

**EARTH DAY NETWORK, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**



**EARTH DAY NETWORK, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**CONTENTS**

	<b>PAGE</b>
Report of Independent Auditors	1
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



7501 WISCONSIN AVENUE | SUITE 1200 WEST  
BETHESDA, MD 20814  
202.331.9880 PHONE | 202.331.9890 FAX

## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2018, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the 2017 financial statements of Earth Day Network, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
August 30, 2019

**EARTH DAY NETWORK, INC.**

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,407,278	\$ 182,718
Investments	25,762	19,844
Contributions receivable	1,080,000	900,000
Prepaid expenses, advances and deposits	<u>28,538</u>	<u>27,006</u>
Total current assets	2,541,578	1,129,568
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	-	250,000
PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation of \$143,768 and \$142,376	3,299	4,691
OTHER ASSETS		
Security deposit	<u>10,506</u>	<u>10,506</u>
Total assets	<u>\$ 2,555,383</u>	<u>\$ 1,394,765</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable accrued expenses	\$ 127,292	\$ 147,858
Pension withholding payable	<u>6,939</u>	<u>1,855</u>
Total liabilities	<u>134,231</u>	<u>149,713</u>
NET ASSETS		
Without donor restrictions	78,681	95,052
With donor restrictions	<u>2,342,471</u>	<u>1,150,000</u>
Total net assets	<u>2,421,152</u>	<u>1,245,052</u>
Total liabilities and net assets	<u>\$ 2,555,383</u>	<u>\$ 1,394,765</u>

See accompanying notes to financial statements.

# EARTH DAY NETWORK, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Contributions				
Foundations and trusts	\$ 13,204	\$ 2,858,519	\$ 2,871,723	\$ 3,404,427
Individuals and other	242,567	423,843	666,410	565,983
Earth share	-	-	-	1,050
Investment income	732	-	732	1,124
Rental income	24,200	-	24,200	24,200
Currency exchange loss	-	-	-	(9)
Miscellaneous	12,614	-	12,614	5,675
Net assets released from restriction	<u>2,089,891</u>	<u>(2,089,891)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,383,208</u>	<u>1,192,471</u>	<u>3,575,679</u>	<u>4,002,450</u>
EXPENSES				
Program services	1,894,148	-	1,894,148	2,582,655
Management and general	349,383	-	349,383	358,957
Fund raising	<u>156,048</u>	<u>-</u>	<u>156,048</u>	<u>121,222</u>
Total expenses	<u>2,399,579</u>	<u>-</u>	<u>2,399,579</u>	<u>3,062,834</u>
CHANGE IN NET ASSETS	(16,371)	1,192,471	1,176,100	939,616
NET ASSETS				
Beginning of year	<u>95,052</u>	<u>1,150,000</u>	<u>1,245,052</u>	<u>305,436</u>
End of year	<u>\$ 78,681</u>	<u>\$ 2,342,471</u>	<u>\$ 2,421,152</u>	<u>\$ 1,245,052</u>

See accompanying notes to financial statements.

# EARTH DAY NETWORK, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Management and General	Fund Raising	Total
	Earth Day	Canapy	Other	Total			
Salaries and fringe benefits	\$ 649,244	\$ 122,026	\$ 282,374	\$ 1,053,644	\$ 123,826	\$ 33,712	\$ 1,211,182
Books, dues and subscriptions	-	-	1,653	1,653	3,158	-	4,811
Communications	3,525	34	-	3,559	37,169	-	40,728
Computer and network support	-	-	-	-	9,367	-	9,367
Consulting	147,358	18,350	-	165,708	8,220	86,786	260,714
Contract labor	10,958	-	109,214	120,172	-	-	120,172
Depreciation	-	-	-	-	1,392	-	1,392
Event expenses	35,532	66,125	2,107	103,764	-	-	103,764
Internet	23,556	4,365	10,398	38,319	4,123	1,221	43,663
Professional fees	825	-	-	825	75,722	-	76,547
Licenses, fees and permits	1,606	-	311	1,917	3,081	1,948	6,946
Meetings	1,651	-	68,423	70,074	261	-	70,335
Office supplies and expense	42	-	1,093	1,135	11,410	-	12,545
Insurance	-	-	-	-	9,331	-	9,331
Partnerships with other groups	-	-	1,000	1,000	1,500	-	2,500
Personnel procurement	564	-	-	564	8,834	-	9,398
Postage and delivery	176	-	301	477	444	-	921
Printing and reproduction	705	-	1,164	1,869	1,383	-	3,252
Rent	83,074	15,582	36,218	134,874	14,986	16,651	166,511
Telephone	13,325	2,451	5,771	21,547	2,394	2,660	26,601
Travel, meals and entertainment	43,415	1,472	40,830	85,717	15,004	12,405	113,126
Web hosting and development	15,484	1,633	3,831	20,948	2,167	665	23,780
Web marketing and public relations	62,757	-	2,300	65,057	2,891	-	67,948
Interest and bank fees	-	-	-	-	5,811	-	5,811
Other	1,136	-	189	1,325	6,909	-	8,234
Total expenses	<u>\$ 1,094,933</u>	<u>\$ 232,038</u>	<u>\$ 567,177</u>	<u>\$ 1,894,148</u>	<u>\$ 349,383</u>	<u>\$ 156,048</u>	<u>\$ 2,399,579</u>

See accompanying notes to financial statements.

