

EARTHCORPS

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
EarthCorps
Seattle, Washington

Opinion

We have audited the accompanying financial statements of EarthCorps (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years 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 EarthCorps as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 EarthCorps 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 the 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 EarthCorps' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EarthCorps' 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 EarthCorps' 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.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
August 23, 2022

EARTHCORPS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,908,848	\$ 1,510,568
Accounts receivable, net of allowance	451,448	412,303
Pledges receivable	10,675	73,446
Prepaid rent	72,830	23,209
Prepaid expenses	31,215	34,398
Total current assets	2,475,016	2,053,924
Investments	565,944	400,481
Prepaid rent, net of current portion	296,898	369,729
Property and equipment, net	133,849	87,173
Unemployment trust deposits	77,669	53,326
	\$ 3,549,376	\$ 2,964,633
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 59,028	\$ 54,129
Accrued payroll and related	99,852	96,106
Deferred rent, current portion	2,920	8,760
Deferred revenue, current portion	556,590	175,000
Loan payable, current	43,748	39,089
Total current liabilities	762,138	373,084
Deferred rent, net of current portion	68,031	53,516
Deferred revenue, net of current portion	-	58,650
Note payable, net of current portion	141,947	224,581
Total liabilities	972,116	709,831
NET ASSETS		
Without donor restrictions		
Undesignated	1,356,466	1,352,616
Board designated	766,848	525,000
	2,123,314	1,877,616
With donor restrictions		
Purpose and time	449,646	372,886
Perpetual in nature	4,300	4,300
	453,946	377,186
Total net assets	2,577,260	2,254,802
	\$ 3,549,376	\$ 2,964,633

EARTHCORPS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUE				
Government grants and contracts	\$ 2,121,474	\$ -	\$ -	\$ 2,121,474
Non-government grants and contracts	382,539	-	-	382,539
Contributions	581,598	-	297,864	879,462
Special events, net of costs	99,021	-	-	99,021
Program income	-	-	-	-
In-kind contributions	84,678	-	-	84,678
Investment return, net of fees	29,274	-	-	29,274
Gain on sale of assets	39,296	-	-	39,296
Other	8,885	-	-	8,885
	<u>3,346,765</u>	<u>-</u>	<u>297,864</u>	<u>3,644,629</u>
Net asset releases/transfers:				
Board designated transfers	(241,848)	241,848	-	-
Net assets released from restrictions	221,104	-	(221,104)	-
	<u>(20,744)</u>	<u>241,848</u>	<u>(221,104)</u>	<u>-</u>
Total support and revenue	<u>3,326,021</u>	<u>241,848</u>	<u>76,760</u>	<u>3,644,629</u>
EXPENSES				
Program services	2,653,592	-	-	2,653,592
Management and general	459,039	-	-	459,039
Fundraising	209,540	-	-	209,540
Total expenses	<u>3,322,171</u>	<u>-</u>	<u>-</u>	<u>3,322,171</u>
CHANGE IN NET ASSETS	3,850	241,848	76,760	322,458
NET ASSETS				
Beginning of the year	<u>1,352,616</u>	<u>525,000</u>	<u>377,186</u>	<u>2,254,802</u>
End of the year	<u>\$ 1,356,466</u>	<u>\$ 766,848</u>	<u>\$ 453,946</u>	<u>\$ 2,577,260</u>

EARTHCORPS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUE				
Government grants and contracts	\$ 2,184,461	\$ -	\$ -	\$ 2,184,461
Non-government grants and contracts	255,422	-	-	255,422
Contributions	607,254	-	289,325	896,579
Special events, net of costs	172,098	-	-	172,098
Program income	60,511	-	-	60,511
In-kind contributions	90,586	-	-	90,586
Investment return, net of fees	39,767	-	-	39,767
Gain on sale of assets	-	-	-	-
Other	30	-	-	30
	<u>3,410,129</u>	<u>-</u>	<u>289,325</u>	<u>3,699,454</u>
Net asset releases/transfers:				
Board designated transfers	-	-	-	-
Net assets released from restrictions	115,709	-	(115,709)	-
	<u>115,709</u>	<u>-</u>	<u>(115,709)</u>	<u>-</u>
Total support and revenue	<u>3,525,838</u>	<u>-</u>	<u>173,616</u>	<u>3,699,454</u>
EXPENSES				
Program services	2,715,239	-	-	2,715,239
Management and general	383,945	-	-	383,945
Fundraising	191,152	-	-	191,152
Total expenses	<u>3,290,336</u>	<u>-</u>	<u>-</u>	<u>3,290,336</u>
CHANGE IN NET ASSETS	235,502	-	173,616	409,118
NET ASSETS				
Beginning of the year	<u>1,117,114</u>	<u>525,000</u>	<u>203,570</u>	<u>1,845,684</u>
End of the year	<u>\$ 1,352,616</u>	<u>\$ 525,000</u>	<u>\$ 377,186</u>	<u>\$ 2,254,802</u>

EARTHCORPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services		
	Corps	Volunteer	Professional Services	Total	Management and General	Fundraising	Total
Salaries and related costs	\$ 1,781,483	\$ 165,821	\$ 78,983	\$ 2,026,287	\$ 271,244	\$ 151,877	\$ 2,449,408
Field operations	301,400	27,244	6,909	335,553	2,360	(904)	337,009
Occupancy	82,341	12,598	6,493	101,432	21,972	12,380	135,784
Professional fees	-	1,820	-	1,820	87,027	26,371	115,218
Office	27,121	3,722	1,886	32,729	61,228	9,188	103,145
Depreciation	29,728	4,827	2,274	36,829	7,193	4,333	48,355
Bank charges, financial, and other fees	28,363	2,310	1,091	31,764	6,735	2,594	41,093
Education programs	31,501	1,042	21	32,564	148	130	32,842
Participant support	20,277	-	-	20,277	(4,282)	-	15,995
Insurance	8,312	1,395	625	10,332	1,974	1,184	13,490
Board of Directors	6,936	1,007	352	8,295	2,067	1,404	11,766
Telecommunications	5,367	853	431	6,651	1,357	800	8,808
Travel	7,362	671	5	8,038	14	183	8,235
Other	1,021	-	-	1,021	2	-	1,023
Total functional expenses	2,331,212	223,310	99,070	2,653,592	459,039	209,540	3,322,171
Plus cost of direct benefits to donors	-	-	-	-	-	27,957	27,957
Total expenses	\$2,331,212	\$ 223,310	\$ 99,070	\$2,653,592	\$ 459,039	\$ 237,497	\$3,350,128

See accompanying notes to financial statements.

EARTHCORPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Support Services		
	Corps	Volunteer	Professional Services	Total	Management and General	Fundraising	Total
Salaries and related costs	\$ 1,572,215	\$ 473,093	\$ 71,967	\$ 2,117,275	\$ 226,546	\$ 137,064	\$ 2,480,885
Field operations	243,727	25,115	4,929	273,771	8,757	-	282,528
Occupancy	67,360	33,577	5,878	106,815	17,106	11,854	135,775
Professional fees	2,100	135	-	2,235	101,765	20,330	124,330
Office	19,837	5,569	1,153	26,559	8,588	11,327	46,474
Depreciation	27,641	12,875	2,438	42,954	11,859	4,678	59,491
Bank charges, financial, and other fees	21,043	4,977	966	26,986	5,190	2,071	34,247
Education programs	19,485	2,645	273	22,403	1,129	2,029	25,561
Participant support	27,007	11,632	-	38,639	-	-	38,639
Insurance	6,285	1,648	323	8,256	914	609	9,779
Board of Directors	5,833	1,765	294	7,892	1,125	754	9,771
Telecommunications	2,420	1,088	207	3,715	964	396	5,075
Travel	26,792	1,765	15	28,572	2	-	28,574
Other	9,167	-	-	9,167	-	40	9,207
Total functional expenses	2,050,912	575,884	88,443	2,715,239	383,945	191,152	3,290,336
Plus cost of direct benefits to donors	-	-	-	-	-	21,924	21,924
Total expenses	\$2,050,912	\$ 575,884	\$ 88,443	\$2,715,239	\$ 383,945	\$ 213,076	\$3,312,260

See accompanying notes to financial statements.

EARTHCORPS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions, and benefit events	\$ 3,829,062	\$ 3,333,602
Cash (paid) received from investment income and other	41,018	(29,713)
Cash paid to employees and suppliers	(3,169,768)	(3,094,942)
	700,312	208,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(96,871)	(23,760)
Purchase of investments	(127,186)	(62,241)
Proceeds from sales of investments	-	95,769
	(224,057)	9,768
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(77,975)	(87,697)
	(77,975)	(87,697)
NET CHANGE IN CASH AND CASH EQUIVALENTS	398,280	131,018
CASH AND CASH EQUIVALENTS		
Beginning of the year	1,510,568	1,379,550
End of the year	\$ 1,908,848	\$ 1,510,568

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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, 2021 and 2020, 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, 2021.

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.

Expirations 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.

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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:

	2021	2020
Government grants and contracts	\$ 1,938,348	\$ 2,065,608
Performance obligations satisfied at a point in time	183,126	118,853
	\$ 2,121,474	\$ 2,184,461

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.

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

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).

Subsequent Events – Subsequent events were evaluated through August 23, 2022, which is the date the financial statements were available to be issued.

