

EARTH CONSERVATION CORPS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2016

EARTH CONSERVATION CORPS

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GB Company LLC - VA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Earth Conservation Corps
Washington, DC

We have audited the accompanying financial statements of Earth Conservation Corps (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, 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 auditors' 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 Earth Conservation Corps as of September 30, 2016, 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.

GB Company LLC - VA

Alexandria, Virginia
November 8, 2017

EARTH CONSERVATION CORPS
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

Assets

Current assets	
Cash and cash equivalents	\$ 65,521
Grants receivable	<u>20,000</u>
Total current assets	85,521
Property and equipment, net	<u>783,553</u>
Total assets	<u><u>\$ 869,074</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 12,733
Line of credit	37,207
Note payable	274,734
Loan payable - related parties	<u>99,350</u>
Total current liabilities	424,024
Net assets	
Unrestricted	428,365
Temporarily restricted	<u>16,685</u>
Total net assets	<u>445,050</u>
Total liabilities and net assets	<u><u>\$ 869,074</u></u>

The accompanying notes are an integral part of these financial statements.

EARTH CONSERVATION CORPS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Grants and contributions	\$ 328,660	\$ 4,700	\$ 333,360
Net assets released from restrictions	<u>6,015</u>	<u>(6,015)</u>	<u>-</u>
Total revenue	<u>334,675</u>	<u>(1,315)</u>	<u>333,360</u>
Expenses			
Program services	<u>284,521</u>	<u>-</u>	<u>284,521</u>
Supporting services			
General and administrative	65,138	-	65,138
Fundraising	<u>1,041</u>	<u>-</u>	<u>1,041</u>
Total supporting services	<u>66,179</u>	<u>-</u>	<u>66,179</u>
Total expenses	<u>350,700</u>	<u>-</u>	<u>350,700</u>
Change in net assets	(16,025)	(1,315)	(17,340)
Net assets, beginning of year	<u>444,390</u>	<u>18,000</u>	<u>462,390</u>
Net assets, end of year	<u><u>\$ 428,365</u></u>	<u><u>\$ 16,685</u></u>	<u><u>\$ 445,050</u></u>

The accompanying notes are an integral part of these financial statements.

EARTH CONSERVATION CORPS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities	
Change in net assets	\$ (17,340)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	40,593
Changes in operating assets and liabilities:	
Grants receivable	(20,000)
Accounts payable and accrued expenses	<u>(10,900)</u>
Net cash provided (used) by operating activities	<u>(7,647)</u>
Cash flows from financing activities	
Repayments on line of credit	(12,144)
Borrowing from related parties	<u>24,000</u>
Net cash provided (used) by financing activities	<u>11,856</u>
Net increase (decrease) in cash and cash equivalents	4,209
Cash and cash equivalents, beginning of year	<u>61,312</u>
Cash and cash equivalents, end of year	<u><u>\$ 65,521</u></u>
Supplemental disclosures	
Cash paid during the year for interest	<u><u>\$ 2,613</u></u>

The accompanying notes are an integral part of these financial statements.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - ORGANIZATION

Nature of Organization

The Earth Conservation Corps (ECC) (the Organization) is a not-for-profit organization incorporated February 1990 in the District of Columbia to restore two of the most threatened resources: the environment and the nation's youth. The Organization's mission is to empower local endangered youth to reclaim the Anacostia River (River of Hope), their communities, and their lives. ECC members receive life skills, education, career, and environmental training while completing community service and restoring the Anacostia River and surrounding communities.

Program descriptions

Watershed Restoration - The Organization creates programs that bring about water quality improvements to the Anacostia River, such as wetland restoration, storm water management, urban forestry, climate change, and keeping public lands in public hands.

Environmental Education - The Organization engages community groups in environmental education programs, such as water quality monitoring and raptor education.

Environmental Leadership - The Organization offers service learning, leadership opportunities, and career training for the youth.

River Life Expeditions - The Organization has "on the water" events, such as river tours, where participants have experiences engaging directly on the river using ECC's boats.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

Preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Basis of presentation

The Organization's net assets, revenues, gains, and losses are classified in the financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. There was no activity of this type during the year.

