

EARTH FORCE, INC
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2022 AND 2021



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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, 2022, 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, 2022, 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 Opinion

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; and for 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 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:

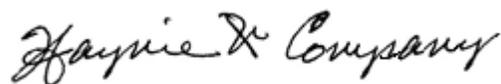
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sincerely,



Littleton, Colorado
December 8, 2022

Earth Force, Inc.
Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,022,027	\$ 980,765
Grants and accounts receivable	156,756	139,437
Other current assets	11,174	11,715
Total Assets	\$ 1,189,957	\$ 1,131,917
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,282	\$ 30,257
Deferred revenue	13,613	14,907
Total Liabilities	44,895	45,164
 Net assets:		
Net assets without donor restrictions	1,031,893	642,255
Net assets with donor restrictions	113,169	444,498
Total net assets	1,145,062	1,086,753
Total Liabilities and Net Assets	\$ 1,189,957	\$ 1,131,917

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

Earth Force, Inc.
Statements of Activities
For the Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	\$ 501,967	\$376,000	\$ 877,967	\$ 643,052	\$ 595,244	\$ 1,238,296
Government grants	101,763	-	101,763	211,410	-	211,410
Product sales, net of cost of goods sold of \$0 (2022) and \$0 (2021)	18,850	-	18,850	11,550	-	11,550
In-kind contributions	-	-	-	1,296	-	1,296
Other income	32,189	-	32,189	34,591	-	34,591
Interest and dividend income	1,037	-	1,037	680	-	680
Net assets released from restrictions due to satisfaction of program expenditure requirements	<u>707,329</u>	<u>(707,329)</u>	<u>-</u>	<u>161,256</u>	<u>(161,256)</u>	<u>-</u>
Total support and revenue	<u>1,363,135</u>	<u>(331,329)</u>	<u>1,031,806</u>	<u>1,063,835</u>	<u>433,988</u>	<u>1,497,823</u>
Expenses:						
Program Services	835,870	-	835,870	696,488	-	696,488
Supporting services - Management and general	86,523	-	86,523	99,188	-	99,188
Fundraising	<u>51,104</u>	<u>-</u>	<u>51,104</u>	<u>41,722</u>	<u>-</u>	<u>41,722</u>
Total Expenses	<u>973,497</u>	<u>-</u>	<u>973,497</u>	<u>837,398</u>	<u>-</u>	<u>837,398</u>
Change in Net Assets	389,638	(331,329)	58,309	226,437	433,988	660,425
Net Assets Beginning 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>
Net Assets End of Year	<u>\$1,031,893</u>	<u>\$113,169</u>	<u>\$1,145,062</u>	<u>\$ 642,255</u>	<u>\$ 444,498</u>	<u>\$ 1,086,753</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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 58,309	\$ 660,425
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities		
Grants and accounts receivable	(17,319)	(55,737)
Other current assets	541	552
Accounts payable and accrued expenses	1,025	(16,701)
Deferred revenue	(1,294)	(4,593)
Net cash from operating activities	41,262	583,946
 Cash flows from financing activities		
Extinguishment of debt	-	(112,254)
Net cash from financing activities	-	(112,254)
 Net change in cash and cash equivalents	41,262	471,692
 Cash balance—beginning of year	980,765	509,073
 Cash balance—end of year	\$ 1,022,027	\$ 980,765

