EARTHCORPS

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS’ REPORT

DECEMBER 31, 2020 AND 2019
INDEPENDENT AUDITORS’ REPORT

To the Board of Trustees
EarthCorps
Seattle, Washington

We have audited the accompanying financial statements of EarthCorps (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 EarthCorps as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Associates PLLC, CPAs
August 25, 2021
EARTHCORPS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,510,568</td>
<td>$1,379,550</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance</td>
<td>412,303</td>
<td>286,712</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>73,446</td>
<td>46,808</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>23,209</td>
<td>66,160</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>34,398</td>
<td>48,288</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$2,053,924</td>
<td>1,827,518</td>
</tr>
<tr>
<td>Pledges receivable, net of current portion</td>
<td>-</td>
<td>20,371</td>
</tr>
<tr>
<td>Investments</td>
<td>400,481</td>
<td>364,499</td>
</tr>
<tr>
<td>Prepaid rent, net of current portion</td>
<td>369,729</td>
<td>343,385</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>87,173</td>
<td>122,904</td>
</tr>
<tr>
<td>Unemployment trust deposits</td>
<td>53,326</td>
<td>64,531</td>
</tr>
<tr>
<td>Total assets</td>
<td>$2,964,633</td>
<td>$2,743,208</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$54,129</td>
<td>$57,698</td>
</tr>
<tr>
<td>Accrued payroll and related</td>
<td>96,106</td>
<td>103,798</td>
</tr>
<tr>
<td>Deferred rent, current portion</td>
<td>8,760</td>
<td>14,600</td>
</tr>
<tr>
<td>Deferred revenue, current portion</td>
<td>175,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Note payable, current portion</td>
<td>39,089</td>
<td>33,839</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>373,084</td>
<td>334,935</td>
</tr>
<tr>
<td>Deferred revenue, net of current portion</td>
<td>58,650</td>
<td>212,261</td>
</tr>
<tr>
<td>Deferred rent, net of current portion</td>
<td>53,516</td>
<td>32,800</td>
</tr>
<tr>
<td>Note payable, net of current portion</td>
<td>224,581</td>
<td>317,528</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>709,831</td>
<td>897,524</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>1,352,616</td>
<td>1,117,114</td>
</tr>
<tr>
<td>Board designated</td>
<td>525,000</td>
<td>525,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,877,616</td>
<td>1,642,114</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose and time</td>
<td>372,886</td>
<td>199,270</td>
</tr>
<tr>
<td>Perpetual in nature</td>
<td>4,300</td>
<td>4,300</td>
</tr>
<tr>
<td>Total net assets</td>
<td>377,186</td>
<td>203,570</td>
</tr>
<tr>
<td>Total net assets</td>
<td>2,254,802</td>
<td>1,845,684</td>
</tr>
<tr>
<td></td>
<td>$2,964,633</td>
<td>$2,743,208</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.


<table>
<thead>
<tr>
<th>Support and Revenue</th>
<th>Undesignated</th>
<th>Board Designated</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grants and contracts</td>
<td>$2,184,461</td>
<td>$ -</td>
<td>$ -</td>
<td>$2,184,461</td>
</tr>
<tr>
<td>Non-government grants and contracts</td>
<td>255,422</td>
<td>-</td>
<td>-</td>
<td>255,422</td>
</tr>
<tr>
<td>Contributions</td>
<td>607,254</td>
<td>-</td>
<td>289,325</td>
<td>896,579</td>
</tr>
<tr>
<td>Special events, net of costs</td>
<td>172,098</td>
<td>-</td>
<td>-</td>
<td>172,098</td>
</tr>
<tr>
<td>Program income</td>
<td>60,511</td>
<td>-</td>
<td>-</td>
<td>60,511</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>90,586</td>
<td>-</td>
<td>-</td>
<td>90,586</td>
</tr>
<tr>
<td>Investment return, net of fees</td>
<td>39,767</td>
<td>-</td>
<td>-</td>
<td>39,767</td>
</tr>
<tr>
<td>Other</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>3,410,129</td>
<td>-</td>
<td>289,325</td>
<td>3,699,454</td>
</tr>
</tbody>
</table>

