

EARTH DAY NETWORK, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

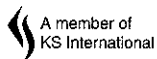
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Earth Day Network, Inc.

We have audited the accompanying statements of financial position of Earth Day Network, Inc. (EDN) as of December 31, 2009 and 2008, and the related statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of EDN's management. 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EDN's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by EDN's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earth Day Network, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Washington, DC
July 22, 2010

EARTH DAY NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,688,663	\$ 1,126,500
Investments	90,218	81,478
Contributions receivable	1,995,000	125,000
Other receivables	100	2,451
Advances	8,559	4,820
Prepaid expenses	2,099	19,550
Inventory	7,569	7,569
Total current assets	3,792,208	1,367,368
PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation of \$101,878 and \$86,480	29,050	44,448
OTHER ASSETS		
Deposits	10,506	10,506
Total assets	\$ 3,831,764	\$ 1,422,322
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,936	\$ 38,808
Pension withholding payable	15,351	3,881
Total liabilities	59,287	42,689
NET ASSETS		
Unrestricted	399,801	489,020
Temporarily restricted	3,372,676	890,613
Total net assets	3,772,477	1,379,633
Total liabilities and net assets	\$ 3,831,764	\$ 1,422,322

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2008)

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES				
Contributions				
Foundations and trusts	\$ 59,294	\$ 290,000	\$ 349,294	\$ 704,366
Individuals and other	217,556	3,277,125	3,494,681	3,945,351
Grants	27,294	625,000	652,294	-
Earth share	9,698	-	9,698	9,790
Investment income	11,781	-	11,781	14,371
Rental income	26,000	-	26,000	27,632
Miscellaneous	43,258	-	43,258	42,096
	394,881	4,192,125	4,587,006	4,743,606
NET ASSETS RELEASED FROM RESTRICTION	1,710,062	(1,710,062)	-	-
	2,104,943	2,482,063	4,587,006	4,743,606
EXPENSES				
Program services	1,703,400	-	1,703,400	4,054,187
Management and general	357,583	-	357,583	291,658
Fund raising	133,179	-	133,179	113,816
	2,194,162	-	2,194,162	4,459,661
CHANGE IN NET ASSETS	(89,219)	2,482,063	2,392,844	283,945
NET ASSETS				
Beginning of year	489,020	890,613	1,379,633	1,095,688
End of year	\$ 399,801	\$ 3,372,676	\$ 3,772,477	\$ 1,379,633

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2009

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2008)

	2009				2008 Total
	Programs	Management and General	Fund Raising	Total	
REVENUES					
Contributions					
Foundations and trusts	\$ 340,500	\$ 8,794	\$ -	\$ 349,294	\$ 704,366
Individuals and other	3,281,368	213,313	-	3,494,681	3,945,351
Grants	625,000	27,294		652,294	-
Earth share	-	9,698	-	9,698	9,790
Investment income	-	11,781	-	11,781	14,371
Rental income	-	26,000	-	26,000	27,632
Miscellaneous	32,736	10,522	-	43,258	42,096
Total revenues	<u>4,279,604</u>	<u>307,402</u>	<u>-</u>	<u>4,587,006</u>	<u>4,743,606</u>
EXPENSES					
Bad debt expense	-	-	-	-	5,021
Communications and advertising	1,606	-	-	1,606	2,477
Computer and internet	10,369	28,072	31	38,472	47,328
Consulting and contract labor	55,245	18,964	4,236	78,445	49,358
Depreciation	-	15,398	-	15,398	5,089
Dues and subscriptions	4,648	2,203	348	7,199	6,954
Equipment rental	264	-	-	264	-
Event registration and expenses	-	219	100	319	6,800
Interest and bank fees	-	1,240	-	1,240	1,466
Insurance	137	7,997	-	8,134	6,175
Legal and professional fees	4,452	46,899	694	52,045	52,499
Licenses, fees and permits	-	1,175	955	2,130	4,752
Meeting expense	967	1,067	409	2,443	3,374
Office supplies and expense	4,662	7,363	-	12,025	12,799
Other expenses	529	24,438	75	25,042	6,394
Payroll taxes and benefits	134,470	12,795	14,748	162,013	110,632
Pension expense	18,537	2,360	1,787	22,684	15,582
Postage and delivery	5,966	7,947	309	14,222	8,835
Printing and reproduction	8,210	1,212	-	9,422	6,755
Program expenses	335,063	11,328	414	346,805	2,964,032
Rent	134,985	17,364	12,649	164,998	161,211
Repairs	-	-	-	-	5,037
Salaries and wages	867,384	94,055	83,603	1,045,042	798,325
Sponsorships	500	4,750	2,500	7,750	23,750
Telephone	23,487	1,124	2,855	27,466	11,811
Travel and entertainment	78,718	14,117	7,436	100,271	85,725
Web hosting and marketing	13,201	35,496	30	48,727	57,480
Total expenses	<u>1,703,400</u>	<u>357,583</u>	<u>133,179</u>	<u>2,194,162</u>	<u>4,459,661</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 2,576,204</u>	<u>\$ (50,181)</u>	<u>\$ (133,179)</u>	<u>\$ 2,392,844</u>	<u>\$ 283,945</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants received	\$ 2,626,269	\$ 4,737,217
Investment income received	8,821	18,512
Other operating receipts	81,307	77,067
Payments to vendors, suppliers and employees	<u>(2,148,454)</u>	<u>(4,443,717)</u>
Net cash provided by operating activities	<u>567,943</u>	<u>389,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,780)	(39,581)
Proceeds from sales of investments	-	30,080
Purchases of property and equipment	<u>-</u>	<u>(35,236)</u>
Net cash used for investing activities	<u>(5,780)</u>	<u>(44,737)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	562,163	344,342
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,126,500</u>	<u>782,158</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,688,663</u>	<u>\$ 1,126,500</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 2,392,844	\$ 283,945
Adjustments		
Unrealized losses (gains) on investments	(2,960)	4,061
Realized loss on investments	-	80
Depreciation and amortization	15,398	5,089
(Increase) decrease in assets		
Contributions receivable	(1,870,000)	87,500
Other assets	16,063	4,184
Increase (decrease) in liabilities		
Accounts payable	5,128	5,396
Pension withholding payable	<u>11,470</u>	<u>(1,176)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 567,943</u>	<u>\$ 389,079</u>

See accompanying notes to financial statements.

