

# **Earth Force, Inc.**

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**Financial Statements and Report  
of  
Independent Certified Public Accountants**

**As of September 30, 2021 and 2020**





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Board of Directors and Management  
Earth Force, Inc.

## Opinions

We have audited the accompanying consolidated financial statements of Earth Force, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Earth Force, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Earth Force, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

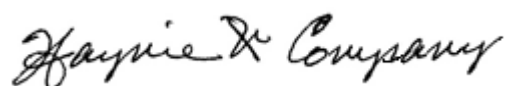
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Earth Force, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Earth Force, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the Earth Force, Inc. 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado  
December 20, 2021

**Earth Force, Inc.**  
**Statements of Financial Position**  
**September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 980,765	\$ 509,073
Grants and accounts receivable	139,437	83,700
Other current assets	11,715	12,267
<b>Total Assets</b>	<b>\$ 1,131,917</b>	<b>\$ 605,040</b>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	30,257	\$ 46,958
Notes payable	-	112,254
Deferred revenue	14,907	19,500
<b>Total Liabilities</b>	<b>45,164</b>	<b>178,712</b>
 <b>Net assets:</b>		
Net assets without donor restrictions	642,255	415,818
Net assets with donor restrictions	444,498	10,510
<b>Total net assets</b>	<b>1,086,753</b>	<b>426,328</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,131,917</b>	<b>\$ 605,040</b>

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

**Earth Force, Inc.**  
**Statements of Activities**  
**For the Years Ended September 30, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Grants and contributions	643,052	\$595,244	\$1,238,296	\$ 550,249	\$ 39,875	\$ 590,124
Government grants	211,410	-	211,410	211,628	-	211,628
Product sales, net of cost of goods sold of \$0 (2021) and \$91 (2020)	11,550	-	11,550	22,979	-	22,979
In-kind contributions	1,296	-	1,296	2,558	-	2,558
Other income	34,591	-	34,591	29,007	-	29,007
Interest and dividend income	680	-	680	381	-	381
Net assets released from restrictions due to satisfaction of program expenditure requirements	161,256	(161,256)	-	80,030	(80,030)	-
Total support and revenue	<u>1,063,835</u>	<u>433,988</u>	<u>1,497,823</u>	<u>896,832</u>	<u>(40,155)</u>	<u>856,677</u>
<b>Expenses:</b>						
Program Services	696,488	-	696,488	769,353	-	769,353
Supporting services -						
Management and general	99,188	-	99,188	61,477	-	61,477
Fundraising	41,722	-	41,722	38,434	-	38,434
Total Expenses	<u>837,398</u>	<u>-</u>	<u>837,398</u>	<u>869,264</u>	<u>-</u>	<u>869,264</u>
<b>Change in Net Assets</b>	226,437	433,988	660,425	27,568	(40,155)	(12,587)
Net Assets Beginning of Year	<u>415,818</u>	<u>10,510</u>	<u>426,328</u>	<u>388,250</u>	<u>50,665</u>	<u>438,915</u>
Net Assets End of Year	<u>\$ 642,255</u>	<u>\$444,498</u>	<u>\$1,086,753</u>	<u>\$ 415,818</u>	<u>\$ 10,510</u>	<u>\$ 426,328</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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 660,425	\$ (12,587)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities		
Grants and accounts receivable	(55,737)	24,409
Other current assets	552	(1,210)
Accounts payable and accrued expenses	(16,701)	9,304
Deferred revenue	(4,593)	4,543
Net cash from operating activities	583,946	24,459
 <b>Cash flows from financing activities</b>		
Proceeds from issuance of new debt	-	112,254
Extinguishment of debt	(112,254)	-
Net cash from financing activities	(112,254)	112,254
Net change in cash and cash equivalents	471,692	136,713
 <b>Cash balance—beginning of year</b>	 509,073	 372,360
 <b>Cash balance—end of year</b>	 \$ 980,765	 \$ 509,073

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

**Earth Force, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended September 30, 2021**  
(With Summarized Financial Information for the year ended September 30, 2020)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2021</u>	<u>Total 2020</u>
	<u>Social and community, public education and information, and public affairs</u>	<u>Fundraising and Development</u>	<u>Management and General</u>		
Salaries	\$ 390,375	\$ 26,593	\$ 71,789	\$ 488,757	\$ 460,234
Payroll taxes and employee benefits	<u>76,414</u>	<u>4,185</u>	<u>14,339</u>	<u>94,938</u>	<u>88,403</u>
Total salaries, payroll taxes, and employee benefits	<u>466,789</u>	<u>30,778</u>	<u>86,128</u>	<u>583,695</u>	<u>548,637</u>
Accounting and audit	5,904	432	864	7,200	7,805
Professional fees	57,912	2,500	-	60,412	93,805
General material and supplies	17,340	101	109	17,550	31,395
Postage	504	52	403	959	1,223
Copying/printing	1,212	140	-	1,352	18,114
Equipment and software	684	27	693	1,404	101
Equipment rental and repair	-	-	-	-	20
Phone/internet	7,596	588	1,116	9,300	9,000
Other communications	6,527	1,563	3,270	11,360	18,583
Commercial travel	627	98	351	1,076	4,694
Lodging / event space rentals	204	-	202	406	7,979
Other travel and meeting costs	3,206	50	568	3,824	16,652
Stipends	13,700	-	-	13,700	19,140
Sub-awards and mini-grants	92,654	-	-	92,654	61,143
Business insurance	9,688	707	1,415	11,810	10,873
Occupancy costs	10,002	732	1,464	12,198	13,002
Miscellaneous	<u>1,939</u>	<u>3,954</u>	<u>2,605</u>	<u>8,498</u>	<u>7,098</u>
Total Expenses	<u>\$ 696,488</u>	<u>\$ 41,722</u>	<u>\$ 99,188</u>	<u>\$ 837,398</u>	<u>\$ 869,264</u>