Net asset releases/transfers:

| Net assets released from restrictions        | 115,709      | -                | (115,709)               | -         |

| Total support and revenue                    | 3,525,838    | -                | 173,616                 | 3,699,454 |

Expenses

| Program services                             | 2,715,239    | -                | -                       | 2,715,239 |
| Management and general                       | 383,945      | -                | -                       | 383,945   |
| Fundraising                                  | 191,152      | -                | -                       | 191,152   |
| **Total expenses**                           | 3,290,336    | -                | -                       | 3,290,336 |

| Change in Net Assets                        | 235,502      | -                | 173,616                 | 409,118   |

Net Assets

| Beginning of the year                        | 1,117,114    | 525,000          | 203,570                 | 1,845,684 |
| End of the year                              | $1,352,616   | $525,000         | $377,186                | $2,254,802|

*See accompanying notes to financial statements.*
### EARTHCORPS
#### STATEMENT OF ACTIVITIES
##### YEAR ENDED DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>Board Designated</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>$2,184,460</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Non-government grants and contracts</td>
<td>345,058</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contributions</td>
<td>638,869</td>
<td>-</td>
<td>146,453</td>
</tr>
<tr>
<td>Special events, net of costs</td>
<td>210,960</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Program income</td>
<td>58,188</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>2,035</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment return, net of fees</td>
<td>56,740</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>16,957</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,513,267</td>
<td>-</td>
<td>146,453</td>
</tr>
<tr>
<td>Net asset releases/transfers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board designated transfers</td>
<td>(50,000)</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>269,873</td>
<td>-</td>
<td>(269,873)</td>
</tr>
<tr>
<td></td>
<td>219,873</td>
<td>50,000</td>
<td>(269,873)</td>
</tr>
<tr>
<td></td>
<td>3,733,140</td>
<td>50,000</td>
<td>(123,420)</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,931,975</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Management and general</td>
<td>351,712</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>236,638</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,520,325</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>212,815</td>
<td>50,000</td>
<td>(123,420)</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of the year</td>
<td>904,299</td>
<td>475,000</td>
<td>326,990</td>
</tr>
<tr>
<td>End of the year</td>
<td>$1,117,114</td>
<td>$525,000</td>
<td>$203,570</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
### EARTHCORPS

#### STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corps</td>
<td>Volunteer</td>
</tr>
<tr>
<td>Salaries and related costs</td>
<td>$1,572,215</td>
<td>$473,093</td>
</tr>
<tr>
<td>Field operations</td>
<td>243,727</td>
<td>25,115</td>
</tr>
<tr>
<td>Occupancy</td>
<td>67,360</td>
<td>33,577</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,100</td>
<td>135</td>
</tr>
<tr>
<td>Depreciation</td>
<td>27,641</td>
<td>12,875</td>
</tr>
<tr>
<td>Office</td>
<td>19,837</td>
<td>5,569</td>
</tr>
<tr>
<td>Participant support</td>
<td>27,007</td>
<td>11,632</td>
</tr>
<tr>
<td>Bank charges, financial, and other fees</td>
<td>21,043</td>
<td>4,977</td>
</tr>
<tr>
<td>Travel</td>
<td>26,792</td>
<td>1,765</td>
</tr>
<tr>
<td>Education programs</td>
<td>19,485</td>
<td>2,645</td>
</tr>
<tr>
<td>Insurance</td>
<td>6,285</td>
<td>1,648</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>5,833</td>
<td>1,765</td>
</tr>
<tr>
<td>Other</td>
<td>9,167</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2,420</td>
<td>1,088</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>2,050,912</td>
<td>575,884</td>
</tr>
<tr>
<td>Plus cost of direct benefits to donors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$2,050,912</td>
<td>$575,884</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*

