

EARTH DAY NETWORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

EARTH DAY NETWORK, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Revenue and Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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, 2017 and 2016, and the related statements of activities, functional revenue and expenses, and cash flows for the year ended December 31, 2017, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2016 financial statements of Earth Day Network, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
June 20, 2018

EARTH DAY NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 182,718	\$ 303,374
Investments	19,844	13,882
Contributions receivable	900,000	-
Prepaid expenses, advances and deposits	<u>27,006</u>	<u>2,752</u>
Total current assets	1,129,568	320,008
 CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	 250,000	 -
 PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation of \$142,376 and \$139,182	 4,691	 7,885
 OTHER ASSETS		
Security deposit	<u>10,506</u>	<u>10,506</u>
 Total assets	 <u>\$ 1,394,765</u>	 <u>\$ 338,399</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable accrued expenses	\$ 147,858	\$ 31,264
Pension withholding payable	<u>1,855</u>	<u>1,699</u>
Total liabilities	<u>149,713</u>	<u>32,963</u>
 NET ASSETS		
Unrestricted	95,052	276,727
Temporarily restricted	<u>1,150,000</u>	<u>28,709</u>
Total net assets	<u>1,245,052</u>	<u>305,436</u>
 Total liabilities and net assets	 <u>\$ 1,394,765</u>	 <u>\$ 338,399</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions				
Foundations and trusts	\$ 156,984	\$ 3,247,443	\$ 3,404,427	\$ 636,678
Individuals and other	285,201	280,782	565,983	725,986
Grants	-	-	-	4,928
Earth share	1,050	-	1,050	1,998
Investment income	1,124	-	1,124	641
Rental income	24,200	-	24,200	29,900
Currency exchange loss	(9)	-	(9)	(196)
Miscellaneous	5,675	-	5,675	(8,843)
Total revenue	474,225	3,528,225	4,002,450	1,391,092
NET ASSETS RELEASED FROM RESTRICTION	2,406,934	(2,406,934)	-	-
Total revenues and other support	2,881,159	1,121,291	4,002,450	1,391,092
EXPENSES				
Program services	2,582,655	-	2,582,655	1,444,994
Management and general	358,957	-	358,957	378,285
Fund raising	121,222	-	121,222	88,313
Total expenses	3,062,834	-	3,062,834	1,911,592
CHANGE IN NET ASSETS	(181,675)	1,121,291	939,616	(520,500)
NET ASSETS				
Beginning of year	276,727	28,709	305,436	825,936
End of year	\$ 95,052	\$ 1,150,000	\$ 1,245,052	\$ 305,436