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

Earth Force, Inc.
Statements of Functional Expenses
For the Year Ended September 30, 2022
(With Summarized Financial Information for the year ended September 30, 2021)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2022</u>	<u>Total 2021</u>
	Social and community, public education and information, and public affairs	Fundraising and Development	Management and General		
Salaries	\$ 435,321	\$ 36,193	\$ 63,239	\$ 534,753	\$ 488,757
Payroll taxes and employee benefits	<u>83,794</u>	<u>5,261</u>	<u>13,075</u>	<u>102,130</u>	<u>94,938</u>
Total salaries, payroll taxes, and employee benefits	<u>519,115</u>	<u>41,454</u>	<u>76,314</u>	<u>636,883</u>	<u>583,695</u>
Accounting and audit	6,160	616	924	7,700	7,200
Professional fees	20,774	-	-	20,774	60,412
General material and supplies	21,722	200	87	22,009	17,550
Postage	1,083	92	289	1,464	959
Copying/printing	14,179	-	-	14,179	1,352
Equipment and software	856	-	122	978	1,404
Phone/internet	7,396	864	1,296	9,556	9,300
Other communications	21,945	1,136	4,103	27,184	11,360
Commercial travel	5,217	794	-	6,011	1,076
Lodging / event space rentals	2,231	289	-	2,520	406
Other travel and meeting costs	8,364	357	539	9,260	3,824
Stipends	15,425	-	-	15,425	13,700
Sub-awards and mini-grants	176,401	-	-	176,401	92,654
Business insurance	9,285	679	1,359	11,323	11,810
Occupancy costs	5,166	389	583	6,138	12,198
Miscellaneous	<u>551</u>	<u>4,234</u>	<u>907</u>	<u>5,692</u>	<u>8,498</u>
Total Expenses	<u>\$ 835,870</u>	<u>\$ 51,104</u>	<u>\$ 86,523</u>	<u>\$ 973,497</u>	<u>\$ 837,398</u>

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

Earth Force, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

1. Organization

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.

2. Summary of Significant Accounting Policies

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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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, 2022 and 2021, the FDIC's insurance limit was exceeded by approximately \$770,822 and \$727,446 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, 2022 and 2021. 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, 2022 and 2021, the Organization had no capitalized property or equipment.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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 2022, 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 2022 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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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, 2021, from which the summarized information was derived.

Subsequent Events

The Organization evaluated all events or transactions that occurred after September 30, 2022 through December 8, 2022, 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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

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.

3. Retirement Plan

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, 2022 and 2021, 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. During the years ended September 30, 2022 and 2021, matching contributions totaled \$9,680 and \$11,655, respectively.

4. Commitments and Contingencies

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.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

4. Commitments and Contingencies (continued)

Operating Leases

Earth Force leases office space under a non-cancelable operating lease with monthly payments not to exceed \$1,020 that expired on December 31, 2021. In 2022, the Organization entered into a five-year lease for this office space with monthly reimbursable operating expenses of \$200 which increase each year by 3%. Future minimum lease payments for this office space are as follows:

<u>Year</u>	<u>Amount</u>
FYE 2023	2,454
FYE 2024	2,528
FYE 2025	2,603
FYE 2026	2,682
FYE 2027	2,762
Thereafter	<u>696</u>
Total	13,725

Rent expense for the years ended September 30, 2022 and 2021 were \$4,860 and \$12,198 respectively.

Subleases

A portion of the leased space was subleased to various unaffiliated not-for-profit organizations through December 2021 for Denver Food Rescue. Sublease income for Denver Food Rescue for the years ended September 30, 2022 and 2021 was \$2,320 and \$6,046, respectively.

5. Related Party

Board members contribute financially to the Organization. Unrestricted cash contributions for the year ended September 30, 2022 and 2021 was \$2,615 and \$6,029, respectively.

6. Liquidity

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:

Earth Force, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

6. Liquidity (continued)

	2022
Financial assets at period end:	
Cash & cash equivalents	\$ 1,022,027
Contributions receivable	156,756
Total financial assets	1,178,783
Less amounts not available to be used within one year:	
Net assets with donor restrictions	113,169
Financial assets available to meet general expenditures over the next twelve months	\$ 1,065,614

8. Net Assets

Net assets with donor restrictions and without donor restrictions for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Net assets with donor restrictions:		
Agriculture programs	-	385,765
Community programs	20,000	12,500
Water-based programs	93,169	46,233
	\$ 113,169	\$ 444,498
Net assets without donor restrictions	1,031,893	642,255
	\$ 1,145,062	\$ 1,086,753