

EARTH DAY NETWORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

EARTH DAY NETWORK, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Earth Day Network, Inc.

We have audited the accompanying financial statements of Earth Day Network, Inc. (EDN), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility

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 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 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 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 Day Network, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the year ended December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2013 financial statements of Earth Day Network, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
August 6, 2015

EARTH DAY NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 123,095	\$ 102,660
Investments	500	8,835
Contributions receivable	30,000	-
Other receivables	2,700	702
Advances	5,018	2,159
Prepaid expenses	<u>15,837</u>	<u>14,770</u>
Total current assets	177,150	129,126
PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation of \$128,390 and \$120,417	11,716	19,689
OTHER ASSETS		
Deposits	<u>10,506</u>	<u>10,506</u>
Total assets	<u><u>\$ 199,372</u></u>	<u><u>\$ 159,321</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 38,453	\$ 50,265
Accrued expenses	-	10,027
Pension withholding payable	4,996	4,397
Deferred lease incentive	-	8,304
Subtenant security deposit	<u>2,000</u>	<u>2,000</u>
Total current liabilities	<u>45,449</u>	<u>74,993</u>
NET ASSETS (DEFICIT)		
Unrestricted	69,535	(129,098)
Temporarily restricted	<u>84,388</u>	<u>213,426</u>
Total net assets	<u>153,923</u>	<u>84,328</u>
Total liabilities and net assets	<u><u>\$ 199,372</u></u>	<u><u>\$ 159,321</u></u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Contributions				
Foundations and trusts	\$ 291,227	\$ 422,900	\$ 714,127	\$ 520,929
Individuals and other	350,664	422,635	773,299	797,991
Grants	-	-	-	85,100
Earth share	3,079	-	3,079	3,385
Investment income	287	-	287	9,621
Rental income	50,400	-	50,400	52,755
Currency exchange loss	(295)	-	(295)	(5,747)
Miscellaneous	25,054	-	25,054	9,912
Total revenues	720,416	845,535	1,565,951	1,473,946
NET ASSETS RELEASED FROM RESTRICTION	974,573	(974,573)	-	-
Total revenues and other support	1,694,989	(129,038)	1,565,951	1,473,946
EXPENSES				
Program services	1,203,731	-	1,203,731	1,283,416
Management and general	139,314	-	139,314	183,175
Fund raising	153,311	-	153,311	172,283
Total expenses	1,496,356	-	1,496,356	1,638,874
CHANGE IN NET ASSETS	198,633	(129,038)	69,595	(164,928)
NET ASSETS (DEFICIT)				
Beginning of year	(129,098)	213,426	84,328	249,256
End of year	\$ 69,535	\$ 84,388	\$ 153,923	\$ 84,328

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2014

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013)

