants	36,762	-	-	36,762	44,602
Business insurance	10,887	625	1,060	12,572	12,894
Occupancy costs	15,707	587	872	17,166	19,114
Miscellaneous	<u>5,367</u>	<u>3,251</u>	<u>140</u>	<u>8,758</u>	<u>13,574</u>
Total Expenses	<u>\$ 824,118</u>	<u>\$ 34,262</u>	<u>\$ 48,694</u>	<u>\$ 907,074</u>	<u>\$ 1,195,243</u>

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

Earth Force, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

1. Organization

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, Arizona, California, Illinois, Kentucky, Massachusetts, Maryland, Michigan, Missouri, New Mexico, Ohio, Pennsylvania, Tennessee, Florida, Virginia, West Virginia and Washington D.C. Earth Force receives most of its funding through grants and contributions.

2. Summary of Significant Accounting Policies

Method of Accounting

The Organization's records are maintained on the accrual basis of accounting in conformity with generally accepted accounting principles as applicable to nonprofit organizations.

Basis of Presentation

The financial statements follow the Accounting Standards Codification (ASC) guidance for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

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, 2019 and 2018, the FDIC's insurance limit was exceeded by approximately \$127,640 and \$188,050 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, 2019 and 2018. 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, 2019 and 2018, the Organization had no capitalized property or equipment.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue consists of amounts received from a fee-for-service contract with Nutrien, of which a portion of the contract amount is received up front. Revenues received in advance are recorded as a liability, deferred revenue, and the revenue is recognized as the programming services are performed.

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.

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 2019, 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 2019 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. Such allocations are determined by management on an equitable basis.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salary and benefits	Time and effort
Administrative expenses	Time and effort
Travel and meeting expenses	Direct costs
Professional fees	Direct costs
Stipends and subawards	Direct costs

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.

Prior-Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Subsequent Events

The Organization evaluated all events or transactions that occurred after September 30, 2019 through December 17, 2019, 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, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019 (fiscal 2021 for the Organization). A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

3. Retirement Plan

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, 2019 and 2018, 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, 2019 and 2018, matching contributions totaled \$6,273 and \$15,260, respectively.

4. Commitments and Contingencies

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 \$985. The lease was renewed in 2019 to extend the term one more year through December 2019. Future minimum lease payments for this office space are approximately \$2,955 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 through June 2019 for \$1,500 per quarter.

Rent expense for the years ended September 30, 2019 and 2018 was \$16,254 and \$18,121, respectively.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

4. Commitments and Contingencies (continued)

Subleases

A portion of the leased space was subleased to various unaffiliated not-for-profit organizations through December 2019. Sublease income for Think 360 Arts for Learning for the years ended September 30, 2019 and 2018 was \$3,729 and \$3,620, respectively. Sublease income for Easter Seals for the years ended September 30, 2019 and 2018 was \$1,837 and \$3,093, 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, 2019 and 2018, sublease income for this unaffiliated not-for-profit organization was \$4,857 and \$4,752, respectively.

5. Related Party

Board members contribute financially to the Organization. Unrestricted cash contributions for the year ended September 30, 2019 and 2018 was \$4,000 and \$13,187, respectively.

6. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>
Financial assets at period end:	
Cash & cash equivalents	\$ 372,360
Contributions receivable	<u>108,109</u>
Total financial assets	480,469
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>50,665</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 429,804</u></u>

Earth Force, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

7. Net Assets

Net assets with donor restrictions and without donor restrictions for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Community programs	1,922	133,381
Water-based programs	<u>48,743</u>	<u>21,260</u>
	<u>\$ 50,665</u>	<u>\$ 154,641</u>
 Net assets without donor restrictions	 <u>388,250</u>	 <u>217,214</u>
	<u>\$ 438,915</u>	<u>\$ 371,855</u>