# EARTH DAY NETWORK, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants received	\$ 3,602,908	\$ 2,815,567
Investment income received	66	15
Other operating receipts	36,814	30,916
Payments to vendors, suppliers and employees	<u>(2,415,201)</u>	<u>(2,967,144)</u>
Net cash provided by (used for) operating activities	<u>1,224,587</u>	<u>(120,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	<u>(27)</u>	<u>(10)</u>
Net cash used for investing activities	<u>(27)</u>	<u>(10)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,224,560	(120,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>182,718</u>	<u>303,374</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,407,278</u>	<u>\$ 182,718</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 1,176,100	\$ 939,616
Adjustments		
Donated securities received	(5,225)	(4,843)
Net appreciation in investments	(666)	(1,109)
Depreciation and amortization	1,392	3,194
Change in assets		
Contributions receivable	70,000	(1,150,000)
Prepaid expenses, advances and deposits	(1,532)	(24,254)
Change in liabilities		
Accounts payable and accrued expenses	(20,566)	116,594
Pension withholding payable	<u>5,084</u>	<u>156</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,224,587</u>	<u>\$ (120,646)</u>

See accompanying notes to financial statements.



**EARTH DAY NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**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:

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, EDN is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

**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.

**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, 2015 through 2017, are subject to examination by the Internal Revenue Service (IRS), generally for a period of three years after they were filed.

**Cash and Cash Equivalents** - EDN considers amounts immediately available for withdrawal from bank accounts and all highly liquid debt instruments with a maturity of three months or less when purchased to be cash and cash equivalents, except those held as part of EDN's investment portfolio. EDN maintains its cash in bank deposit accounts which at times may exceed the federally insured limit. At December 31, 2018, EDN had approximately \$957,000 in cash that exceeded the balance insured by the Federal Deposit Insurance Corporation (FDIC).

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

**Investments** - Investments in debt securities and in equity securities having readily determinable fair values are carried at fair value in the statements of financial position. Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains (losses) on securities sold during the year and unrealized gains (losses) on securities held at year-end are included in investment income.

**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).

**Net Assets** - Net assets are reported in two distinct classes as follows:

*Net assets without donor restrictions* - These net assets are available to finance the general operations of EDN. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of EDN, the environment in which it operates, and the purposes specified in its organizing documents.

*Net assets with temporary donor restrictions* - These net assets result from contributions and other inflows of assets, the use of which by EDN is limited by donor-imposed time or purpose restrictions that will expire with the passage of time or with the accomplishment of donor-imposed purpose restrictions.

**Support and Revenue** - Contributions are recorded when received or when unconditionally promised and are classified as increases in net assets with or without donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017.

**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.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based. Salary, fringe benefits, and common costs such as rent, and depreciation are allocated based on employee time and effort studies.

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

**Comparative Amounts for 2017** - The comparative totals and amounts reported in the statements of activities and cash flows for the year ended December 31, 2017 are not intended to represent a complete financial statement presentation.

**New Accounting Pronouncement Adopted** - During the year ended December 31, 2018, EDN adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; and requiring the presentation of investment return net of all external and direct internal expenses.

**NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

As part of EDN's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table represents EDN's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

Total financial assets at end of year	
Cash and cash equivalents	\$ 1,407,278
Investments	25,762
Contributions receivable	<u>1,080,000</u>
	2,513,040
Less amounts unavailable to meet general expenditures within one year	
Amounts subject to donor purpose restrictions	<u>(2,342,471)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 170,569</u>

### NOTE 3. INVESTMENTS

The fair value of investments as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 14,364	\$ 14,336
Equity securities	<u>11,398</u>	<u>5,508</u>
	<u>\$ 25,762</u>	<u>\$ 19,844</u>

The components of investment income for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 66	\$ 15
Unrealized gains (losses)	<u>666</u>	<u>1,109</u>
	<u>\$ 732</u>	<u>\$ 1,124</u>

Accounting standards provides the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EDN has the ability to access.
- Level 2 Inputs to the valuation methodology include other significant observable inputs including:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**NOTE 3. INVESTMENTS (CONTINUED)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair values of all of EDN's investments are based on Level 1 inputs. Equities and mutual funds are valued at closing market prices on the last day of the year. There have been no changes in the methodologies used at December 31, 2018 and 2017.

**NOTE 4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31, 2018 and 2017 totaled \$1,080,000 and \$1,150,000, respectively. The total amount due at December 31, 2018 is expected to be received within one year and was due from three donors.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 56,406	\$ 56,406
Computers and software	<u>90,661</u>	<u>90,661</u>
	147,067	147,067
Less: accumulated depreciation	<u>(143,768)</u>	<u>(142,376)</u>
Total property and equipment	<u>\$ 3,299</u>	<u>\$ 4,691</u>

**NOTE 6. RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions at December 31, 2018 and 2017 were available to support programs and activities as follows as follows:

	<u>2018</u>	<u>2017</u>
General support for 2018	\$ -	
Earth Day program	2,048,280	250,000
Canapy program	179,655	-
Other programs	<u>114,536</u>	<u>100,000</u>
	<u>\$2,342,471</u>	<u>\$ 350,000</u>

**NOTE 7. 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 \$21,803 and \$15,108 for 2018 and 2017, respectively.

**NOTE 8. OPERATING LEASES**

On December 31, 2004, EDN entered into a lease for office space commencing January 1, 2005, that was renewed and extended 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. In addition, the lease agreement requires a security deposit of \$10,506. EDN has agreements in place to sublease a portion of this space on a month-to-month basis with unrelated subtenants. Total rental revenue related to subleases was \$24,200 during 2018. Remaining future minimum lease payments as of December 31, 2018 of \$159,757, unreduced for any sublease payments, are due during the year ending December 31, 2019.

**NOTE 9. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through August 30, 2019, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.