EARTHCORPS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019 AND 2018

Jones & Associates PLLC
Certified Public Accountants

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 statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Other Matter

The financial statements of EarthCorps as of and for the year ended December 31, 2018 were audited by other auditors whose report dated June 13, 2019 expressed an unmodified opinion on those statements.

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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, 2019, 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.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
November 16, 2020

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EARTHCORPS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,379,550	$ 835,650
Accounts receivable	286,712	558,042
Pledges receivable	46,808	37,725
Prepaid rent (Note 8)	66,160	57,957
Prepaid expenses	48,288	85,269
Total current assets	1,827,518	1,574,643
Pledges receivable, net of current portion	20,371	-
Investments	364,499	347,428
Prepaid rent, net of current portion (Note 8)	343,385	359,596
Property and equipment, net	122,904	133,081
Unemployment trust deposits (Note 6)	64,531	56,828
	$ 2,743,208	$ 2,471,576
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 57,698	$ 58,796
Accrued payroll and related	103,798	89,709
Deferred revenue, current portion	125,000	246,737
Note payable, current portion	33,839	-
Total current liabilities	320,335	395,242
Deferred revenue, net of current portion	212,261	343,000
Deferred rent	47,400	27,045
Note payable, net of current portion	317,528	-
Total liabilities	897,524	765,287
NET ASSETS		
Without donor restrictions		
Undesignated	1,117,114	904,299
Board designated	525,000	475,000
	1,642,114	1,379,299
With donor restrictions		
Purpose and time	199,270	322,690
Perpetual in nature	4,300	4,300
	203,570	326,990
Total net assets	1,845,684	1,706,289
	$ 2,743,208	$ 2,471,576

	Without Donor Restrictions			
	Undesignated	Board Designated	With Donor Restrictions	Total
SUPPORT AND REVENUE				
Government grants and contracts	$ 2,529,518	$ -	$ -	$ 2,529,518
Contributions	638,869	-	146,453	785,322
Special events, net of costs	210,960	-	-	210,960
Program income	58,188	-	-	58,188
In-kind contributions	2,035	-	-	2,035
Investment return, net of fees	56,740	-	-	56,740
Other	16,957	-	-	16,957
	3,513,267	-	146,453	3,659,720
Net asset releases/transfers:				
Board designated transfers	(50,000)	50,000	-	-
Net assets released from restrictions	269,873	-	(269,873)	-
	219,873	50,000	(269,873)	-
Total support and revenue	3,733,140	50,000	(123,420)	3,659,720
EXPENSES				
Program services	2,931,975	-	-	2,931,975
Management and general	351,712	-	-	351,712
Fundraising	236,638	-	-	236,638
Total expenses	3,520,325	-	-	3,520,325
CHANGE IN NET ASSETS	212,815	50,000	(123,420)	139,395
NET ASSETS				
Beginning of the year	904,299	475,000	326,990	1,706,289
End of the year	$ 1,117,114	$ 525,000	$ 203,570	$ 1,845,684

	Without Donor Restrictions			
	Undesignated	Board Designated	With Donor Restrictions	Total
SUPPORT AND REVENUE				
Government grants and contracts	$ 2,300,729	$ -	$ -	$ 2,300,729
Contributions	406,415	-	309,382	715,797
Special events, net of costs	324,298	-	-	324,298
Program income	192,587	-	-	192,587
In-kind contributions	25,600	-	-	25,600
Investment return, net of fees	(6,874)	-	-	(6,874)
Other	15,045	-	-	15,045
	3,257,800	-	309,382	3,567,182
Net asset releases/transfers:				
Board designated transfers	(50,000)	50,000	-	-
Net assets released from restrictions	216,528	-	(216,528)	-
	166,528	50,000	(216,528)	-
Total support and revenue	3,424,328	50,000	92,854	3,567,182
EXPENSES				
Program services	2,845,206	-	-	2,845,206
Management and general	367,359	-	-	367,359
Fundraising	240,308	-	-	240,308
Total expenses	3,452,873	-	-	3,452,873
CHANGE IN NET ASSETS	(28,545)	50,000	92,854	114,309
NET ASSETS				
Beginning of the year	932,844	425,000	234,136	1,591,980
End of the year	$ 904,299	$ 475,000	$ 326,990	$ 1,706,289