	2014				2013
	Programs	Management and General	Fund Raising	Total	Total
REVENUES					
Contributions					
Foundations and trusts	\$ 332,900	\$ 381,227	\$ -	\$ 714,127	\$ 520,929
Individuals and other	400,440	372,859	-	773,299	797,991
Grants	-	-	-	-	85,100
Earth share	-	3,079	-	3,079	3,385
Investment income	1	286	-	287	9,621
Rental income	-	50,400	-	50,400	52,755
Currency exchange loss	-	(295)	-	(295)	(5,747)
Miscellaneous	-	25,054	-	25,054	9,912
Total revenues	<u>733,341</u>	<u>832,610</u>	<u>-</u>	<u>1,565,951</u>	<u>1,473,946</u>
EXPENSES					
Communications and advertising	-	-	-	-	235
Computer and internet	13,531	1,816	5,248	20,595	44,042
Consulting and contract labor	53,699	17,139	10,069	80,907	75,270
Depreciation	-	7,973	-	7,973	7,973
Dues and subscriptions	-	300	-	300	886
Equipment rental	-	3,996	-	3,996	4,011
Interest and bank fees	10	3,218	-	3,228	3,019
Insurance	4,274	4,273	-	8,547	9,074
Legal and professional fees	12,352	21,434	-	33,786	48,895
Licenses, fees and permits	217	10,645	434	11,296	1,697
Meeting expense	2,164	1,036	-	3,200	128
Office supplies and expense	235	4,190	37	4,462	13,965
Other expenses	915	1,250	-	2,165	5,684
Payroll taxes and benefits	62,048	1,966	11,056	75,070	98,538
Pension expense	12,476	925	3,276	16,677	17,733
Postage and delivery	50	1,102	-	1,152	1,829
Printing and reproduction	-	902	-	902	2,269
Program expenses	91,162	300	-	91,462	166,283
Rent	128,922	11,800	13,227	153,949	172,206
Salaries and wages	494,742	24,896	88,148	607,786	855,054
Sponsorships	263,750	-	-	263,750	5
Telephone	7,936	769	1,596	10,301	11,769
Travel and entertainment	42,087	18,963	730	61,780	71,594
Web hosting and marketing	13,161	421	19,490	33,072	26,715
Total expenses	<u>1,203,731</u>	<u>139,314</u>	<u>153,311</u>	<u>1,496,356</u>	<u>1,638,874</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENSES	<u>\$ (470,390)</u>	<u>\$ 693,296</u>	<u>\$ (153,311)</u>	<u>\$ 69,595</u>	<u>\$ (164,928)</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants received	\$ 1,441,426	\$ 1,438,978
Investment income received	287	405
Other operating receipts	76,240	62,305
Payments to vendors, suppliers and employees	(1,505,853)	(1,692,945)
Net cash provided by (used for) operating activities	<u>12,100</u>	<u>(191,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(175)	(269)
Proceeds from sales of investments	<u>8,510</u>	<u>110,000</u>
Net cash provided by investing activities	<u>8,335</u>	<u>109,731</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,435	(81,526)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>102,660</u>	<u>184,186</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 123,095</u>	<u>\$ 102,660</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 69,595	\$ (164,928)
Adjustments		
Donated securities	-	(5,042)
Net appreciation in investments	-	(9,216)
Depreciation and amortization	7,973	7,973
(Increase) decrease in assets		
Contributions receivable	(30,000)	40,000
Other receivables	(1,998)	-
Advances	(2,859)	(126)
Prepaid expenses	(1,067)	(9,012)
Increase (decrease) in liabilities		
Accounts payable	(11,812)	(58,245)
Accrued expenses	(10,027)	8,796
Pension withholding payable	599	593
Deferred lease incentive	(8,304)	(4,050)
Subtenant security deposit	<u>-</u>	<u>2,000</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 12,100</u>	<u>\$ (191,257)</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Earth Day Network, Inc. (EDN), a New York not-for-profit organization with an office in Washington, D.C., was formed in November 1994 for the purpose of educating the public and developing and promoting ways to inspire individuals and groups to protect and take care of the environment. To this end, EDN's mission is to support a vital, decentralized, action-oriented network of sustainable organizations creating clean, healthy, prosperous environments and communities. EDN's primary activity during the past few years involved dealing with K - 12 education, capacity building and health and the environment.

EDN has adopted the following significant accounting policies:

Basis of Accounting - The financial statements of EDN have been prepared on the accrual basis of accounting.

Support and Revenue - Contributions are recorded when received or when unconditionally promised and are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. EDN had no conditional promises receivable at December 31, 2014 and 2013.

Donated Services - Volunteers have donated significant amounts of their time assisting in the operation and administration of EDN. The value of these services is not reported in the accompanying financial statements, in accordance with U.S. generally accepted accounting principles related to contributed services.

Equipment - Equipment is comprised of computers, software and telephones and is stated at cost. Depreciation is computed on a straight line basis over the estimated useful lives of the assets (three years for software and five years for computers and telephones).

Cash and Cash Equivalents - EDN considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, except those held as part of the Organization's investment portfolio.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

EDN maintains its cash in bank deposit accounts which at times may exceed the federally insured limit. At December 31, 2014, EDN had no cash balances at financial institutions that exceeded the balance insured by the FDIC.

Investments - Investments in debt securities and in equity securities having readily determinable fair values are carried at fair value in the statement of financial position. Realized gains (losses) on securities sold during the year and unrealized gains (losses) on securities held at year-end are included in investment income.

