

Earthworks

Financial Statements
and Independent Auditors' Report

December 31, 2021 and 2020

Earthworks

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Earthworks

Opinion

We have audited the accompanying financial statements of Earthworks, which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, 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 Earthworks 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 Earthworks and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 Earthworks' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Earthworks' 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 Earthworks' ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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

Vienna, Virginia
April 8, 2022

Earthworks

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 5,273,158	\$ 2,131,271
Grants and contributions receivable	454,940	662,834
Accounts receivable	2,500	-
Due from affiliate	55,324	8,372
Prepaid expenses	46,901	44,614
Property and equipment, net	208,137	155,383
Website development, net	53,049	2,614
Total assets	<u>\$ 6,094,009</u>	<u>\$ 3,005,088</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 327,839	\$ 212,683
Deferred revenue	300,000	-
Total liabilities	<u>627,839</u>	<u>212,683</u>
Net Assets		
Without donor restrictions:		
Undesignated	504,975	278,952
Board-designated	243,000	243,000
Total without donor restrictions	747,975	521,952
With donor restrictions	4,718,195	2,270,453
Total net assets	<u>5,466,170</u>	<u>2,792,405</u>
Total liabilities and net assets	<u>\$ 6,094,009</u>	<u>\$ 3,005,088</u>

See accompanying notes.

Earthworks

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Corporate and foundation grants and contributions	\$ 220,000	\$ 6,107,682	\$ 6,327,682
Individual contributions	751,046	637,774	1,388,820
Other income	23,916	-	23,916
Interest income	1,157	-	1,157
Net assets released from restrictions	4,297,714	(4,297,714)	-
Total revenue and support	5,293,833	2,447,742	7,741,575
Expenses			
Program services:			
Energy	2,555,706	-	2,555,706
Mining	1,047,951	-	1,047,951
General programming	288,139	-	288,139
Earthworks partnership programs	131,825	-	131,825
Total program services	4,023,621	-	4,023,621
Supporting services:			
Management and general	578,828	-	578,828
Fundraising	465,361	-	465,361
Total supporting services	1,044,189	-	1,044,189
Total expenses	5,067,810	-	5,067,810
Change in Net Assets	226,023	2,447,742	2,673,765
Net Assets , beginning of year	521,952	2,270,453	2,792,405
Net Assets , end of year	\$ 747,975	\$ 4,718,195	\$ 5,466,170

See accompanying notes.

Earthworks

Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Corporate and foundation grants and contributions	\$ 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	3,127	-	3,127
Net assets released from restrictions	3,057,678	(3,057,678)	-
Total revenue and support	4,341,778	256,150	4,597,928
Expenses			
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
Total program services	3,364,816	-	3,364,816
Supporting services:			
Management and general	480,709	-	480,709
Fundraising	415,245	-	415,245
Total supporting services	895,954	-	895,954
Total expenses	4,260,770	-	4,260,770
Change in Net Assets	81,008	256,150	337,158
Net Assets, beginning of year	440,944	2,014,303	2,455,247
Net Assets, end of year	\$ 521,952	\$ 2,270,453	\$ 2,792,405

See accompanying notes.

