

**Earthworks**

Financial Statements  
and Independent Auditors' Report

December 31, 2020 and 2019

# Earthworks

Financial Statements  
December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Earthworks

We have audited the accompanying financial statements of Earthworks, which comprise the statements of financial position as of December 31, 2020 and 2019; 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Earthworks 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
April 23, 2021

## Earthworks

### Statements of Financial Position December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,131,271	\$ 1,828,922
Grants and contributions receivable	662,834	546,068
Due from affiliate	8,372	13,268
Prepaid expenses	44,614	894
Property and equipment, net	155,383	214,389
Website development, net	2,614	13,070
	<hr/>	<hr/>
Total assets	\$ 3,005,088	\$ 2,616,611
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 212,683	\$ 161,364
	<hr/>	<hr/>
Total liabilities	212,683	161,364
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	278,952	197,944
Board-designated	243,000	243,000
	<hr/>	<hr/>
Total without donor restrictions	521,952	440,944
With donor restrictions	2,270,453	2,014,303
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Total net assets	2,792,405	2,455,247
	<hr/>	<hr/>
Total liabilities and net assets	\$ 3,005,088	\$ 2,616,611
	<hr/>	<hr/>

See accompanying notes.

## Earthworks

### Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Corporate and foundation grants	\$ 223,125	\$ 2,630,280	\$ 2,853,405
Individual contributions	752,099	683,548	1,435,647
Conditional contributions	254,122	-	254,122
Government grants	40,000	-	40,000
Other income	11,627	-	11,627
Interest income	1,897	-	1,897
Net realized and unrealized gain	1,230	-	1,230
Net assets released from restrictions	3,057,678	(3,057,678)	-
<b>Total revenue and support</b>	<b>4,341,778</b>	<b>256,150</b>	<b>4,597,928</b>
<b>Expenses</b>			
Program services:			
Energy	1,907,651	-	1,907,651
Mining	1,016,477	-	1,016,477
General programming	292,553	-	292,553
Earthworks partnership programs	148,135	-	148,135
<b>Total program services</b>	<b>3,364,816</b>	<b>-</b>	<b>3,364,816</b>
Supporting services:			
Management and general	480,709	-	480,709
Fundraising	415,245	-	415,245
<b>Total supporting services</b>	<b>895,954</b>	<b>-</b>	<b>895,954</b>
<b>Total expenses</b>	<b>4,260,770</b>	<b>-</b>	<b>4,260,770</b>
<b>Change in Net Assets</b>	<b>81,008</b>	<b>256,150</b>	<b>337,158</b>
<b>Net Assets, beginning of year</b>	<b>440,944</b>	<b>2,014,303</b>	<b>2,455,247</b>
<b>Net Assets, end of year</b>	<b>\$ 521,952</b>	<b>\$ 2,270,453</b>	<b>\$ 2,792,405</b>

See accompanying notes.

## Earthworks

### Statement of Activities For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Corporate and foundation grants	\$ 107,797	\$ 3,566,315	\$ 3,674,112
Individual contributions	791,195	404,404	1,195,599
Registrations	36,355	-	36,355
Other income	17,979	-	17,979
Interest income	4,676	-	4,676
Net realized and unrealized gain	7,662	-	7,662
Net assets released from restrictions	3,305,563	(3,305,563)	-
<b>Total revenue and support</b>	<u>4,271,227</u>	<u>665,156</u>	<u>4,936,383</u>
<b>Expenses</b>			
Program services:			
Energy	2,153,967	-	2,153,967
Mining	878,567	-	878,567
General programming	288,539	-	288,539
Earthworks partnership programs	242,836	-	242,836
<b>Total program services</b>	<u>3,563,909</u>	<u>-</u>	<u>3,563,909</u>
Supporting services:			
Management and general	309,415	-	309,415
Fundraising	390,397	-	390,397
<b>Total supporting services</b>	<u>699,812</u>	<u>-</u>	<u>699,812</u>
<b>Total expenses</b>	<u>4,263,721</u>	<u>-</u>	<u>4,263,721</u>
<b>Change in Net Assets</b>	7,506	665,156	672,662
<b>Net Assets, beginning of year</b>	<u>433,438</u>	<u>1,349,147</u>	<u>1,782,585</u>
<b>Net Assets, end of year</b>	<u><u>\$ 440,944</u></u>	<u><u>\$ 2,014,303</u></u>	<u><u>\$ 2,455,247</u></u>

See accompanying notes.