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



# Earth Force, Inc.

## Notes to Financial Statements

### September 30, 2021 and 2020

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#### 1. Organization

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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. Earth Force supports partners and programs across the entire country and receives most of its funding through grants and contributions.

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#### 2. Summary of Significant Accounting Policies

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##### **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, whereby the donor has stipulated the funds be maintained in perpetuity.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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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, 2021 and 2020, the FDIC's insurance limit was exceeded by approximately \$727,446 and \$257,862 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, 2021 and 2020. 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, 2021 and 2020, the Organization had no capitalized property or equipment.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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**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 2021, 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 2021 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, 2021 and 2020**

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**2. Summary of Significant Accounting Policies (continued)**

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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, 2020, from which the summarized information was derived.

**Subsequent Events**

The Organization evaluated all events or transactions that occurred after September 30, 2021 through December 20, 2021, 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, 2021 and 2020

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## **2. Summary of Significant Accounting Policies (continued)**

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### **Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued Account Standards Update No. 2014-09 (Topic 606), Revenue from Contracts with Customers. The objective of this update is to provide a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidelines. This new standard will primarily apply to exchange transactions for non-profit organizations. After a delay in implementation was approved during 2020, this update is effective for the Organization for the September 30, 2021 reporting period. Adoption of the standard did not materially impact accounting presentation.

As of July 1, 2020, FASB has issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists us in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU-2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connections with the implementation of ASU 2018-08.

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 a 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. A delay in the adoption of the standard was approved in 2020 therefore, this update is effective for fiscal years beginning after December 15, 2021 (fiscal 2023 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.

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## **3. Retirement Plan**

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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, 2021 and 2020, 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.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**3. Retirement Plan (continued)**

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During the years ended September 30, 2021 and 2020, matching contributions totaled \$11,655 and \$10,558, respectively.

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**4. Commitments and Contingencies**

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**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 \$1,020. The lease was renewed in December 2020 to extend the term one more year through December 2021. Future minimum lease payments for this office space are approximately \$3,060 for the fiscal year ending September 30, 2021.

Rent expense for the years ended September 30, 2021 and 2020 was \$12,198 and \$12,009 respectively.

**Subleases**

A portion of the leased space was subleased to various unaffiliated not-for-profit organizations through December 2021 for Denver Food Rescue and January 2021 for Think 360 Arts for Learning. Sublease income for Think 360 Arts for Learning for the years ended September 30, 2021 and 2020 was \$1,288 and \$3,837, respectively. Sublease income for Denver Food Rescue for the years ended September 30, 2021 and 2020 was \$6,046 and \$4,965, respectively.

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**5. Related Party**

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Board members contribute financially to the Organization. Unrestricted cash contributions for the year ended September 30, 2021 and 2020 was \$6,029 and \$4,406, respectively.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**6. Liquidity**

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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:

Financial assets at period end:

Cash & cash equivalents	\$ 980,765
Contributions receivable	<u>139,437</u>
Total financial assets	1,120,202

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>444,498</u>
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Financial assets available to meet general expenditures  
over the next twelve months

\$ 675,704

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**7. Forgivable Loan**

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In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization was granted a PPP Loan for \$112,254. The Organization was granted a second PPP loan in January 2020 for \$104,385. These PPP loans contained conditions to maintain employment levels and use the funds for certain payroll, rent, and utility expenses. The Organization initially recorded the loan as a note payable. In fiscal year 2021, the Organization received approval of its application for both loans to be forgiven, as such the Organization recognized the loan as contribution revenue.

**Earth Force, Inc.**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**8. Net Assets**

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Net assets with donor restrictions and without donor restrictions for the years ended September 30, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Net assets with donor restrictions:		
Agriculture programs	385,765	-
Community programs	12,500	-
Water-based programs	46,233	10,511
	<b>\$ 444,498</b>	<b>\$ 10,511</b>
 Net assets without donor restrictions	 642,255	 415,818
	<b>\$ 1,086,753</b>	<b>\$ 426,329</b>

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**9. Risks and Uncertainties**

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On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. These restrictions impacted the Organization's ability to carry out some fundraising activities as planned. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact the Organization's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, the Organization believes it will be able to continue operations under current guidelines while mitigating the impact as much as possible to minimize losses.