5
## EARTHCORPS

### STATEMENT OF FUNCTIONAL EXPENSES

#### YEAR ENDED DECEMBER 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Corps</th>
<th>Volunteer Service</th>
<th>Total</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related costs</td>
<td>$1,565,098</td>
<td>$501,264</td>
<td>$2,146,021</td>
<td>$241,765</td>
<td>$181,148</td>
<td>$2,568,934</td>
</tr>
<tr>
<td>Field operations</td>
<td>353,825</td>
<td>44,353</td>
<td>405,671</td>
<td>7,316</td>
<td>-</td>
<td>412,987</td>
</tr>
<tr>
<td>Occupancy</td>
<td>62,214</td>
<td>32,733</td>
<td>101,474</td>
<td>19,470</td>
<td>14,840</td>
<td>135,784</td>
</tr>
<tr>
<td>Professional fees</td>
<td>22,216</td>
<td>1,020</td>
<td>23,236</td>
<td>63,762</td>
<td>13,214</td>
<td>100,212</td>
</tr>
<tr>
<td>Depreciation</td>
<td>38,070</td>
<td>19,868</td>
<td>61,922</td>
<td>5,266</td>
<td>8,968</td>
<td>76,126</td>
</tr>
<tr>
<td>Office</td>
<td>20,337</td>
<td>5,245</td>
<td>25,582</td>
<td>4,643</td>
<td>9,579</td>
<td>40,879</td>
</tr>
<tr>
<td>Participant support</td>
<td>72,125</td>
<td>11,237</td>
<td>83,362</td>
<td>-</td>
<td>-</td>
<td>83,362</td>
</tr>
<tr>
<td>Bank charges, financial, and other fees</td>
<td>8,235</td>
<td>4,054</td>
<td>815</td>
<td>13,104</td>
<td>4,478</td>
<td>19,427</td>
</tr>
<tr>
<td>Travel</td>
<td>9,101</td>
<td>254</td>
<td>9,355</td>
<td>475</td>
<td>279</td>
<td>10,624</td>
</tr>
<tr>
<td>Education programs</td>
<td>18,995</td>
<td>1,108</td>
<td>20,103</td>
<td>-</td>
<td>-</td>
<td>20,103</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,593</td>
<td>1,484</td>
<td>5,077</td>
<td>875</td>
<td>669</td>
<td>6,944</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>7,667</td>
<td>1,954</td>
<td>9,621</td>
<td>1,070</td>
<td>1,564</td>
<td>12,615</td>
</tr>
<tr>
<td>Other</td>
<td>15,543</td>
<td>3,222</td>
<td>18,765</td>
<td>1,450</td>
<td>1,120</td>
<td>21,610</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2,314</td>
<td>1,217</td>
<td>3,531</td>
<td>726</td>
<td>554</td>
<td>5,054</td>
</tr>
<tr>
<td>Event space</td>
<td>2,482</td>
<td>39</td>
<td>2,521</td>
<td>416</td>
<td>2,858</td>
<td>5,376</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>2,201,815</td>
<td>629,052</td>
<td>2,931,975</td>
<td>351,712</td>
<td>236,638</td>
<td>3,520,325</td>
</tr>
<tr>
<td>Plus cost of direct benefits to donors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,681</td>
<td>64,681</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$2,201,815</td>
<td>$629,052</td>
<td>$2,931,975</td>
<td>$351,712</td>
<td>$301,319</td>
<td>$3,585,006</td>
</tr>
</tbody>
</table>
EARTHCORPS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from grants, contributions, and benefit events</td>
<td>$3,333,602</td>
<td>$3,573,388</td>
</tr>
<tr>
<td>Cash (paid) received from investment income and other</td>
<td>(29,713)</td>
<td>35,262</td>
</tr>
<tr>
<td>Cash paid to employees and suppliers</td>
<td>(3,094,942)</td>
<td>(3,371,532)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>208,947</td>
<td>237,118</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(23,760)</td>
<td>(65,949)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(62,241)</td>
<td>(262,921)</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>95,769</td>
<td>284,285</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,768</td>
<td>(44,585)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from note payable</td>
<td>-</td>
<td>370,000</td>
</tr>
<tr>
<td>Principal payments on note payable</td>
<td>(87,697)</td>
<td>(18,633)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(87,697)</td>
<td>351,367</td>
</tr>
<tr>
<td><strong>NET CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>131,018</td>
<td>543,900</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of the year</td>
<td>1,379,550</td>
<td>835,650</td>
</tr>
<tr>
<td>End of the year</td>
<td>$1,510,568</td>
<td>$1,379,550</td>
</tr>
</tbody>
</table>
Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – EarthCorps (the Organization) brings together passionate and hardworking young adults from the U.S. and countries around the world for a year-long leadership training program in Seattle, Washington. Since EarthCorps was founded as a nonprofit organization in 1993, more than 1,000 participants have learned leadership skills through working collaboratively, leading community volunteers, and executing technical restoration projects along shorelines, trails, and in forests to improve the health of the Puget Sound region.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated certain otherwise net assets without donor restrictions as a Board designated reserve. These funds are approved by the Board to be held for specific purposes and require Board approval to designate for any other purpose.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were $4,300 in donor-restricted net assets of perpetual nature at December 31, 2020 and 2019.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2020 and 2019, cash and cash equivalents consist of checking, savings and money market accounts. Deposits with a single financial institution occasionally exceed federally insured limits, which subject the Organization to a concentration of deposit risk. The Organization has not experienced losses due to this concentration.

