

EARTH DAY NETWORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019



EARTH DAY NETWORK, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2019, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of Earth Day Network, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CalibreCPAGroup, PLLC

Bethesda, MD
January 6, 2021

EARTH DAY NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 923,699	\$ 1,407,278
Investments	39,250	25,762
Contributions receivable	1,525,000	1,080,000
Prepaid expenses, advances and deposits	<u>35,448</u>	<u>28,538</u>
Total current assets	2,523,397	2,541,578
PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation of \$145,160 and \$143,768	1,907	3,299
OTHER ASSETS		
Security deposit	<u>31,676</u>	<u>10,506</u>
Total assets	<u>\$ 2,556,980</u>	<u>\$ 2,555,383</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable accrued expenses	\$ 299,159	\$ 127,292
Pension withholding payable	<u>7,950</u>	<u>6,939</u>
Total liabilities	<u>307,109</u>	<u>134,231</u>
NET ASSETS		
Without donor restrictions	333,163	78,681
With donor restrictions	<u>1,916,708</u>	<u>2,342,471</u>
Total net assets	<u>2,249,871</u>	<u>2,421,152</u>
Total liabilities and net assets	<u>\$ 2,556,980</u>	<u>\$ 2,555,383</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE				
Contributions				
Foundations and trusts	\$ 339,388	\$ 2,653,345	\$ 2,992,733	\$ 2,871,723
Individuals and other	584,654	217,389	802,043	666,410
Earth share	225	-	225	-
Investment income	12,779	-	12,779	732
Rental income	-	-	-	24,200
Royalties	125,075	-	125,075	376
Miscellaneous	2,449	-	2,449	12,238
Net assets released from restrictions	<u>3,296,497</u>	<u>(3,296,497)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,361,067</u>	<u>(425,763)</u>	<u>3,935,304</u>	<u>3,575,679</u>
EXPENSES				
Program services	3,191,698	-	3,191,698	1,894,148
Management and general	713,694	-	713,694	349,383
Fund raising	<u>201,193</u>	<u>-</u>	<u>201,193</u>	<u>156,048</u>
Total expenses	<u>4,106,585</u>	<u>-</u>	<u>4,106,585</u>	<u>2,399,579</u>
CHANGE IN NET ASSETS	254,482	(425,763)	(171,281)	1,176,100
NET ASSETS				
Beginning of year	<u>78,681</u>	<u>2,342,471</u>	<u>2,421,152</u>	<u>1,245,052</u>
End of year	<u>\$ 333,163</u>	<u>\$ 1,916,708</u>	<u>\$ 2,249,871</u>	<u>\$ 2,421,152</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services				Management and General	Fund Raising	Total
	Earth Day	Canopy	Other	Total			
Salaries and fringe benefits	\$ 1,180,780	\$ 106,297	\$ 374,917	\$ 1,661,994	\$ 206,603	\$ 150,709	\$ 2,019,306
Books, dues and subscriptions	546	-	-	546	13,788	400	14,734
Communications	62,427	-	21	62,448	10,088	-	72,536
Computer and network support	-	47	-	47	25,837	-	25,884
Consulting	182,141	14,250	-	196,391	50,738	13,327	260,456
Contract labor	359,628	-	-	359,628	12,457	-	372,085
Depreciation	-	-	-	-	1,392	-	1,392
Event expenses	54,053	152,450	280	206,783	70	-	206,853
Internet	4,452	-	-	4,452	16,330	29,182	49,964
Professional fees	12,309	991	711	14,011	81,659	-	95,670
Licenses, fees and permits	16,793	-	1,003	17,796	10,919	2,553	31,268
Meetings	3,583	-	68,630	72,213	1,579	-	73,792
Office supplies and expense	967	-	280	1,247	10,408	-	11,655
Insurance	-	-	-	-	9,711	-	9,711
Partnerships with other groups	25,000	-	-	25,000	-	-	25,000
Personnel procurement	815	-	-	815	17,012	-	17,827
Postage and delivery	1,246	-	93	1,339	2,074	-	3,413
Printing and reproduction	3,409	-	1,091	4,500	1,977	-	6,477
Rent	105,500	9,434	33,513	148,447	34,821	-	183,268
Telephone	20,197	1,711	6,079	27,987	6,729	-	34,716
Travel, meals and entertainment	166,365	-	12,398	178,763	14,650	5,022	198,435
Web hosting and development	22,033	71	522	22,626	104,934	-	127,560
Web marketing and public relations	170,862	-	10,435	181,297	58,633	-	239,930
Interest and bank fees	63	-	-	63	10,538	-	10,601
Other	1,066	-	2,239	3,305	10,747	-	14,052
Total expenses	<u>\$ 2,394,235</u>	<u>\$ 285,251</u>	<u>\$ 512,212</u>	<u>\$ 3,191,698</u>	<u>\$ 713,694</u>	<u>\$ 201,193</u>	<u>\$ 4,106,585</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants received	\$ 3,344,521	\$ 3,602,908
Investment income received	7,124	66
Other operating receipts	127,749	36,814
Payments to vendors, suppliers and employees	<u>(3,960,395)</u>	<u>(2,415,201)</u>
Net cash provided by (used for) operating activities	<u>(481,001)</u>	<u>1,224,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	<u>(2,578)</u>	<u>(27)</u>
Net cash used for investing activities	<u>(2,578)</u>	<u>(27)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(483,579)	1,224,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,407,278</u>	<u>182,718</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 923,699</u>	<u>\$ 1,407,278</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ (171,281)	\$ 1,176,100
Adjustments		
Donated securities received	(5,255)	(5,225)
Net appreciation in investments	(5,655)	(666)
Depreciation and amortization	1,392	1,392
Change in assets		
Contributions receivable	(445,000)	70,000
Prepaid expenses, advances and deposits	(28,080)	(1,532)
Change in liabilities		
Accounts payable and accrued expenses	171,867	(20,566)
Pension withholding payable	<u>1,011</u>	<u>5,084</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (481,001)</u>	<u>\$ 1,224,587</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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, 2016 through 2018, 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, 2019, 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)**