## Earthworks

### Statement of Functional Expenses For the Year Ended December 31, 2020

	Program Services				Supporting Services				Total
	Energy	Mining	General Programming	Earthworks Partnership Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 1,080,219	\$ 552,275	\$ 161,390	\$ 27,350	\$ 1,821,234	\$ 182,741	\$ 243,972	\$ 426,713	\$ 2,247,947
Professional fees	163,564	173,545	10,285	90,418	437,812	172,630	23,371	196,001	633,813
Other employee benefits	171,817	87,445	26,425	-	285,687	30,444	40,978	71,422	357,109
Travel	42,169	6,833	2,636	1,689	53,327	1,204	2,554	3,758	57,085
Occupancy expenses	66,801	35,019	8,293	3,200	113,313	9,478	13,033	22,511	135,824
Payroll taxes	85,939	44,902	13,308	2,093	146,242	15,967	20,242	36,209	182,451
Grants and assistance	68,774	54,165	6,314	1,200	130,453	-	-	-	130,453
Printing, design, and duplication	19,336	3,843	15,242	10	38,431	5,005	21,297	26,302	64,733
Retirement plan contributions	28,114	16,298	5,951	-	50,363	6,676	8,966	15,642	66,005
Postage and delivery	1,784	496	987	322	3,589	527	9,607	10,134	13,723
Telecommunications	19,651	10,210	1,313	1,299	32,473	2,243	2,673	4,916	37,389
Advertising	721	2,335	-	-	3,056	-	-	-	3,056
Video and photo	27,988	-	-	-	27,988	-	-	-	27,988
Supplies	21,156	13,057	6,062	7,948	48,223	2,442	1,996	4,438	52,661
Conferences and meetings	861	733	-	921	2,515	-	-	-	2,515
Depreciation and amortization	83,950	6,632	1,857	-	92,439	2,123	2,918	5,041	97,480
Equipment rental and maintenance	797	407	114	-	1,318	130	179	309	1,627
Insurance	6,016	-	-	871	6,887	8,004	-	8,004	14,891
Web and E-Advocacy	4,388	1,260	12,188	9,430	27,266	40	56	96	27,362
Employee recruiting and training	4,797	1,116	3,552	-	9,465	27,073	1,114	28,187	37,652
Bank charges and fees	90	755	-	555	1,400	6,564	-	6,564	7,964
Publication and subscriptions	8,659	4,752	16,636	533	30,580	384	6,872	7,256	37,836
Payroll expenses	-	-	-	-	-	6,934	-	6,934	6,934
Membership dues	60	-	-	-	60	-	637	637	697
State registration fees	-	399	-	-	399	100	14,780	14,880	15,279
Miscellaneous expenses	-	-	-	296	296	-	-	-	296
<b>Total Expenses</b>	<b>\$ 1,907,651</b>	<b>\$ 1,016,477</b>	<b>\$ 292,553</b>	<b>\$ 148,135</b>	<b>\$ 3,364,816</b>	<b>\$ 480,709</b>	<b>\$ 415,245</b>	<b>\$ 895,954</b>	<b>\$ 4,260,770</b>

See accompanying notes.