	Program Services				Support Services		
	Corps	Volunteer	Professional Services	Total	Management and General	Fundraising	Total
Salaries and related costs	$ 1,565,098	$ 501,264	$ 79,659	$ 2,146,021	$ 241,765	$ 181,148	$ 2,568,934
Field operations	353,825	44,353	7,493	405,671	7,316	-	412,987
Occupancy	62,214	32,733	6,527	101,474	19,470	14,840	135,784
Professional fees	22,216	1,020	-	23,236	63,762	13,214	100,212
Participant support	72,125	11,237	-	83,362	-	-	83,362
Depreciation	38,070	19,868	3,954	61,892	5,266	8,968	76,126
Office	20,337	5,245	1,075	26,657	4,643	9,579	40,879
Other	15,543	3,222	275	19,040	1,450	1,120	21,610
Education programs	18,995	1,108	-	20,103	-	-	20,103
Bank charges, financial, and other fees	8,235	4,054	815	13,104	4,478	1,845	19,427
Board of Directors	7,667	1,954	360	9,981	1,070	1,564	12,615
Travel	9,101	254	412	9,767	475	279	10,521
Insurance	3,593	1,484	295	5,372	875	669	6,916
Event space	2,482	39	-	2,521	416	2,858	5,795
Telecommunications	2,314	1,217	243	3,774	726	554	5,054
Total functional expenses	2,201,815	629,052	101,108	2,931,975	351,712	236,638	3,520,325
Plus cost of direct benefits to donors	-	-	-	-	-	64,681	64,681
Total expenses	$ 2,201,815	$ 629,052	$ 101,108	$ 2,931,975	$ 351,712	$ 301,319	$ 3,585,006

EARTHCORPS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

		Support Services		
	Program Services	Management and General	Fundraising	Total
Salaries and related costs	$ 2,099,907	$ 241,787	$ 185,466	$ 2,527,160
Field operations	404,573	9,102	-	413,675
Occupancy	100,016	19,172	15,018	134,206
Professional fees	8,369	73,551	15,883	97,803
Depreciation	68,364	13,041	10,215	91,620
Office	45,011	7,030	6,891	58,932
Participant support	57,239	-	-	57,239
Bank charges, financial, and other fees	16,714	1,169	137	18,020
Education programs	17,173	-	931	18,104
Travel	10,795	198	300	11,293
Board of Directors	9,063	779	1,078	10,920
Insurance	4,122	790	619	5,531
Telecommunications	3,860	740	580	5,180
Other	-	-	3,190	3,190
Total functional expenses	2,845,206	367,359	240,308	3,452,873
Plus cost of direct benefits to donors	-	-	69,699	69,699
Total expenses	$ 2,845,206	$ 367,359	$ 310,007	$ 3,522,572

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program income	$ 2,247,588	$ 2,802,427
Cash received from grants, contributions, and benefit events	1,269,654	947,434
Cash received from investment income and other	35,262	8,171
Cash paid to employees and suppliers	(3,315,386)	(3,649,552)
	237,118	108,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(65,949)	(70,491)
Proceeds from sale of property and equipment	-	14,054
Proceeds from sales of investments	21,364	-
Purchase of investments	-	(4,628)
	(44,585)	(61,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	370,000	-
Principal payments on note payable	(18,633)	-
	351,367	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	543,900	47,415
CASH AND CASH EQUIVALENTS		
Beginning of the year	835,650	788,235
End of the year	$ 1,379,550	$ 835,650

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, 2019 and 2018.

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, 2019 and 2018, 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 program service work and government grants and contracts. All account balances are due in less than one year. No allowance for uncollectible balances has been established by management based upon the Organization's historical experience in the collection of balances due.

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 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.

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.

Revenues from government 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, 2019 and 2018.

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

Revenue from 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.

Contracts may give rise to performance obligations for the Organization. Revenue from 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. The 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.

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.

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).

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

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

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective January 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 effective January 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

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:

	2019	2018
Financial Assets		
Cash and cash equivalents	$ 1,379,550	$ 835,650
Investments	364,499	347,428
Accounts and pledges receivable	353,891	595,767
Total financial assets	2,097,940	1,778,845
Less those unavailable for general expenditures within one year:		
Receivables collectible beyond one year	(20,371)	-
Restricted by donors for purpose or time	(199,270)	(322,690)
Restricted by donors with perpetual restrictions	(4,300)	(4,300)
Board reserves	(525,000)	(475,000)
	(748,941)	(801,990)
Financial assets available within one year	$ 1,348,999	$ 976,855

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 – Investments

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

	2019	2018
Bond mutual funds	$ 250,034	$ 222,187
Equity mutual funds	114,465	125,241
	$ 364,499	$ 347,428

Note 4 – Conditional Grants

In 2017, the Organization received notice of a multi-year grant award for $440,525, of which $93,323 was recognized before December 31, 2018 and $108,747 was recognized in the year ended December 31, 2019. The remainder of the total award of $238,455 will be received in 2020 and 2021, contingent on the Organization's completion of terms and conditions set forth in the grant. As the remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.

In 2019, the Organization received notice of a multi-year grant award for $49,999, of which $49,751 was recognized in the year ended December 31, 2019. The remainder of the total award of $248 will be received in 2020, contingent on the Organization's completion of terms and conditions set forth in the grant. As the remainder represents a conditional promise to give, this portion of the award 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:

	2019	2018
Transportation equipment	$ 475,151	$ 425,422
Office equipment	238,062	221,844
Leasehold improvements	62,191	62,191
Field equipment	20,789	20,789
	796,193	730,246
Less accumulated depreciation	(673,289)	(597,165)
	$ 122,904	$ 133,081

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.

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. There were no borrowings on the line during 2018.