Accounts Receivable – Accounts receivable consist primarily of outstanding invoices for grants and contracts. All account balances are due in less than one year. As of December 31, 2020, an allowance of $9,167 has been established by management based upon the Organization’s historical experience in the collection of balances due. No such allowance was established as of December 31, 2019.

Pledges Receivable – Pledges receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value, which is measured at the present value of their future cash flows. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.
Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

**Investments** – The Organization carries investments with readily determinable fair values at their fair values in the statements of financial position. Investment return is included in the accompanying statements of activities.

**Fair Value Measurements** – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- **Level 1**
  Unadjusted quoted prices for identical assets or liabilities in active markets.

- **Level 2**
  Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.

- **Level 3**
  Inputs that are not observable that reflect management’s assumptions and estimates.

Fair value measurements apply to the Organization’s investments in bond and equity mutual funds, which are classified within Level 1 of the fair value hierarchy.

**Property and Equipment** – Property and equipment is carried at cost or, in the case of donated property, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over a period of three to five years. Leasehold improvements are depreciated over the shorter of the lease term or the useful life of the asset. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a value in excess of $1,000 that provide future benefits over a period longer than one year.

**Revenue Recognition** – Revenue is recognized when earned. Contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. It is the Organization’s policy to recognize restricted conditional contributions in the net assets without donor restrictions class if the conditions have been met in the same year.

Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions. It is the Organization’s policy to recognize restricted contributions in the net asset without donor restrictions class if the restrictions have been met in the same year.
Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenues from grants and contracts are recognized when the qualified expense is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no government audits or adjustments during the years ended December 31, 2020 and 2019.

Revenue from grants and contracts is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services provided. Fees received for future services are deferred until the service is completed.

Grants and contracts may give rise to performance obligations for the Organization. Revenue from grants and contracts with performance obligations is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer at a point in time or over time. Grants and contracts do not have a significant financing component, and the consideration amount is not variable. For the related performance obligations, control of the promised good or service transfers to the customer at a point in time. Payment is typically due in full when the customer is invoiced and revenue is recognized in the period in which the service is rendered.

Government grants and contracts is composed of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$2,065,608</td>
<td>$1,957,163</td>
</tr>
<tr>
<td>Performance obligations satisfied at a point in time</td>
<td>118,853</td>
<td>227,297</td>
</tr>
<tr>
<td></td>
<td>$2,184,461</td>
<td>$2,184,460</td>
</tr>
</tbody>
</table>

In-kind Contributions – Donations of facilities, goods and services are recognized as revenue at the estimated fair value at the date of donation if they meet the criteria for recognition. The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Volunteers provide valuable services throughout the year that are not recognized in the financial statements as the criteria above have not been met.