## Earthworks

### Statement of Functional Expenses For the Year Ended December 31, 2019

	Program Services				Supporting Services				Total
	Energy	Mining	General Programming	Earthworks Partnership Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 1,013,218	\$ 393,231	\$ 106,993	\$ 31,908	\$ 1,545,350	\$ 140,310	\$ 222,711	\$ 363,021	\$ 1,908,371
Professional fees	227,278	190,541	7,438	86,828	512,085	51,843	17,314	69,157	581,242
Other employee benefits	141,931	60,592	18,216	-	220,739	20,520	35,654	56,174	276,913
Travel	206,477	35,790	5,157	38,731	286,155	3,178	7,793	10,971	297,126
Occupancy expenses	73,022	30,071	7,049	5,200	115,342	8,224	14,098	22,322	137,664
Payroll taxes	85,592	33,128	32,400	2,444	153,564	10,240	19,400	29,640	183,204
Grants and assistance	43,181	77,791	-	18,850	139,822	-	-	-	139,822
Printing, design, and duplication	19,619	6,790	18,913	180	45,502	1,665	21,045	22,710	68,212
Retirement plan contributions	28,137	15,523	4,818	-	48,478	5,225	9,097	14,322	62,800
Postage and delivery	3,051	420	4,134	113	7,718	671	11,804	12,475	20,193
Telecommunications	21,630	8,889	1,520	1,343	33,382	1,788	2,489	4,277	37,659
Advertising	33,811	895	121	-	34,827	-	210	210	35,037
Video and photo	22,174	4,120	-	-	26,294	-	-	-	26,294
Supplies	20,072	2,630	6,134	1,582	30,418	2,165	2,787	4,952	35,370
Conferences and meetings	89,524	9,588	35,389	45,785	180,286	22,950	22	22,972	203,258
Depreciation and amortization	84,789	5,486	1,567	-	91,842	1,828	3,135	4,963	96,805
Equipment rental and maintenance	8,016	287	82	-	8,385	96	164	260	8,645
Insurance	5,732	-	-	-	5,732	7,995	-	7,995	13,727
Web and E-Advocacy	6,536	658	8,055	9,515	24,764	59	59	118	24,882
Employee recruiting and training	9,835	190	19,991	-	30,016	17,300	2,134	19,434	49,450
Bank charges and fees	350	597	-	64	1,011	7,576	-	7,576	8,587
Publication and subscriptions	9,992	951	10,562	73	21,578	376	6,741	7,117	28,695
Payroll expenses	-	-	-	-	-	4,998	-	4,998	4,998
Membership dues	-	-	-	-	-	-	2,370	2,370	2,370
State registration fees	-	399	-	220	619	155	11,370	11,525	12,144
Miscellaneous expenses	-	-	-	-	-	253	-	253	253
<b>Total Expenses</b>	<b>\$ 2,153,967</b>	<b>\$ 878,567</b>	<b>\$ 288,539</b>	<b>\$ 242,836</b>	<b>\$ 3,563,909</b>	<b>\$ 309,415</b>	<b>\$ 390,397</b>	<b>\$ 699,812</b>	<b>\$ 4,263,721</b>

See accompanying notes.

## Earthworks

### Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 337,158	\$ 672,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,765	96,805
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(116,766)	(325,736)
Due from affiliate	4,896	(3,298)
Prepaid expenses	(43,720)	2,451
Increase (decrease) in:		
Accounts payable and accrued expenses	51,319	(67,110)
Net cash provided by operating activities	<u>330,652</u>	<u>375,774</u>
<b>Cash Flows from Financing Activity</b>		
Purchases of property and equipment	<u>(28,303)</u>	<u>(8,686)</u>
Net cash used in financing activity	<u>(28,303)</u>	<u>(8,686)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	302,349	367,088
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,828,922</u>	<u>1,461,834</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 2,131,271</u></u>	<u><u>\$ 1,828,922</u></u>

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Nature of Operations

Earthworks is a nonprofit organization dedicated to protecting communities and the environment from the impacts of irresponsible mineral and energy development while seeking sustainable solutions. Earthworks' operations are principally funded by volunteer contributions and grants from its members.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Presentation

Earthworks' financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Earthworks reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### Cash Equivalents

Earthworks considers as cash equivalents all cash in banks, short-term certificates of deposit, money market funds, and all highly liquid instruments with a maturity period of 90 days or less at the time of purchase.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Grants and Contributions Receivable

Grants and contributions receivables represent unconditional amounts committed to Earthworks. All grants and contributions receivable are deemed to be fully collectible, and are reflected at either net realizable value or at net present value based on projected cash flows. No discount was recorded on multi-year receivables during the year ended December 31, 2020 due to immateriality. All receivables were due within one year at December 31, 2019. Earthworks provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written-off against the related allowance. At December 31, 2020 and 2019, all amounts are deemed to be fully collectible, and no allowance is deemed necessary.