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:

2020	$ 33,839
2021	35,854
2022	38,018
2023	40,420
2024	42,976
Thereafter	160,260
	$ 351,367

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.

Note 8 – Operating Lease (continued)

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 $57,957 were applied for the year ended December 31, 2019. No tenant improvement allowances were applied for the year ended December 31, 2018.

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 $25,164 and $24,847 were applied for the years ended December 31, 2019 and 2018, respectively.

Rent expense was $135,784 and $134,207 for the years ended December 31, 2019 and 2018, respectively.

Future minimum payments under this lease, 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
2020	$ 147,616	$ (26,438)	$ 14,600	$ 135,778	$ (66,160)
2021	154,730	(27,712)	8,760	135,778	(69,362)
2022	161,844	(28,986)	2,920	135,778	(72,563)
2023	168,958	(30,260)	(2,920)	135,778	(75,764)
2024	176,072	(31,534)	(8,760)	135,778	(78,965)
Thereafter	570,899	(101,291)	(62,000)	407,608	(64,229)
	$ 1,380,119	$ (246,221)	$ (47,400)	$ 1,086,498	$ (427,043)

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 $34,981 and $37,299 to the plan for the years ended December 31, 2019 and 2018, 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 $525,000 and $475,000 as of December 31, 2019 and 2018, respectively.

Note 11 – Net Assets with Donor Restrictions

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

	2019	2018
Women in Restoration "Sheroes"	$ 50,000	$ -
Blue Carbon	45,000	10,000
Fauntleroy Watershed	18,803	9,475
International Program	18,056	-
Global Environmental Leadership	15,000	13,308
San Juan Islands Restoration	15,000	5,000
Yes Farm	11,009	-
Restoration of Puget Sound	10,000	41,667
Sedaxali Huckleberry restoration	5,868	-
Russian Environment Educator Exchange	4,417	22,840
Global Washington Training	3,500	-
Youth Volunteers	2,000	-
Puget Sound Stewards	617	1,167
Corps Program Expansion	-	145,833
Coastal Restoration	-	30,000
Commencement Bay	-	20,000
Duwamish Alive	-	12,500
Pollinator Restoration	-	10,900
Funds held in perpetuity	4,300	4,300
	$ 203,570	$ 326,990

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:

	2019	2018
Gross special events revenue	$ 275,641	$ 393,997
Less cost of direct donor benefits	(64,681)	(69,699)
	$ 210,960	$ 324,298

Note 13 – Concentrations

Pledges receivable due from 3 donors made up approximately 68% of the pledges receivable balance as of December 31, 2019. A pledge receivable due from one donor made up approximately 86% of the pledges receivable balance as of December 31, 2018.

For the years ended December 31, 2019 and 2018, 40% and 44%, respectively, of government grants and contracts was received from two agencies.

Note 14 – Commencement Bay Long-Term Stewardship Collaborative Trust

In 2014, EarthCorps became the project stewards of $4,900,000 as part of the Commencement Bay Natural Resource Damage Restoration Project Long-Term Stewardship Framework (the Trust) to support the Commencement Bay Restoration Plan. The Organization provides long-term stewardship services for restoration projects implemented or overseen by the Commencement Bay Natural Resource Trustees (the Trustees), which includes maintenance, monitoring, adaptive management, and enforcement activities of each project and management of community involvement in these projects.

EarthCorps, with the aid of external professional investment advisors, maintains the $4,900,000 corpus in a segregated account, with the goal of generating income to fund project stewardship and project management, in line with the investment policy developed by the Trustees.

The Organization is required to provide certain deliverables throughout each year to the Trustees and maintain a certain level of general and automobile liability insurance in order to remain in compliance with the stewardship agreement.

The term of the agreement will last five years, which can be extended for another five-year term or another length of time determined in collaboration by EarthCorps and the Trustees. In February 2020, EarthCorps and the Trustees agreed to extend the agreement through February 28, 2022.

Note 14 – Commencement Bay Long-Term Stewardship Collaborative Trust (continued)

EarthCorps billed the Trust $122,530 and $129,401 in project stewardship costs for the years ended December 31, 2019 and 2018, respectively, which includes restoration service work performed by EarthCorps plus reimbursable costs. These amounts are included in government grants and contracts on the statements of activities. No amount was due from the Trust as of December 31, 2019. $27,957 was due and recorded in accounts receivable from the Trust as of December 31, 2018.

Note 15 – Subsequent Events

Subsequent events were evaluated through November 16, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. 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, the Organization is projecting a decline of roughly $675,000 in contract revenue due to furloughs, fewer volunteers, and less crew capacity as international restrictions have prevented the Organization from bringing on international corps members. As an offset, the Organization is projecting a decline of roughly $250,000 in payroll costs due to a hiring freeze and furloughs, and a decline of roughly $100,000 in occupancy expenses as the Organization's landlord waived rental payments beginning in April 2020. 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 Organization expects to meet qualifications to have the full loan amount forgiven. Overall, the Organization remains in strong financial position and does not project a cash shortfall in 2020.