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	2017				2016
	Programs	Management and General	Fund Raising	Total	Total
REVENUE					
Contributions					
Foundations and trusts	\$ 2,927,443	\$ 476,984	\$ -	\$ 3,404,427	\$ 636,678
Individuals and other	294,327	271,656	-	565,983	725,986
Grants	-	-	-	-	4,928
Earth share	-	1,050	-	1,050	1,998
Investment income	-	1,124	-	1,124	641
Rental income	-	24,200	-	24,200	29,900
Currency exchange loss	(9)	-	-	(9)	(196)
Miscellaneous	-	5,675	-	5,675	(8,843)
Total revenue	<u>3,221,761</u>	<u>780,689</u>	<u>-</u>	<u>4,002,450</u>	<u>1,391,092</u>
EXPENSES					
Communications and advertising	16,251	6,347	-	22,598	3,054
Computer and internet	3,611	10,788	-	14,399	20,169
Consulting and contract labor	92,650	109,857	18,000	220,507	195,453
Depreciation	-	3,194	-	3,194	4,537
Dues and subscriptions	295	5,143	-	5,438	7,357
Equipment rental	62,767	3,607	-	66,374	4,199
Events and registration	-	-	-	-	20,000
Interest and bank fees	-	2,088	-	2,088	1,461
Insurance	-	10,312	-	10,312	10,797
Legal and professional fees	1,500	57,671	-	59,171	63,270
Licenses, fees and permits	6,307	2,110	3,060	11,477	8,417
Meeting expense	10,635	3,658	-	14,293	1,496
Office supplies and expense	6,922	10,917	-	17,839	5,799
Other expenses	25,868	5,032	-	30,900	5,857
Payroll taxes and benefits	94,801	6,333	5,671	106,805	110,547
Pension expense	14,216	700	192	15,108	15,070
Postage and delivery	1,356	1,708	-	3,064	2,215
Printing and reproduction	4,396	6,528	-	10,924	2,871
Program expenses	1,130,328	51	-	1,130,379	211,963
Rent	119,716	16,416	21,924	158,056	163,532
Salaries and wages	825,454	70,039	49,375	944,868	861,962
Sponsorships	-	2,107	-	2,107	42,000
Telephone	22,300	2,479	2,753	27,532	8,613
Travel and entertainment	123,192	20,597	1,722	145,511	98,219
Web hosting and marketing	20,090	1,275	18,525	39,890	42,734
Total expenses	<u>2,582,655</u>	<u>358,957</u>	<u>121,222</u>	<u>3,062,834</u>	<u>1,911,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 639,106</u>	<u>\$ 421,732</u>	<u>\$ (121,222)</u>	<u>\$ 939,616</u>	<u>\$ (520,500)</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants received	\$ 2,815,567	\$ 1,258,271
Investment income received	15	151
Other operating receipts	30,916	121,830
Payments to vendors, suppliers and employees	<u>(2,967,144)</u>	<u>(1,935,633)</u>
Net cash used for operating activities	<u>(120,646)</u>	<u>(555,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(6,961)
Purchases of investments	<u>(10)</u>	<u>(59)</u>
Net cash used for investing activities	<u>(10)</u>	<u>(7,020)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(120,656)	(562,401)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>303,374</u>	<u>865,775</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 182,718</u>	<u>\$ 303,374</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
Change in net assets	\$ 939,616	\$ (520,500)
Adjustments		
Donated securities received	(4,843)	(10,800)
Net appreciation in investments	(1,109)	(490)
Depreciation and amortization	3,194	4,537
(Increase) decrease in assets		
Contributions receivable	(1,150,000)	-
Other receivables	-	2,450
Prepaid expenses, advances and deposits	(24,254)	19,876
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	116,594	(43,656)
Pension withholding payable	156	(4,798)
Subtenant security deposit	<u>-</u>	<u>(2,000)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (120,646)</u>	<u>\$ (555,381)</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017 and 2016.

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 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.

**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, 2017, EDN had no cash balances on deposit at financial institutions that exceeded the balance insured by the Federal Deposit Insurance Corporation (FDIC).

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. 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, 2014 through 2016, 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 2016 - The comparative totals and amounts reported in the statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2016 are not intended to represent a complete financial statement presentation.

NOTE 2. INVESTMENTS

The fair value of investments as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 14,336	\$ 559
Equity securities	<u>5,508</u>	<u>13,323</u>
	<u>\$ 19,844</u>	<u>\$ 13,882</u>

NOTE 2. INVESTMENTS (CONTINUED)

The components of investment income for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 15	\$ 151
Unrealized gains (losses)	<u>1,109</u>	<u>490</u>
	<u>\$ 1,124</u>	<u>\$ 641</u>

EDN uses U.S. 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 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.

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.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2017 and 2016 totaled \$1,150,000 and \$-0-, respectively. Of the total amount due at December 31, 2017, \$900,000 is due within one year and the remaining \$250,000 is due in 2-5 years. Also, the entire amount at year-end was due from two donors.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</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>(142,376)</u>	<u>(139,182)</u>
Total property and equipment	<u>\$ 4,691</u>	<u>\$ 7,885</u>

NOTE 5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
General support for 2018	\$ 800,000	\$ -
Earth Day 2020	250,000	-
Green Schools	-	28,709
India	<u>100,000</u>	<u>-</u>
	<u>\$ 1,150,000</u>	<u>\$ 28,709</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 \$15,108 and \$15,070 for 2017 and 2016, respectively.

NOTE 7. OPERATING LEASES

On December 31, 2004, EDN entered into a five-year lease for office space commencing January 1, 2005, that was renewed and extended through December 31, 2014. 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. 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 2017.

NOTE 7. OPERATING LEASES (CONTINUED)

Future minimum lease payments as of December 31, 2017, unreduced for any sublease payments, are due as follows:

Year ending December 31, 2018	\$159,757
2019	159,757

NOTE 8. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through June 20, 2018, 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.