#### Property and Equipment

Property and equipment valued at greater than \$1,000 with a useful life of more than one year are recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the related lease terms. Expenditures for major repairs and improvements are capitalized, while expenditures for minor repairs and maintenance are expensed when incurred.

#### Website Development

Website development consists of costs related to the design and development of Earthworks' website, net of accumulated amortization. Amortization is computed over an estimated useful life of three years. Costs related to the planning stages of the website development projects, as well as ongoing website operating and support costs, are expensed as incurred.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

##### *Revenue Accounted for in Accordance with Contribution Accounting*

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Earthworks reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of Earthworks' programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Earthworks receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. Earthworks discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before Earthworks is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, Earthworks has agreements with a local government. The agreement contains substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by Earthworks before the governmental agency will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

##### *Revenue Accounted for as Contracts with Customers*

Revenue is recognized when Earthworks satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration Earthworks expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, Earthworks combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Registration fees are revenue for the annual meeting and other events and services. Revenue is recognized when the conference and other events are held and services are provided. Amounts received in advance are deferred and recognized when the performance obligations are met.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Advertising Costs

Earthworks expenses advertising costs as incurred. Advertising costs totaled \$3,056 and \$35,037 during the years ended December 31, 2020 and 2019, respectively.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

#### Subsequent Events

In preparing these financial statements, Earthworks has evaluated events and transactions for potential recognition or disclosure through April 23, 2021, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

Earthworks has a goal to maintain liquid financial assets sufficient to cover 60 days of general expenditures. As part of this liquidity management, Earthworks invests cash in excess of daily requirements in money market funds and sweep accounts.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,131,271	\$ 1,828,922
Grants and contributions receivable – due within one year	<u>562,834</u>	<u>546,068</u>
Total financial assets	2,694,105	2,374,990
Less: net assets with donor restrictions	<u>(2,270,453)</u>	<u>(2,014,303)</u>
Total available for general expenditures	<u>\$ 423,652</u>	<u>\$ 360,687</u>

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 4. Concentrations

#### Credit Risk

Financial instruments that potentially subject Earthworks to significant concentrations of credit risk consist of cash and cash equivalents. Earthworks maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Earthworks has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### Revenue Risk

For the years ended December 31, 2020 and 2019, a substantial portion of Earthworks' revenue was generated from one donor in each year. The contribution totaled 10% and 20% of Earthworks' total revenue and support for the years ended December 31, 2020 and 2019, respectively. A potential reduction or change in funding from these donors in the future could significantly impact Earthworks' ability to carry out its current program activities.

### 5. Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Receivable due in less than one year	\$ 562,834	\$ 546,068
Receivable due in one to two years	<u>100,000</u>	<u>-</u>
Total grants and contributions receivable	<u>\$ 662,834</u>	<u>\$ 546,068</u>



## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 466,599	\$ 438,296
Leasehold improvements	<u>3,723</u>	<u>3,723</u>
Total property and equipment	470,322	442,019
Less: accumulated depreciation and amortization	<u>(314,939)</u>	<u>(227,630)</u>
Property and equipment, net	<u>\$ 155,383</u>	<u>\$ 214,389</u>

### 7. Website Development

Intangible assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Website development	\$ 31,368	\$ 31,368
Less: accumulated amortization	<u>(28,754)</u>	<u>(18,298)</u>
Website development, net	<u>\$ 2,614</u>	<u>\$ 13,070</u>

Future amortization expense for the year ending December 31, 2021 totaled \$2,614.

### 8. Line of Credit

Earthworks has an unsecured bank line of credit facility under which it may borrow up to a maximum of \$50,000, repayment of which is due on demand. The bank line of credit is subject to annual renewal. Outstanding balances bear interest at 10%. At December 31, 2020 and 2019, there was no outstanding balance on the bank line of credit.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 9. Paycheck Protection Program Loan

On April 17, 2020, Earthworks was granted a loan from a financial institution, in the amount of \$244,122, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which Earthworks qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The loan was granted to Earthworks on April 17, 2020 in the amount of \$244,122, with terms including a 1.00% fixed interest rate. The loan was scheduled to mature on April 17, 2022.

