

**INTERNATIONAL LIVING
FUTURE INSTITUTE**

**Consolidated
Audited Financial
Statements**

**For the Year Ended
December 31, 2012**



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

The Board of Directors
International Living Future Institute

We have audited the accompanying consolidated financial statements of International Living Future Institute (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Living Future Institute, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited International Living Future Institute's 2011 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
June 3, 2013

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With comparative totals for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 444,636	\$ 304,223
Accounts and pledges receivable, net	341,863	793,541
Prepaid expenses	14,576	17,382
Inventory	52,488	40,334
Other assets, net	210,315	252,216
Property and equipment, net	232,271	223,902
 TOTAL ASSETS	 \$ 1,296,149	 \$ 1,631,598
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 112,723	\$ 315,480
Accrued expenses	52,905	54,467
Deferred revenue	217,795	169,115
Notes payable	44,098	124,849
Notes payable, related parties	92,000	100,377
 Total liabilities	 519,521	 764,288
Net assets (deficit):		
Unrestricted:		
Undesignated	(431,940)	(679,504)
Board designated	425,000	425,000
Net property and equipment	232,271	223,902
Total unrestricted	225,331	(30,602)
Temporarily restricted	551,297	897,912
Total net assets	776,628	867,310
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,296,149	 \$ 1,631,598

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2012
(With comparative totals for 2011)

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 1,057,346	\$ 565,000	\$ 1,622,346	\$ 2,469,392
Program revenue	976,693	-	976,693	979,187
Donated materials and services	31,501	-	31,501	53,965
Dues and memberships	128,961	-	128,961	132,972
Interest income	1,064	-	1,064	2,201
Other income	225	-	225	180
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	<u>911,615</u>	<u>(911,615)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,107,405</u>	<u>(346,615)</u>	<u>2,760,790</u>	<u>3,637,897</u>
Expenses:				
Program	2,322,369	-	2,322,369	2,966,848
Management and general	317,796	-	317,796	306,242
Fundraising	211,307	-	211,307	161,852
Total expenses	<u>2,851,472</u>	<u>-</u>	<u>2,851,472</u>	<u>3,434,942</u>
Change in net assets from operations	255,933	(346,615)	(90,682)	202,955
Acquisition contribution from The Natural Step	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,897</u>
Change in net assets	255,933	(346,615)	(90,682)	256,852
Net assets:				
Beginning of the year	<u>(30,602)</u>	<u>897,912</u>	<u>867,310</u>	<u>610,458</u>
End of year	<u>\$ 225,331</u>	<u>\$ 551,297</u>	<u>\$ 776,628</u>	<u>\$ 867,310</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2012
(With comparative totals for 2011)

	2012					2011 Total
	Program	Management and general	Fundraising	Allocated Communi- cations & IT	Total	
Salaries and related expenses	\$ 1,073,812	\$ 136,291	\$ 129,499	\$ 277,025	\$1,616,627	\$1,728,811
Professional fees	199,504	46,959	4,222	31,952	282,637	447,483
Events and productions	314,337	7,598	130	857	322,922	397,041
Occupancy	91,400	11,676	9,675	33,034	145,785	192,342
Equipment maintenance	1,042	735	-	8,634	10,411	9,555
Travel	101,074	26,056	9,679	9,846	146,655	158,072
Marketing and development	14,303	1,845	-	16,689	32,837	7,141
Prizes, awards, and gifts	6,590	681	14	315	7,600	126,515
Office expense	59,086	9,599	1,519	51,179	121,383	203,584
Insurance	185	5,673	-	-	5,858	13,877
Licenses, fees, taxes, and interest	8,131	5,395	50	225	13,801	16,479
Miscellaneous	17,768	2,760	573	(356)	20,745	8,832
Depreciation and amortization	43,514	-	-	80,697	124,211	125,210
	1,930,746	255,268	155,361	510,097	2,851,472	3,434,942
Allocated communications & IT	391,623	62,528	55,946	(510,097)	-	-
Total expenses	<u>\$ 2,322,369</u>	<u>\$ 317,796</u>	<u>\$ 211,307</u>	<u>\$ -</u>	<u>\$2,851,472</u>	<u>\$3,434,942</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2012
(With comparative totals for 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (90,682)	\$ 256,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	124,211	125,210
Allowance for uncollectible accounts	-	(2,800)
Contributions received from acquisition of The Natural Step	-	(53,897)
(Increase) decrease in:		
Accounts and pledges receivable	451,678	(592,942)
Prepaid expenses	2,806	22,505
Inventory	(12,154)	(11,504)
Increase (decrease) in:		
Accounts payable and accrued expenses	(204,319)	135,958
Deferred revenue	48,680	145,717
Net cash provided by operating activities	320,220	25,099
Cash flows from investing activities:		
Development of intangible assets	(1,613)	(14,908)
Purchase of property and equipment	(89,066)	(96,757)
Net cash used by investing activities	(90,679)	(111,665)
Cash flows from financing activities:		
Proceeds from notes payable	-	150,000
Payments on notes payable	(89,128)	(174,774)
Funds received from acquisition of The Natural Step	-	53,897
Net cash provided (used) by financing activities	(89,128)	29,123
Net increase (decrease) in cash and cash equivalents	140,413	(57,443)
Cash and cash equivalents - beginning of year	304,223	361,666
Cash and cash equivalents - end of year	\$ 444,636	\$ 304,223
Supplemental cash flow disclosure:		
Cash paid during the year for interest	\$ 4,027	\$ 5,117