Expenses - The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and the statement of functional revenues and expenses. Certain costs have been allocated among the program and supporting services benefited.

Income Taxes - EDN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. EDN has been classified as an organization that is not a private foundation under Section 509(a)(1). EDN's Federal Forms 990, *Return of Organization Exempt from Income Tax*, for years ended December 31, 2011 through 2013, are subject to examination by the Internal Revenue Service (IRS), generally for a period of three years after they were filed.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Comparative Amounts for 2013 - The comparative totals and amounts reported in the statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2013 are not intended to represent a complete financial statement presentation.

NOTE 2. INVESTMENTS

The fair value of investments as of December 31, 2014 and 2013 is as follows:

	2014	2013
Cash and money market funds	\$ 500	\$ 3,765
Mutual funds	-	5,070
	<u>\$ 500</u>	<u>\$ 8,835</u>

NOTE 2. INVESTMENTS (CONTINUED)

The components of investment income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Interest and dividends	\$ 287	\$ 105
Realized and unrealized gains	<u>-</u>	<u>9,516</u>
	<u>\$ 287</u>	<u>\$ 9,621</u>

EDN uses generally accepted accounting standards related to Fair Value Measurements, for assets and liabilities measured at fair value on a recurring basis. These standards require quantitative disclosures about fair value measurements separately for each major category of assets and liabilities, clarify the definition of fair value for financial reporting, establish a hierarchical disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements.

The three levels of the fair value hierarchy and their applicability to EDN's investments are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

Fair values of all of EDN's investments are based on Level 1 inputs.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 and 2013 consists of the following:

	2014	2013
Furniture and fixtures	\$ 56,406	\$ 56,406
Computers and software	<u>83,700</u>	<u>83,700</u>
	140,106	140,106
Less: accumulated depreciation	<u>(128,390)</u>	<u>(120,417)</u>
Total property and equipment	<u>\$ 11,716</u>	<u>\$ 19,689</u>

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2014 relate to an in-kind contribution of airline tickets and are due within one year and are from a single contributor.

NOTE 5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 were as follows:

	2014	2013
Yasuni Grant Program	\$ -	\$ 12,839
Hispanic Voters Project	-	50,000
Museum Project	-	50,000
Tree Program	-	52,497
Sustainable Transportation Project	-	48,090
Gala 2015	50,000	-
C4C	388	-
In-kind travel promised for 2015	34,000	-
	<u>\$ 84,388</u>	<u>\$ 213,426</u>

NOTE 6. EMPLOYEE RETIREMENT PLAN

EDN has a Simple IRA salary reduction plan for its employees whereby EDN matches allowable contributions by eligible employees up to a maximum of 3% of eligible compensation. The matching contributions totaled \$16,677 and \$17,733 for 2014 and 2013, respectively.

NOTE 7. OPERATING LEASES

On December 31, 2004, EDN entered into a five-year lease for office space commencing January 1, 2005. On March 31, 2009, the lease agreement was extended for an additional five-year period, through December 31, 2014. The base rent is subject to annual increases of 2.5% plus EDN's share of any increases in real estate taxes and operating expenses. In addition, the lease agreement requires a security deposit of \$10,506.

In May 2008, EDN entered into a sublease agreement for a 20-month term with a monthly rate of \$2,200. The lease has been extended annually since then at the same monthly rate. During 2014, EDN entered into agreements to sublease additional space with one other unrelated subtenants.

In late 2014, EDN's operating lease agreement was extended for an additional five years through December 31, 2019. Base monthly rent beginning January 1, 2015 is \$13,313 and is subject to annual adjustment for EDN's share of increases in real estate taxes and operating expenses.

NOTE 7. OPERATING LEASES (CONTINUED)

Future minimum lease payments as of December 31, 2014, unreduced for any sublease payments, are due as follows:

Year ending December 31, 2015	\$ 159,757
2016	159,757
2017	159,757
2018	159,757
2019	159,757

NOTE 8. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through August 6, 2015, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.