During 2020, Earthworks expected to meet the PPP loan's eligibility criteria, and concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven and accounts for the PPP loan in accordance with FASB Accounting Standards Codification 958-605 *Not-for-Profit Entities* as a conditional grant. This conditional grant is not recognized until the conditions are substantially met or explicitly waived. Earthworks initially recorded the cash inflow from the PPP loan as a refundable advance. At December 31, 2020, Earthworks recognized the full amount of \$244,122 as conditional grant revenue.

Subsequent to year end on February 26, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals.

### 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are purpose restricted for the following programs as of December 31:

	2020	2019
Energy	\$ 1,382,600	\$ 943,449
Mining	786,530	956,360
Earthworks partnership programs	71,423	59,308
General programming	29,900	55,186
Total net assets with donor restrictions	<u>\$ 2,270,453</u>	<u>\$ 2,014,303</u>

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 11. Programs

Earthworks administers the following programs:

- *The Energy Program* includes Earthworks' work on oil, gas and petrochemicals. This program, also known as the Oil & Gas Accountability Project, works to change federal, state, and local government policy and to support and empower communities impacted by existing and proposed energy extraction, to raise awareness about the impacts of unconventional oil and methane gas, and to reduce the destructive impacts of all forms of energy extraction.
- *The Mining Program* includes efforts in the U.S. and internationally to reform mining policies and practices, including work to ensure that clean energy revolution does not lead to more harmful mining. This program protects communities and special places by stopping mining where it does not belong, reins in the riskiest and dirtiest mining practices, and reforms and defends state, federal and international policies that protect communities, water, wildlife, oceans and other natural resources.
- *General Programming* includes Media and Communications, Research and Publications, and Digital Engagement and Advocacy:
  - *Media and Communications* - Press outreach and storytelling to promote and publicize the work of Earthworks and its allies;
  - *Research and Publications* - Analysis and development of policy proposals, research on impacts of mining and energy extraction, and publishing fact sheets, reports, and information;
  - *Digital Engagement and Advocacy* - Outreach, engagement and advocacy using digital tools, providing information to the public and Earthworks members, and responding to inquiries.
- *Earthworks Partnership Programs* - Earthworks provides back-office services (including payroll, accounting, and administration), a legal framework, and capacity building support to a variety of small programs (single staff or volunteer only organizations) that share its mission of protecting communities and the environment from the negative impacts of mineral and energy development.

## Earthworks

Notes to Financial Statements  
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### 11. Programs (continued)

- *Earthworks Partnership Programs (continued)* - For the years ended December 31, 2020 and 2019, Earthworks recognized \$6,626 and \$10,019, respectively, in agent fees that are included in other income in the accompanying statements of activities and served as the fiscal sponsor of the following projects:
  - *Arizona Mining Reform Coalition* - This project seeks to raise public awareness and protect indigenous sacred sites and recreational areas in the state of Arizona from irresponsible mineral development.
  - *ARO Working Group* - The ARO Working Group's mission is to activate an international network of experts and change-makers who are operating in various capacities on the issue of environmental liabilities. Earthworks' strategy is to reveal and leverage real-time insolvency in the oil and gas industry due to severely undervalued environmental liabilities and asset retirement obligations to force E&P companies to stop drilling new wells and building new infrastructure.
- *Beyond Extreme Energy* includes people taking action to retire fossil fuels. Beyond Extreme Energy's immediate demand is for no new permits by the Federal Energy Regulatory Commission for fossil fuel infrastructure. Beyond Extreme Energy's vision is a world powered by consumer-controlled renewable energy.
- *Central Louisiana Coalition for a Clean and Healthy Environment* was initiated to oppose the open burning of hazardous waste materials at the Clean Harbors Colfax, LLC facility located on Highway 471 in Colfax, Louisiana.
- *ShaleTest* was initiated to collect environmental data around natural gas facilities, including natural gas drilling operations; to establish baseline air and water testing; to perform post drilling testing and comprehensive testing around natural gas processing facilities in areas where natural gas drilling is occurring throughout the United States; and to provide environmental testing to lower income families and neighborhoods that are affected by natural gas exploration.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 12. Retirement Plan