Functional Allocation of Expenses – The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Direct costs are assigned to specific programs as they are incurred. Indirect costs are allocated based on expected staff time spent in each functional area and program.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.
Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications did not affect the change in net assets for the current or prior year.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,510,568</td>
<td>$1,379,550</td>
</tr>
<tr>
<td>Investments</td>
<td>400,481</td>
<td>364,499</td>
</tr>
<tr>
<td>Accounts and pledges receivable</td>
<td>485,749</td>
<td>353,891</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>2,396,798</td>
<td>2,097,940</td>
</tr>
</tbody>
</table>

Less those unavailable for general expenditures within one year:

| Restricted collectible beyond one year       | -          | (20,371)   |
| Restricted by donors for purpose or time     | (62,336)   | (25,746)   |
| Restricted by donors with perpetual restrictions | (4,300)   | (4,300)    |
| Board reserves                               | (525,000)  | (525,000)  |

Total unavailable for general expenditures within one year: (591,636) (575,417)

Financial assets available within one year: $1,805,162 $1,522,523

The Organization strives to maintain liquid financial assets sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. Board-designated net assets may be drawn upon to meet liquidity needs through Board resolution.
Note 3 – Pledges Receivable

Pledges receivable are due as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in one year or less</td>
<td>$73,446</td>
<td>$46,808</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>-</td>
<td>$20,371</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$73,446</strong></td>
<td><strong>$67,179</strong></td>
</tr>
</tbody>
</table>

Note 4 – Investments

The Organization’s investments consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond mutual funds</td>
<td>$275,381</td>
<td>$250,034</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>125,100</td>
<td>114,465</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$400,481</strong></td>
<td><strong>$364,499</strong></td>
</tr>
</tbody>
</table>

The Organization’s investment return, net of fees consists of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$11,087</td>
<td>$18,312</td>
</tr>
<tr>
<td>Realized gain</td>
<td>2,318</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gain</td>
<td>69,510</td>
<td>48,520</td>
</tr>
<tr>
<td>Investment fees</td>
<td>(43,148)</td>
<td>(10,092)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39,767</strong></td>
<td><strong>$56,740</strong></td>
</tr>
</tbody>
</table>

Note 5 – Conditional Grants

Prior to December 31, 2020, the Organization received notice of five multi-year grant awards for $2,319,997, of which $238,022 was recognized before the year ended December 31, 2020 and $205,636 was recognized in the year ended December 31, 2020. The remainder of the total awards of $1,876,339 will be received in subsequent years, contingent on the Organization’s completion of terms and conditions set forth in the grants. As the remainder represents conditional promises to give, these portions of the awards will not be recognized as revenue until the grantor conditions are met.
Note 6 – Property and Equipment

Property and equipment consists of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation equipment</td>
<td>$486,709</td>
<td>$475,151</td>
</tr>
<tr>
<td>Office equipment</td>
<td>249,081</td>
<td>238,062</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>62,191</td>
<td>62,191</td>
</tr>
<tr>
<td>Field equipment</td>
<td>21,972</td>
<td>20,789</td>
</tr>
<tr>
<td></td>
<td><strong>819,953</strong></td>
<td><strong>796,193</strong></td>
</tr>
</tbody>
</table>

Less accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(732,780)</td>
<td>(673,289)</td>
</tr>
<tr>
<td></td>
<td><strong>$87,173</strong></td>
<td><strong>$122,904</strong></td>
</tr>
</tbody>
</table>

Note 7 – Unemployment Trust Deposits

EarthCorps participates in the Unemployment Services Trust, a trust to fund the cost of providing unemployment insurance (on a pooled basis with other entities). The Organization makes contributions to the Unemployment Services Trust rather than paying state unemployment premiums, and the Unemployment Services Trust handles all unemployment claims for the Organization. As a member of the Unemployment Services Trust, EarthCorps receives a share of the Unemployment Services Trust’s income and expenses. Should EarthCorps decide to leave the Unemployment Services Trust, it is entitled to receive the balance of its trust account, less any outstanding claims.

Note 8 – Note Payable

In 2018, EarthCorps entered into a line of credit agreement with a bank for a maximum borrowing amount of $485,000, maturing on October 15, 2028. The interest rate on the line of credit equaled the bank’s base rate plus 1.00% for the first 12 months, increasing to the bank's base rate plus 2.75% thereafter.

In April 2019, EarthCorps drew $370,000 on the line of credit and the original agreement was amended effective May 13, 2019 to disallow any further advances and to freeze the interest rate at 5.80%, effectively becoming a note payable. The amendment provides for equal monthly payments including principal and interest of $4,443 through May 15, 2028. The note payable is secured by all inventory, equipment, fixtures, chattel paper, accounts and general intangibles. The note payable is subject to certain financial ratio covenants.