Earthworks

Statement of Functional Expenses For the Year Ended December 31, 2021

	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	\$ 1,327,335	\$ 592,746	\$ 121,158	\$ 27,350	\$ 2,068,589	\$ 269,668	\$ 268,251	\$ 537,919	\$ 2,606,508
Professional fees	204,140	127,766	12,773	56,896	401,575	88,956	24,962	113,918	515,493
Other employee benefits	169,543	80,805	17,494	-	267,842	39,608	38,822	78,430	346,272
Travel	84,968	4,789	-	17,198	106,955	91	1,003	1,094	108,049
Occupancy expenses	67,839	34,149	6,110	-	108,098	11,766	13,349	25,115	133,213
Payroll taxes	103,880	48,302	10,177	2,098	164,457	22,372	22,289	44,661	209,118
Grants and assistance	159,955	93,283	4,335	5,095	262,668	-	-	-	262,668
Printing, design, and duplication	12,126	11,177	44,959	3,569	71,831	1,966	35,600	37,566	109,397
Retirement plan contributions	38,331	22,136	4,779	-	65,246	10,880	10,702	21,582	86,828
Postage and delivery	6,172	490	2,117	730	9,509	359	13,845	14,204	23,713
Telecommunications	18,756	9,416	1,358	1,221	30,751	4,150	5,104	9,254	40,005
Advertising	129,496	105	14,605	5,000	149,206	-	-	-	149,206
Video and photo	14,163	-	-	-	14,163	-	-	-	14,163
Supplies	26,714	12,770	5,055	2,399	46,938	12,828	1,687	14,515	61,453
Conferences and meetings	66,782	452	4,706	-	71,940	-	-	-	71,940
Depreciation and amortization	68,855	3,296	716	-	72,867	1,432	1,433	2,865	75,732
Equipment rental and maintenance	15,109	307	67	-	15,483	134	134	268	15,751
Insurance	7,386	-	-	857	8,243	14,539	-	14,539	22,782
Web and E-Advocacy	3,131	803	35,872	9,277	49,083	64	64	128	49,211
Employee recruiting and training	6,123	1,290	305	-	7,718	85,544	295	85,839	93,557
Bank charges and fees	-	990	-	-	990	7,342	-	7,342	8,332
Publication and subscriptions	24,902	2,480	1,553	125	29,060	792	13,359	14,151	43,211
Payroll expenses	-	-	-	-	-	6,337	-	6,337	6,337
Membership dues	-	-	-	-	-	-	2,405	2,405	2,405
State registration fees	-	399	-	10	409	-	12,057	12,057	12,466
Total Expenses	\$ 2,555,706	\$ 1,047,951	\$ 288,139	\$ 131,825	\$ 4,023,621	\$ 578,828	\$ 465,361	\$ 1,044,189	\$ 5,067,810

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
Total Expenses	\$ 1,907,651	\$ 1,016,477	\$ 292,553	\$ 148,135	\$ 3,364,816	\$ 480,709	\$ 415,245	\$ 895,954	\$ 4,260,770

See accompanying notes.

Earthworks

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 2,673,765	\$ 337,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization on property and equipment, and website development	75,732	97,765
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	207,894	(116,766)
Accounts receivable	(2,500)	-
Due from affiliate	(46,952)	4,896
Prepaid expenses	(2,287)	(43,720)
Increase (decrease) in:		
Accounts payable and accrued expenses	115,156	51,319
Deferred revenue	300,000	-
	3,320,808	330,652
Cash Flows from Investing Activities		
Purchases of website development	(53,035)	-
Proceeds from sale of property and equipment	721	-
Purchases of property and equipment	(126,607)	(28,303)
	(178,921)	(28,303)
Net Increase in Cash and Cash Equivalents	3,141,887	302,349
Cash and Cash Equivalents, beginning of year	2,131,271	1,828,922
Cash and Cash Equivalents, end of year	\$ 5,273,158	\$ 2,131,271

See accompanying notes.

Earthworks

Notes to Financial Statements
December 31, 2021 and 2020

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 primarily funded by grants and contributions from foundations and individuals.

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, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

Grants and contributions receivable 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 at December 31, 2020 due to immateriality, and all receivables are due within one year at December 31, 2021. Earthworks provides an allowance for uncollectability 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, 2021 and 2020, all amounts are deemed to be fully collectible, and no allowance is deemed necessary.

Accounts Receivable

Accounts receivable are reflected at net realizable value, and represent amounts due from performance obligations. All accounts receivable are deemed to be fully collectible at December 31, 2021 and 2020. There is no allowance for doubtful accounts recorded at December 31, 2021 and 2020, as management deems all amounts to be fully collectible.

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, 2021 and 2020

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, such as a milestone, 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.

At December 31, 2021, \$300,000 is reflected as deferred revenue in the accompanying statement of financial position, as it relates to a milestone that has not yet been achieved by Earthworks in order to recognize the revenue.