Earthworks sponsors a 403(b)(7) tax sheltered retirement plan that is available to all full-time and part-time employees of Earthworks. Contributions made by the employees are subject to the limits set by the tax code. Generally, Earthworks will match employee contributions for all participating employees who have completed at least one full year of employment, up to 5% of their gross annual salary. Employer contributions totaled \$66,004 and \$62,799 for the years ended December 31, 2020 and 2019, respectively.

### 13. Commitments and Contingencies

#### Operating Leases

Earthworks leased office space in Washington, DC under the terms of an operating lease that commenced on April 1, 2017 and was set to expire on March 31, 2020. On January 22, 2018, Earthworks entered into an amended lease agreement to include an additional 429 square feet to the leased office space. The terms of the lease included base monthly rental payments of \$7,099 and an annual escalation of 3% until February 28, 2018. Effective March 1, 2018, the base monthly rental payments increased to \$8,350 with an annual escalation of approximately 3%. On May 10, 2019, Earthworks entered into another amended lease agreement to extend the term of office space to March 31, 2023. The difference between required lease payments and straight-line rent expense is not reflected as deferred rent in the accompanying statements of financial position due to immateriality.

In addition, Earthworks renewed an operating lease for a satellite office in Montana through September 30, 2020, which called for fixed monthly rental payments. The lease continued on a month-to-month basis after expiration. Earthworks also leases office space on a month-to-month basis for satellite offices in California and Colorado, with both leases requiring fixed monthly rent payments.

Lastly, Earthworks leases office equipment under the terms of a noncancelable operating lease that expires in May 2021. Fixed monthly rent payments are required for the duration of the lease and include services.

## Earthworks

Notes to Financial Statements  
December 31, 2020 and 2019

### 13. Commitments and Contingencies (continued)

#### Operating Leases (continued)

Future minimum lease payments under all operating leases are as follows for the years ending December 31:

2021	\$	121,146
2022		115,318
2023		<u>29,041</u>
Total future minimum lease payments	\$	<u>265,505</u>

Earthworks' total occupancy expense for the years ended December 31, 2020 and 2019 was \$135,824 and \$137,664, respectively.

#### Government Grants

Funds received from governments are subject to audit under the provisions of the agreements. The ultimate determination of amounts received under the agreements is based upon the allowance of costs reported to and accepted by the oversight agency. Until the grant is closed out, there exists a contingency to refund any amount received in excess of allowable costs.

### 14. Related Party

Earthworks Action Fund, a Section 501(c)(4) nonprofit organization, is a legally-separate, tax-exempt organization established by Earthworks in December 2017. Earthworks Action Fund is an affiliated but separate organization from Earthworks. As a 501(c)(4) organization, Earthworks Action Fund engages in various advocacy and political activities for which Earthworks, a 501(c)(3) organization, faces certain legal limitations or restrictions.

Earthworks provides various administrative services for Earthworks Action Fund, including office space, personnel, use of equipment, and other overhead costs. Total expenses paid by Earthworks and charged to Earthworks Action Fund were \$36,066 and \$21,927 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, Earthworks Action Fund owed Earthworks \$8,372 and \$13,268, respectively, which is recorded as due from affiliate in the accompanying statements of financial position.

## **Earthworks**

Notes to Financial Statements  
December 31, 2020 and 2019

### **15. Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, Earthworks allocates its expenses directly to specific programs or functions. Additionally, Earthworks utilizes an indirect cost allocation methodology to allocate its expenses. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, other expenses are allocated across specific programs or functions based on an estimated percentage of time and effort spent by staff on the natural type of expense.

### **16. Income Taxes**

Earthworks is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2020 and 2019, as there were no unrelated business activities. Management has evaluated Earthworks' tax positions and has concluded that Earthworks has taken no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.

### **17. COVID-19 Pandemic**

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. Earthworks' management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.