Cash equivalents

For financial reporting purposes, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment are recorded at cost. Depreciation on computer equipment, boats, vehicles, furniture and fixtures is provided for on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 7 years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The Organization's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred. Improvements and repairs which extend the life or increase the value of the property and equipment are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation is relieved and any gain (loss) is included in other income (expense) in the year the disposal occurs.

Tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At September 30, 2016 the Organization has determined that no income taxes are due from its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements. The Organization's information returns for the years ending September 30, 2013 through 2016 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and supporting services.

Salaries and benefits are allocated among program, fundraising, and general and administrative classifications based on staff duties and responsibilities. The remaining costs are specifically allocated whenever practical or are allocated based on management's estimates.

Contributions and grants

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as unrestricted revenue if the amount was received and expended in the same fiscal year, and as temporarily restricted revenue if the amount has a temporarily restricted balance to be carried forward to the next year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation, or by law.

Grants receivable

Grants receivable represent unconditional promises to give and are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of September 30, 2016, management has concluded that all receivables are collectible in full; accordingly, no allowance for doubtful accounts had been established. Total grants receivable at September 30, 2016 were \$20,000.

Note 3 - LINE OF CREDIT

The Organization has a line of credit with Branch Banking and Trust Company bank. The outstanding balance on the line of credit was \$37,207 at September 30, 2016. Subsequent to year end, the line of credit was repaid in full and closed in August 2017.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 4 - TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2016, net assets are restricted for use in the following programs and time periods:

Purpose restriction:	
Pearl Coalition	\$16,685

Note 5 - CONCENTRATION OF REVENUE

The Organization receives the majority of its funding through donations and grants from various organizations and individuals. For the year ended September 30, 2016, the Organization received 30% of its total revenue from one donor, the Shields Foundation. A significant reduction in this funding, if this were to occur, would have a material effect on the programs and activities of the Organization.

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment held at September 30, 2016:

Leasehold improvements	\$	1,384,916
Furniture, fixtures and equipment		359,598
Vehicles		63,914
Computer equipment		10,000
Boats		47,599
Total property and equipment		1,866,027
Accumulated depreciation and amortization		(1,082,474)
Property and equipment, net		\$ 783,553

Depreciation and amortization expense for the year ended September 30, 2016 was \$40,593.

Note 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and grants receivable.

The Organization maintains its cash deposits in high quality financial institutions. At times, such deposits may exceed federally insured limits.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 8 - NOTE PAYABLE

On July 26, 2000, the Organization entered into a \$300,000 Section 108 original loan agreement (which was renegotiated in March 2006 and again in July 2007) with the District of Columbia Department of Housing and Community Development (DHCD). The note is secured by all program income generated from the use of funds and two plots of land located at 740 and 744 Howard Road, SE, Washington, DC. The outstanding balance on the note payable was \$274,734 at September 30, 2016. Subsequent to year end, on May 3, 2017, the Organization made a principal payment in the amount of \$274,734 for the remaining balance of the note. The accrued unpaid interest through May 2017 was forgiven.

Note 9 - COMMITMENTS

Operating leases

The Organization leases the Old Capitol Pumphouse (ECC Center) from the District of Columbia under an operating lease agreement since 2010. Under the terms of the lease, ECC is to pay annual rent of \$1. Subsequent to year end, on May 30, 2017, the Organization entered in to the first amendment to extend the lease for the ECC Center.

The Organization also entered into an agreement with the National Park Service (NPS) and Potomac Electric Power Company (PEPCO) whereas ECC may improve and use the building owned by PEPCO on land owned by NPS starting in April of 1999 for a period of 20 years at no cost. The building (ECC Headquarters) will be used to house ECC's programs and other non-profits sharing their mission.

Note 10 - RELATED PARTY TRANSACTIONS

At various times, the Organization received an unsecured non-interest bearing loan from a member of the Board of Directors for the purpose of covering operational expenses. The outstanding balance on the loan was \$99,350 at September 30, 2016. Subsequent to year end, the Organization repaid the outstanding loan in full to the member of the Board of Directors.

Note 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the accompanying financial statements for cash, grants receivable, and accounts payable and notes payable approximate their respective fair value.

EARTH CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 12 - SUBSEQUENT EVENTS

The Organization has evaluated events through November 8, 2017, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to September 30, 2016, that would have a material impact on the Organization's results of operations or financial position as of September 30, 2016.