EARTH DAY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Earth Day Network, Inc. (EDN), a New York not-for-profit organization with an office in Washington, D.C., was formed in November 1994 for the purpose of educating the public and developing and promoting ways to inspire individuals and groups to protect and take care of the environment. To this end, the Organization's mission is to support a vital, decentralized, action-oriented network of sustainable organizations creating clean, healthy, prosperous environments and communities. The Organization's primary activity during the past few years involved dealing with K - 12 education, capacity building and health and the environment.

The Organization has adopted the following significant accounting policies:

Basis of Accounting - The financial statements of Earth Day Network, Inc. have been prepared on the accrual basis of accounting.

Support and Revenue - Contributions are recorded when received or when unconditionally promised and are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a 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 statement of activities as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. EDN had no conditional promises receivable at December 31, 2009 and 2008.

Donated Services - Volunteers have donated significant amounts of their time assisting in the operation and administration of EDN. The value of these services is not reported in the accompanying financial statements, in accordance with generally accepted accounting principles related to contributed services.

Equipment - Equipment is comprised of computers, software and telephones and is stated at cost. Depreciation is computed on a straight line basis over the estimated useful lives of the assets (three years for software and five years for computers and telephones).

Cash and Cash Equivalents - EDN considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, except those held as part of the Organization's investment portfolio.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

EDN maintains its cash in bank deposit accounts which at times may exceed the federally insured limit. As of December 31, 2009, except for \$3,000 all of EDN's deposits were considered fully insured under the FDIC's Transaction Account Guarantee Program. As of January 1, 2010 insured amounts are limited to \$250,000 per bank. At January 1, 2010, EDN had cash balances at financial institutions that exceeded the balance insured by the FDIC by approximately \$900,000.

Investments - Investments in debt securities and in equity securities having readily determinable fair values are carried at fair value in the statement of financial position. Realized gains (losses) on securities sold during the year and unrealized gains (losses) on securities held at year-end are included in investment income.

Expenses - The cost of providing program services and other activities have been summarized on a functional basis in the statement of activities and the statement of functional revenues and expenses. Certain costs have been allocated among the program and supporting services benefited.

Income Taxes - EDN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(1).

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Comparative Amounts for 2008 - The comparative totals and amounts reported in the statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2008 are not intended to represent a complete financial statement presentation.

Subsequent Events Review - Subsequent events have been evaluated through July 22, 2010, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 2. INVESTMENTS

The fair value of investments as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Cash and money market funds	\$ 67,406	\$ 64,313
Mutual funds	22,812	14,107
US Treasury notes	<u>-</u>	<u>3,058</u>
	<u>\$ 90,218</u>	<u>\$ 81,478</u>

NOTE 2. INVESTMENTS (CONTINUED)

The components of investment income for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 8,821	\$ 18,512
Realized gains (losses)	-	(80)
Unrealized gains (losses)	<u>2,960</u>	<u>(4,061)</u>
	<u>\$ 11,781</u>	<u>\$ 14,371</u>

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2009 and 2008 were all due within one year. Of the total amount due as of December 31, 2009, approximately 74% was due from three contributors and 99% from six contributors.

NOTE 4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Green Schools	\$ 165,235	\$ 295,282
Civic Education	770,899	300,000
Water Portal	-	12,500
Campaign for Communities	-	282,831
Earth Day 2010	<u>2,436,542</u>	<u>-</u>
	<u>\$ 3,372,676</u>	<u>\$ 890,613</u>

NOTE 5. EMPLOYEE RETIREMENT PLAN

EDN has a Simple IRA salary reduction plan for its employees whereby EDN matches allowable contributions by eligible employees up to a maximum of 3% of eligible compensation. The matching contributions totaled \$22,684 and \$15,582 for 2009 and 2008, respectively.

NOTE 6. OPERATING LEASES

On December 31, 2004, EDN entered into a five-year lease for office space commencing January 1, 2005. On March 31, 2009, the lease agreement was extended for an additional five-year period, through December 31, 2014. The base rent is subject to annual increases of 2.5% plus EDN's share of any increases in real estate taxes and operating expenses. In addition, the lease agreement requires a security deposit equal to one month's rent of \$10,226.

NOTE 6. OPERATING LEASES (CONTINUED)

In May 2008, the Organization entered into a sublease agreement for a 20-month term with a monthly rate of \$2,200. The lease has been extended for an additional year at the same monthly rate. As long as this sublease agreement remains in effect, the rent is subject to annual adjustment consistent with any increases in the basic rent paid by Earth Day Network under the terms of its prime lease agreement.

Future minimum lease payments as of December 31, 2009, unreduced for any sublease payments, are due as follows:

Year ending December 31, 2010	\$158,030
2011	161,981
2012	166,031
2013	170,182
2014	174,437

NOTE 7. FAIR VALUE MEASUREMENTS

The only assets of Earth Day Network that are measured at fair value on a recurring basis are investments. Fair values for investments are determined by reference to quoted market prices as all of the organization's investments are in cash or publicly-traded securities.