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Note 8 – Note Payable (continued)

The following is a schedule of future minimum principal payments under the note payable for the years ending December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$39,089</td>
</tr>
<tr>
<td>2022</td>
<td>41,418</td>
</tr>
<tr>
<td>2023</td>
<td>43,885</td>
</tr>
<tr>
<td>2024</td>
<td>46,499</td>
</tr>
<tr>
<td>2025</td>
<td>49,269</td>
</tr>
<tr>
<td>Thereafter</td>
<td>43,510</td>
</tr>
</tbody>
</table>

$263,670

Note 9 – Operating Lease

EarthCorps entered into a long-term lease for office facilities from the City of Seattle. The occupancy of the space was effective in December 2017 and will continue for ten years. The Organization has an option to extend its lease for two terms of five years each.

EarthCorps has been granted a tenant improvement allowance of $485,000 from the landlord in the form of an offset to rent of up to 45% of the rent due in any month to a maximum of $485,000 for landlord pre-approved construction cost expenditures. These tenant improvements extend beyond the benefit just received by EarthCorps; thus, payments for tenant improvements are initially recorded as prepaid rent and amortized over the term of the lease as rent expense. Tenant improvement allowances of $16,607 and $57,957 were applied for the years ended December 31, 2020 and 2019, respectively.

In addition to the offset of the tenant improvement allowance against rent, the Organization may also offset up to 17.91% of annual rent through pre-approved delivery of programming and services to the Seattle Department of Parks and Recreation or the public. Public benefit allowances of $26,438 and $25,164 were applied for the years ended December 31, 2020 and 2019, respectively.

In 2020, the City of Seattle waived all rent payments, including the tenant improvement offset, from April 1, 2020 through August 31, 2021. An in-kind contribution was recognized for the free rent and the amortization of the tenant improvement allowance was not recorded from April 1, 2020 through December 31, 2020. Rent expense was $135,777 and $135,784 for the years ended December 31, 2020 and 2019, respectively.
Note 9 – Operating Lease (continued)

Future minimum payments under this lease, including in-kind rent described above and excluding options to extend, are as follows for the years ending December 31:

<table>
<thead>
<tr>
<th></th>
<th>Lease Payments</th>
<th>Public Benefit Offset</th>
<th>Straight-Line Rent Adj</th>
<th>Total Rent Expense</th>
<th>Prepaid Rent Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$154,730</td>
<td>$(27,712)</td>
<td>$8,760</td>
<td>$135,778</td>
<td>$(23,209)</td>
</tr>
<tr>
<td>2022</td>
<td>161,844</td>
<td>(28,986)</td>
<td>2,920</td>
<td>135,778</td>
<td>(72,830)</td>
</tr>
<tr>
<td>2023</td>
<td>168,958</td>
<td>(30,260)</td>
<td>(2,920)</td>
<td>135,778</td>
<td>(76,031)</td>
</tr>
<tr>
<td>2024</td>
<td>176,072</td>
<td>(31,534)</td>
<td>(8,760)</td>
<td>135,778</td>
<td>(79,232)</td>
</tr>
<tr>
<td>2025</td>
<td>183,186</td>
<td>(32,808)</td>
<td>(14,600)</td>
<td>135,778</td>
<td>(82,433)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>387,713</td>
<td>(68,482)</td>
<td>(47,676)</td>
<td>271,555</td>
<td>(76,701)</td>
</tr>
<tr>
<td></td>
<td>$1,232,503</td>
<td>$(219,782)</td>
<td>$(62,276)</td>
<td>$950,445</td>
<td>$(410,436)</td>
</tr>
</tbody>
</table>

Note 10 – Pension Plan

The Organization sponsors and makes contributions to a retirement plan qualified under Section 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate on the date of hire. The Organization contributed $41,332 and $34,981 to the plan for the years ended December 31, 2020 and 2019, respectively.

