

EARTH FORCE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2024 AND 2023





Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Earth Force, Inc.

Opinion

We have audited the accompanying financial statements of Earth Force, Inc (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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, 2024, and the changes in its net assets 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 Auditors' 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.

Auditors' 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 auditors' 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:

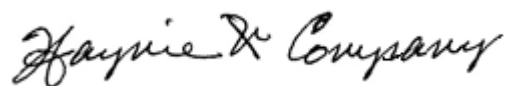
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Earth Force Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, 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 12, 2024

EARTH FORCE
Statements of Financial Position
September 30, 2024 and 2023

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 369,357	\$ 626,996
Investments	623,981	406,454
Accounts receivable	102,337	123,921
Promises to give	10,000	-
Other current assets	10,244	10,280
Total Current Assets	1,115,919	1,167,651
Noncurrent Assets:		
Right-of-use asset - operating lease	12,590	12,590
Less: accumulated amortization - operating lease	(4,403)	(2,160)
Right-of-use asset - operating lease, net	8,187	10,430
Total Assets	\$ 1,124,106	\$ 1,178,081
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 8,819	\$ 5,053
Accrued expenses	21,232	23,580
Deferred revenue	14,678	14,573
Lease commitments - operating lease	2,332	2,163
Total Current Liabilities	47,061	45,369
Noncurrent Liabilities:		
Lease commitments - operating lease	5,889	8,221
Net assets:		
Net assets without donor restrictions	1,032,730	1,084,940
Net assets with donor restrictions	38,426	39,551
Total net assets	1,071,156	1,124,491
Total Liabilities and Net Assets	\$ 1,124,106	\$ 1,178,081

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

EARTH FORCE
Statements of Activities
For the Years Ended September 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	\$ 279,054	\$ 169,650	\$ 448,704	\$ 333,717	\$ 165,000	\$ 498,717
Government grants	95,149	-	95,149	133,358	-	133,358
Program revenue	318,804	-	318,804	305,544	-	305,544
Product sales, net of cost of goods sold of \$66,500 (2024) and \$0 (2023)	-	-	-	26,150	-	26,150
Other income	25,611	-	25,611	17,247	-	17,247
Interest income	1,884	-	1,884	2,461	-	2,461
Net investment income	28,348	-	28,348	6,454	-	6,454
Net assets released from restrictions due to satisfaction of program expenditure requirements	<u>170,775</u>	<u>(170,775)</u>	<u>-</u>	<u>238,618</u>	<u>(238,618)</u>	<u>-</u>
Total support and revenue	<u>919,625</u>	<u>(1,125)</u>	<u>918,500</u>	<u>1,063,549</u>	<u>(73,618)</u>	<u>989,931</u>
Expenses:						
Program Services	802,846	-	802,846	833,181	-	833,181
Supporting services -						
Management and general	81,656	-	81,656	91,228	-	91,228
Fundraising and development	<u>87,333</u>	<u>-</u>	<u>87,333</u>	<u>86,093</u>	<u>-</u>	<u>86,093</u>
Total Expenses	<u>971,835</u>	<u>-</u>	<u>971,835</u>	<u>1,010,502</u>	<u>-</u>	<u>1,010,502</u>
Change in Net Assets	(52,210)	(1,125)	(53,335)	53,047	(73,618)	(20,571)
Net Assets Beginning of Year	<u>1,084,940</u>	<u>39,551</u>	<u>1,124,491</u>	<u>1,031,893</u>	<u>113,169</u>	<u>1,145,062</u>
Net Assets End of Year	<u>\$1,032,730</u>	<u>\$ 38,426</u>	<u>\$1,071,156</u>	<u>\$ 1,084,940</u>	<u>\$ 39,551</u>	<u>\$ 1,124,491</u>

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

EARTH FORCE
Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (53,335)	\$ (20,571)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Non-cash lease expenses	80	(46)
Changes in assets and liabilities		
Accounts receivable and promises to give	11,584	32,835
Other current assets	36	894
Accounts payable and accrued expenses	1,418	(2,649)
Deferred revenue	<u>105</u>	<u>960</u>
Net cash from operating activities	<u>(40,112)</u>	<u>11,423</u>
 Cash flows from investing activities		
Purchase of investments	(304,179)	(400,000)
Sale of investments	115,000	-
Interest income	<u>(28,348)</u>	<u>(6,454)</u>
Net Cash (Used by) Investing Activities	<u>(217,527)</u>	<u>(406,454)</u>
 Net change in cash and cash equivalents	(257,639)	(395,031)
 Cash balance—beginning of year	<u>626,996</u>	<u>1,022,027</u>
 Cash balance—end of year	<u>\$ 369,357</u>	<u>\$ 626,996</u>
 Supplemental disclosure information for Statement of Cash Flows:		
Operating cash flows paid for operating leases	\$ 2,528	\$ 2,454
Right-of-use assets obtained in exchange for lease obligations	\$ -	\$ 12,383