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:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 1,908,848	\$ 1,510,568
Investments	565,944	400,481
Accounts receivable and pledges receivable	462,123	485,749
Total financial assets	2,936,915	2,396,798
Less those unavailable for general expenditures within one year:		
Restricted by donors with perpetual restrictions	(4,300)	(4,300)
Board reserves	(766,848)	(525,000)
	(771,148)	(529,300)
Financial assets available within one year	\$ 2,165,767	\$ 1,867,498

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.

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 3 – Investments

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

	2021	2020
Bond mutual funds	\$ 378,786	\$ 275,381
Equity mutual funds	187,158	125,100
	<u>\$ 565,944</u>	<u>\$ 400,481</u>

Note 4 – Conditional Grants

Prior to December 31, 2021, the Organization received notice of five multi-year grant awards for \$1,673,056, of which \$321,856 was recognized before the year ended December 31, 2021 and \$421,239 was recognized in the year ended December 31, 2021. The remainder of the total awards of \$929,961 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 5 – Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Transportation equipment	\$ 462,852	\$ 486,709
Office equipment	284,997	249,081
Leashold improvements	75,340	62,191
Field equipment	21,972	21,972
	<u>845,161</u>	<u>819,953</u>
Less accumulated depreciation	<u>(711,312)</u>	<u>(732,780)</u>
	<u>\$ 133,849</u>	<u>\$ 87,173</u>

Note 6 – 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.

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 7 – 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.

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

2022	\$	43,748
2023		46,354
2024		49,115
2025		46,478
		<u>46,478</u>
	\$	<u>185,695</u>

Note 8 – 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 \$23,209 and \$16,607 were applied for the years ended December 31, 2021 and 2020, 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 \$27,712 and \$26,438 were applied for the years ended December 31, 2021 and 2020, respectively.

EARTHCORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 8 – Operating Lease (continued)

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 \$135,784 and \$135,777 for the years ended December 31, 2021 and 2020, respectively.

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:

	Lease Payments	Public Benefit Offset	Straight-Line Rent Adj	Total Rent Expense	Prepaid Rent Amortization
2022	161,844	(28,986)	2,920	135,778	(72,830)
2023	168,958	(30,260)	(2,920)	135,778	(76,031)
2024	176,072	(31,534)	(8,760)	135,778	(79,232)
2025	183,186	(32,808)	(14,600)	135,778	(82,433)
2026	190,300	(34,082)	(20,440)	135,778	(59,202)
2027	197,413	(34,400)	(27,236)	135,777	-
	<u>\$ 1,077,773</u>	<u>\$ (192,070)</u>	<u>\$ (71,036)</u>	<u>\$ 814,667</u>	<u>\$ (369,728)</u>

Note 9 – Pension Plan

The Organization sponsors and makes contributions to a retirement plan qualified under Section 403(b) of the Internal Revenue Code. All fulltime employees are eligible to participate on the date of hire. The Organization contributed \$36,528 and \$41,332 to the plan for the years ended December 31, 2021 and 2020, respectively.

Note 10 – 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 \$766,848 and \$525,000 as of December 31, 2021 and 2020, respectively.

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Note 11 – Net Assets with Donor Restrictions

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

	2021	2020
Partnerships Manager	\$ 82,224	\$ 50,000
Floating Wetlands	75,702	-
Water Quality	67,338	-
Alumni Coordinator	40,000	10,000
Blue Carbon	34,000	10,000
Emerging International Conservation Leaders	30,000	30,000
Forest Justice	30,000	-
Sword Fern Science	23,000	-
K-12 Education	17,550	22,500
Fauntleroy Watershed	15,181	17,837
Global Environmental Leadership	15,000	15,000
Restore Port Gamble Skallum	10,000	-
Quinalt Restoration	5,600	-
International Program	4,051	9,722
Green Infrastructure	-	63,750
Squally Beach Restoration	-	30,000
Commencement Bay	-	20,000
San Juan Islands Restoration	-	15,000
Restoration of Puget Sound	-	15,000
Mushrooms and GSI	-	10,000
Port Gamble Restoration	-	10,000
Russian Environment Educator Exchange	-	4,002
Youth Volunteers	-	2,000
Restricted for use in future year	-	38,075
Funds held in perpetuity	4,300	4,300
	<u>\$ 453,946</u>	<u>\$ 377,186</u>

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Note 12 – 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:

	<u>2021</u>	<u>2020</u>
Gross special events revenue	\$ 126,978	\$ 194,022
Less cost of direct donor benefits	<u>(27,957)</u>	<u>(21,924)</u>
	<u>\$ 99,021</u>	<u>\$ 172,098</u>

Note 13 – 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.

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 which was fully forgiven in 2021.