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Notes to Financial Statements
December 31, 2021 and 2020

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 events and services. Revenue is recognized when the 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 \$149,206 and \$3,056 during the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) 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 8, 2022, 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 and cash equivalents 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,273,158	\$ 2,131,271
Grants and contributions receivable – due within one year	454,940	562,834
Accounts receivable	2,500	-
Due from affiliate	<u>55,324</u>	<u>8,372</u>
Total financial assets	5,785,922	2,702,477
Less: net assets with donor restrictions	<u>(4,718,195)</u>	<u>(2,270,453)</u>
Total available for general expenditures	<u>\$ 1,067,727</u>	<u>\$ 432,024</u>

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Notes to Financial Statements
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4. Concentrations of Risk

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, 2021 and 2020, a substantial portion of Earthworks' revenue was generated from two donors and one donor, respectively. The contributions totaled 34% and 10% of Earthworks' total revenue and support for the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Receivable due in less than one year	\$ 454,940	\$ 562,834
Receivable due in one to two years	-	100,000
Total grants and contributions receivable	<u>\$ 454,940</u>	<u>\$ 662,834</u>

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Notes to Financial Statements
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6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture, computers, and equipment	\$ 559,505	\$ 466,599
Leasehold improvements	<u>3,723</u>	<u>3,723</u>
Total property and equipment	563,228	470,322
Less: accumulated depreciation and amortization	<u>(355,091)</u>	<u>(314,939)</u>
Property and equipment, net	<u>\$ 208,137</u>	<u>\$ 155,383</u>

7. Website Development

Intangible assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Website development	\$ 84,417	\$ 31,368
Less: accumulated amortization	<u>(31,368)</u>	<u>(28,754)</u>
Website development, net	<u>\$ 53,049</u>	<u>\$ 2,614</u>

The website capitalized additions during the year ended December 31, 2021 totaled \$53,049, and represent the remaining net book value of the website development at December 31, 2021, as all other amounts are fully amortized. These costs will be amortized over three years once they are placed into service at a future date in 2022, not yet determined as of the date of the financial statements.

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, 2021 and 2020, there was no outstanding balance on the bank line of credit.

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Notes to Financial Statements
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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 on 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.

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:

	2021	2020
Energy	\$ 2,912,234	\$ 1,382,600
Mining	1,587,589	786,530
General programming	113,900	29,900
Earthworks partnership programs	104,472	71,423
Total net assets with donor restrictions	<u>\$ 4,718,195</u>	<u>\$ 2,270,453</u>

Earthworks

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, Earthworks recognized \$5,896 and \$6,626, 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. ShaleTest was dissolved in October 2020, and was not an active affiliate in 2021.

Earthworks

Notes to Financial Statements
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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 \$86,828 and \$66,004 for the years ended December 31, 2021 and 2020, 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, Arizona, and Colorado (through June 2021), with all leases requiring fixed monthly rent payments.

Lastly, Earthworks leases office equipment under the terms of a noncancelable operating lease that expired in May 2021, and was not renewed. Fixed monthly rent payments are required for the duration of the lease and include services.

Earthworks

Notes to Financial Statements
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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:

2022	\$	115,318
2023		<u>29,041</u>
Total future minimum lease payments	\$	<u><u>144,359</u></u>

Earthworks' total occupancy expense for the years ended December 31, 2021 and 2020 was \$133,213 and \$135,824, 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.

Hotel Contracts

Earthworks has entered into agreements with hotels and venues for future events. In the event of the cancellation of these agreements, Earthworks may be held liable for liquidated damages depending upon the date of cancellation.

14. Related Party Transactions

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

Notes to Financial Statements
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14. Related Party Transactions (continued)

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 \$70,252 and \$36,066 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, Earthworks Action Fund owed Earthworks \$55,324 and \$8,372, respectively, which is recorded as due from affiliate in the accompanying statements of financial position.

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, 2021 and 2020, 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.