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

EARTH FORCE

Statements of Functional Expenses

For the Year Ended September 30, 2024

(With Summarized comparative totals for the year ended September 30, 2023)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u> <u>2024</u>	<u>Total</u> <u>2023</u>
	Social and community, public education and information, and public affairs	Fundraising and Development	Management and General		
Salaries	\$ 482,468	\$ 63,536	\$ 61,390	\$ 607,394	\$ 599,881
Payroll taxes and employee benefits	<u>93,397</u>	<u>9,456</u>	<u>11,783</u>	<u>114,636</u>	<u>112,462</u>
Total salaries, payroll taxes, and employee benefits	<u>575,865</u>	<u>72,992</u>	<u>73,173</u>	<u>722,030</u>	<u>712,343</u>
Accounting and audit	7,084	1,012	1,104	9,200	8,300
Professional fees	14,311	-	-	14,311	21,740
General material and supplies	8,224	137	20	8,381	38,460
Postage	791	68	319	1,178	1,301
Copying/printing	6,552	-	-	6,552	4,444
Equipment and software	-	-	-	-	923
Phone/internet	7,800	1,250	950	10,000	9,869
Other communications	5,899	654	3,498	10,051	19,286
Commercial travel	2,507	2,298	11	4,816	5,658
Lodging / event space rentals	3,487	1,655	81	5,223	5,789
Other travel and meeting costs	9,903	574	716	11,193	9,209
Stipends	26,281	-	-	26,281	35,125
Sub-awards and mini-grants	120,616	-	-	120,616	118,463
Business insurance	9,105	1,459	1,109	11,673	11,049
Occupancy costs	4,043	327	248	4,618	4,094
Miscellaneous	<u>378</u>	<u>4,907</u>	<u>427</u>	<u>5,712</u>	<u>4,449</u>
Total Expenses	<u>\$ 802,846</u>	<u>\$ 87,333</u>	<u>\$ 81,656</u>	<u>\$ 971,835</u>	<u>\$ 1,010,502</u>

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

Earth Force, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

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.

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.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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, 2024 all cash deposits are FDIC insured.

Investments

Investments in money market accounts are reported at their fair value in the statements of financial position. Investment income, gains, and losses are reported in the statements of activities.

Accounts Receivable

Accounts receivable consist primarily of amounts due from federal and state governments and represent amounts due from third parties for services provided. These 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 is deemed necessary as of September 30, 2024 and 2023. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. As of September 30, 2024 and 2023, unconditional promises to give amounted to \$10,000 and \$0, respectively. These contributions are expected to be realized in one year or less and are classified as net assets without donor restrictions in the statement 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, 2024 and 2023, the Organization had no capitalized property or equipment.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

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.

Program Revenue

Revenue from programming is primarily derived from agreements with different programs where monies received are based off purchase orders. Revenues from these sources are recognized when the service is provided, in an amount that reflects the consideration that the Earth Force expects to be entitled to in exchange for those services. All revenues from contracts with customers is recognized at a point in time. Earth Force does not have any contract liabilities and does not have any significant contract related assets.

Grant Revenue

Grant revenues are either recorded as contributions or exchange transactions based on the criteria contained in the grant. A portion of the Earth Force's grant revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Earth Force has incurred expenditures in compliance with specific contract grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or a promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised if the condition is not met.

Conditional contributions are recognized when the barriers to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

When a donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

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 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 2024, 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. Earth Force's federal tax return (Form 990) for 2024 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, 2024 and 2023

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, 2023, from which the summarized information was derived.

Subsequent Events

The Organization evaluated all events or transactions that occurred after September 30, 2024 through December 12, 2024, 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, 2024 and 2023

3. Investments

Accounting standards for investments provide 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The Organization investments are in a money market account that is valued using Level 1 inputs. As of September 30, 2024 and 2023, the Organization had \$623,981 and \$406,454, respectively, in Level 1 investments.

The changes in the investments for which the Organization has used Level 1 inputs to determine the fair values are as follows:

September 30, 2023	\$ 406,454
Purchases and sales	189,179
Interest and dividends	<u>28,348</u>
September 30, 2024	\$ 623,981

4. 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.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

4. Retirement Plan (continued)

As of September 30, 2024 and 2023, 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, 2024 and 2023, matching contributions totaled \$9,863 and \$14,218, respectively.

5. 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.

6. Leases

Lease Obligations

As of September 30, 2024, assets recorded under the operating lease were \$12,590 and accumulated amortization associated with operating leases was \$4,409.

On May 3, 2022, the Organization entered into a five-year lease for its primary office space with initial monthly reimbursable operating expenses of \$200 which increase each year by 3%. During the years ended September 30, 2024 and 2023, rent expense under this operating lease was \$2,528 and \$2,454, respectively.

The weighted average remaining lease term on this lease is 3.25 years. The weighted average discount rate applied to this lease is 4.06%.

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

6. Leases (continued)

Future minimum lease payments under this non-cancelable operating lease as of September 30, 2024 was as follows:

	Operating Leases
2025	\$ 2,603
2026	2,682
2027	2,762
2028	696
Less: imputed interest	(522)
Total future minimum lease payments	\$ 8,221
Lease commitments - current portion	\$ 2,332
Lease commitments- long-term portion	5,890
Total	\$ 8,221

7. Related Party

Board members contribute financially to the Organization. Unrestricted cash contributions for the year ended September 30, 2024 and 2023 was \$7,777 and \$3,850, respectively.

8. Liquidity

The following represents Earth Force's financial assets available within one year of the balance sheet for general expenditures:

	2024
Financial assets at period end:	
Cash & cash equivalents	\$ 369,357
Investments	623,981
Accounts receivable	102,337
Promises to give	10,000
Total financial assets	379,357
Less amounts not available to be used within one year:	
Net assets with donor restrictions	38,426
Financial assets available to meet general expenditures over the next twelve months	\$ 340,931

Earth Force, Inc.
Notes to Financial Statements
September 30, 2024 and 2023

9. Net Assets

Net assets with donor restrictions and without donor restrictions for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Net assets with donor restrictions:		
Community programs	\$ 35,926	\$ 39,551
General programs	2,500	-
	<u>\$ 38,426</u>	<u>\$ 39,551</u>
 Net assets without donor restrictions	 1,032,730	 1,084,940
	<u>\$ 1,071,156</u>	<u>\$ 1,124,491</u>