Note 11 – Net Assets Without Donor Restrictions – Board Designated

Net assets without donor restrictions designated by the Board as an operating reserve are included in cash and cash equivalents and investments and are available for use through Board resolution. The Board designated operating reserve totaled $525,000 as of December 31, 2020 and 2019.
Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at December 31:

<table>
<thead>
<tr>
<th>Restriction</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Infrastructure</td>
<td>$63,750</td>
<td>$-</td>
</tr>
<tr>
<td>Partnerships Manager</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>Emerging International Conservation Leaders</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Squally Beach Restoration</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>22,500</td>
<td>-</td>
</tr>
<tr>
<td>Commencement Bay</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td>Fauntleroy Watershed</td>
<td>17,837</td>
<td>18,803</td>
</tr>
<tr>
<td>Global Environmental Leadership</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>San Juan Islands Restoration</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Restoration of Puget Sound</td>
<td>15,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Blue Carbon</td>
<td>10,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Alumni Coordinator</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Mushrooms and GSI</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Port Gamble Restoration</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>International Program</td>
<td>9,722</td>
<td>18,056</td>
</tr>
<tr>
<td>Russian Environment Educator Exchange</td>
<td>4,002</td>
<td>4,417</td>
</tr>
<tr>
<td>Youth Volunteers</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Women in Restoration &quot;Sheroes&quot;</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>Yes Farm</td>
<td>-</td>
<td>11,009</td>
</tr>
<tr>
<td>Sedaxali Huckleberry Restoration</td>
<td>-</td>
<td>5,868</td>
</tr>
<tr>
<td>Global Washington Training</td>
<td>-</td>
<td>3,500</td>
</tr>
<tr>
<td>Puget Sound Stewards</td>
<td>-</td>
<td>617</td>
</tr>
<tr>
<td>Restricted for use in future year</td>
<td>38,075</td>
<td>-</td>
</tr>
<tr>
<td>Funds held in perpetuity</td>
<td>4,300</td>
<td>4,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$377,186</strong></td>
<td><strong>$203,570</strong></td>
</tr>
</tbody>
</table>
Note 13 – Special Events

Special events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross special events revenue</td>
<td>$194,022</td>
<td>$275,641</td>
</tr>
<tr>
<td>Less cost of direct donor benefits</td>
<td>$(21,924)</td>
<td>$(64,681)</td>
</tr>
<tr>
<td>Net special events revenue</td>
<td>$172,098</td>
<td>$210,960</td>
</tr>
</tbody>
</table>

Note 14 – Concentrations

For the year ended December 31, 2019, 24% of grants and contracts was received from one agency. There were no such concentration for the year ended December 31, 2020.

Note 15 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was first reported. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Organization’s operations will depend on certain developments, including the duration and spread of the outbreak and the impact to donors, volunteers, and employees, all of which are uncertain and cannot be determined.

Due to the COVID-19 pandemic, revenue from grants and contracts significantly from 2019 to 2020 due to furloughs, fewer volunteers, and less crew capacity as international restrictions prevented the Organization from bringing on international corps members. As an offset to this decrease, the Organization entered into a loan agreement with a bank under the Small Business Administration Payroll Projection Program in April 2020 for $483,793. The loan was fully forgiven in March 2021; however, the Organization recorded the grant revenue in 2020 because the Organization met all conditions required for forgiveness in 2020. The Organization cancelled its annual fundraiser and held a virtual event in October 2020, which resulted in a decrease in net revenue from special events.

As discussed in Note 9, the City of Seattle waived rent payments from April 1, 2020 through August 31, 2021, which resulted in an in-kind contribution for donated space for the year ended December 31, 2020. Further, payroll costs and field operations costs decreased during the year ended December 31, 2020 due to a hiring freeze and furloughs, and postponed projects during the pandemic.

The extent to which the pandemic will further impact the Organization going forward will depend on numerous evolving factors that cannot be reasonably predicted, including the duration and scope of the pandemic; governmental, business, and families' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability.
Note 16 – Subsequent Events

Subsequent events were evaluated through August 25, 2021, which is the date the financial statements were available to be issued.

The Organization entered into a second loan agreement with a bank under the Small Business Administration Payroll Projection Program in February 2021 for $467,615 and expects to have the full loan amount forgiven.