Non-Cash Investing and Financing Activity:

During 2011, the Organization acquired the assets and assumed the liabilities of two organizations. Non-cash items are detailed in Note 14.

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The accompanying consolidated financial statements include the activities of the following organizations:

International Living Future Institute

International Living Future Institute (ILFI or the Organization) is a 501(c)(3) educational nonprofit organization whose mission is to lead and support the transformation toward communities that are socially just, culturally rich and ecologically restorative. ILFI's support is derived primarily from grants, contributions and fees charged for program services. ILFI provides services globally.

Cascadia Green Building Council

Cascadia Green Building Council (Cascadia) is a 501(c)(3) educational nonprofit organization whose mission is to lead a transformation towards a built environment that is socially just, culturally rich and ecologically restorative. Cascadia is a wholly owned subsidiary of ILFI. Cascadia provides services in the states of Oregon, Washington and Alaska, as well as the Province of British Columbia, Canada.

Cascadia Green Building 2008 Society

Cascadia Green Building 2008 Society (the Society) is a wholly owned Canadian subsidiary of Cascadia under the *Society Act* of British Columbia. The Society is a Registered Charity for Canadian tax purposes.

The Natural Step-USA

On January 1, 2011, the Organization acquired The Natural Step-USA (TNS), a 501(c)(3) educational nonprofit organization whose mission is to inspire and guide business leaders to make their organizations models of sustainability. TNS was acquired at no cost, and the Organization assumed all of TNS's assets and liabilities at the date of acquisition, including the assumption of all operating leases. Additionally, all TNS employees became employees of the Organization. Total assets acquired from TNS approximated \$68,000 and total liabilities assumed approximated \$14,000. Net assets totaled approximately \$54,000. TNS's support is derived primarily from grants, contributions and fees charged for program services. TNS provides services in the United States of America.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Ecotone Publishing

On January 5, 2011, the Organization acquired EcoTone Publishing LLC (Ecotone), a publishing company owned by a related party. Ecotone became a division of ILFI upon acquisition and does business as (dba) Ecotone. The Organization obtained inventory, intellectual property and goodwill in exchange for cash commitments of \$308,000. As part of the purchase price, the Organization entered into a three-year note payable for \$150,000, and agreed to make payments totaling \$158,000 to the former owners. The Ecotone employee became an employee of the Organization.

Organizational Restructure

In 2010, ILFI had limited operations and was a wholly owned subsidiary of Cascadia. During 2011, Cascadia became a subsidiary of ILFI. There has been no significant change to the activities of Cascadia in 2012 or 2011.

Principles of Consolidation

The consolidated financial statements include the accounts of International Living Future Institute, and its subsidiaries, Cascadia Green Building Council, Cascadia Green Building 2008 Society, and The Natural Step-USA (collectively, the Organization). All inter-organization transactions and balances have been eliminated.

Basis of Presentation

Net assets and all balances and transactions are presented 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 unrestricted or temporarily restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, an estimate is made of the portion of the balance that may not be collected. Receivables are written off as a charge to the allowance when management deems the balance is uncollectible.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Pledges receivable are stated at the amount the Organization expects to collect. Management considers the following factors when determining the collectability of specific accounts: history with donors and current economic and industry trends.