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Management periodically reviews outstanding amounts and determines whether an allowance for potential uncollectible promises should be reported. As of December 31, 2019 and 2018, management determined there was no need for such an allowance. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value, which is measured as the present value of their expected future cash flows. 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, 2019 and 2018.

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.

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.

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

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.

Comparative Amounts for 2018 - The comparative totals and amounts reported in the statements of activities and cash flows for the year ended December 31, 2018 are not intended to represent a complete financial statement presentation.

New Accounting Pronouncement Adopted - During the year ended December 31, 2019, EDN adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The adoption of ASU 2018-08 did not have a material impact on these financial statements.

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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Total financial assets at end of year		
Cash and cash equivalents	\$ 923,699	\$ 1,407,278
Investments	39,250	25,762
Contributions receivable	<u>1,525,000</u>	<u>1,080,000</u>
	2,487,949	2,513,040
Less amounts unavailable to meet general expenditures within one year		
Amounts subject to donor purpose restrictions	<u>(1,916,708)</u>	<u>(2,342,471)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 571,241</u>	<u>\$ 170,569</u>

NOTE 3. INVESTMENTS

The fair value of investments as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 14,399	\$ 14,364
Equity securities	<u>24,851</u>	<u>11,398</u>
	<u>\$ 39,250</u>	<u>\$ 25,762</u>

The components of investment income for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 7,124	\$ 66
Unrealized gains (losses)	<u>5,655</u>	<u>666</u>
	<u>\$ 12,779</u>	<u>\$ 732</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 full 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, 2019 and 2018.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2019 and 2018 totaled \$1,525,000 and \$1,080,000, respectively. The total amount due at December 31, 2019 is expected to be received within one year and was due from two donors.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</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>(145,160)</u>	<u>(143,768)</u>
Total property and equipment	<u>\$ 1,907</u>	<u>\$ 3,299</u>

NOTE 6. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2019 and 2018 were available to support programs and activities as follows as follows:

	<u>2019</u>	<u>2018</u>
Earth Day program	\$ 1,622,492	\$ 2,048,280
Canapy program	224,294	179,655
Other programs	<u>69,922</u>	<u>114,536</u>
	<u>\$ 1,916,708</u>	<u>\$ 2,342,471</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 \$35,444 and \$21,803 for 2019 and 2018, respectively.

NOTE 8. OPERATING LEASES

EDN leased office space under an operating lease agreement commencing January 1, 2005, that was renewed and extended through the end of January 2020. Total rent expense recognized in connection with this lease agreement during 2019 was \$178,896. During 2019, EDN entered into an agreement to lease new office space, effective January 24, 2020 and expiring April 30, 2026. This new agreement requires base monthly rent beginning at \$21,170, with annual fixed increases in the base rent at the beginning of each lease year. In connection with the lease, the landlord provided EDN with a tenant improvement allowance in the amount of \$248,630. Future minimum base rental payments are due as follows:

Year ending December 31, 2020	\$ 232,865
2021	261,467
2022	269,574
2023	277,682
2024	285,789
2025	293,897
2026	<u>100,218</u>
	<u>\$ 1,721,492</u>

NOTE 9. SUBSEQUENT EVENTS REVIEW

Subsequent to year-end, U.S. and global business and financial markets have been significantly impacted by the Coronavirus pandemic, the impact of which on EDN's financial position and operations cannot be determined at this time. In April 2020, EDN was granted a loan in the amount of \$322,200 under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. EDN is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Management of EDN believes the organization will meet all of those requirements and that the loan will be forgiven in 2021. All subsequent events have been evaluated through January 6, 2021, which is the date the financial statements were available to be issued, and revealed no other events requiring adjustment to or disclosure in the accompanying financial statements.