Inventory

Inventory consists of finished products (books) and work-in-process and is stated at the lower of cost (determined by the first-in, first-out method) or market. A reserve for potentially obsolete, damaged, or slow-moving inventory is maintained at a level believed to be adequate by management to reflect the probable losses in inventory due to the inability to sell these books at or above cost. The reserve is calculated based on the aging of the Organization's inventory, historical experience, current and future short-term business conditions, and management's judgment and future plans. The Organization writes off inventory against the reserve when management determines the inventory to be impaired. No inventory reserve has been recorded as of December 31, 2012 and 2011. Management expensed the write-off of an immaterial amount of obsolete inventory at December 31, 2012.

Goodwill

The Organization evaluates the carrying value of goodwill each year to determine if events occurred or circumstances changed that would more likely than not reduce the fair value below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Organization compares the fair value of the goodwill to its carrying amount. The fair value of the reporting unit is estimated using a combination of the income or discounted cash flows approach and the market approach. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Organization's evaluation of goodwill completed during the year resulted in no impairment loss.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Trademarks and Intellectual Property

Trademarks represent capitalized costs of obtaining registered trademarks with the U.S. Patent Office. The trademarks are at various stages of approval by the U.S. Patent and Trademark office at December 31, 2012. Trademarks are amortized on the straight-line method over their useful lives.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. Leasehold improvements are depreciated over the lease term.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 consolidated statement of activities as net assets released from restrictions.

Donated Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Fair value of contributed assets are measured based on similar items. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the year ended December 31, 2012, the Organization recorded \$1,000 of contributed furniture and equipment and \$10,000 for donated rent (\$35,000 for the year ended December 31, 2011).

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2012, the Organization recorded approximately \$20,500 of contributed legal and other consulting services as management and general expense (approximately \$19,000 for the year ended December 31, 2011).

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Donated Materials and Services (continued)

In addition, ILFI received contributed services from more than 450 volunteers who provided an estimated 21,700 hours during the year ended December 31, 2012 (approximately 60 volunteers contributed 5,800 hours for the year ended December 31, 2011). The value of such services does not meet the requirements for recognition and have therefore not been included in the accompanying consolidated financial statements.

Revenue Recognition

Revenue is recognized on contracted publications based upon the percentage-of-completion as a portion of cost incurred to estimated total cost to complete. Labor is based upon labor input measures and an estimate of time to completion.

Revenues from programs, sales of book inventory, and other activities are recognized in the period in which the sales, programs or other activities occur. Deferred revenue represents advance payments for programs or services that relate to the following year.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates items other than direct expenses based on employee equivalents.

Advertising

Advertising and marketing costs are expensed as incurred. Expenses for the years ended December 31, 2012 and 2011 were approximately \$32,800 and \$7,100, respectively.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Income Tax Status

ILFI, Cascadia and TNS are nonprofit corporations exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements. Any unrelated business income tax to which ILFI may be subject is estimated to be immaterial. ILFI and its subsidiaries are not private foundations.

The Society was established to carry on activities in British Columbia, Canada. Certain revenues received by the Organization in Canada are subject to Canadian tax. The Society is a registered charity under Canadian tax law and donations are not subject to Canadian tax. All operations of the Organization, including those of the Society, are included in the consolidated financial statements and information returns of International Living Future Institute.

The Organizations file federal and state of Oregon information returns. The Organizations' returns for 2008 and earlier are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Summarized Financial Information for 2011

The financial information as of December 31, 2011 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through June 3, 2013, the date the consolidated financial statements were available to be issued. See Note 8 regarding a lease entered into subsequent to December 31, 2012.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

2. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable are unsecured and consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Pledges and grants receivable	\$ 320,334	\$ 708,925
Alaska Housing Finance Corp.	-	31,720
Other	<u>27,369</u>	<u>58,736</u>
	347,703	799,381
Less allowance for doubtful accounts	<u>5,840</u>	<u>5,840</u>
Accounts and pledges receivable, net	<u>\$ 341,863</u>	<u>\$ 793,541</u>

All amounts are expected to be collected within the next year.

At December 31, 2012 and 2011, two accounts represented 72% and 77% of total receivables, respectively.

3. OTHER ASSETS

Other assets consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Goodwill	\$ 153,584	\$ 153,584
Intellectual property	125,586	125,586
Trademarks	<u>16,521</u>	<u>14,908</u>
	295,691	294,078
Less accumulated amortization	<u>85,376</u>	<u>41,862</u>
Other assets, net	<u>\$ 210,315</u>	<u>\$ 252,216</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 88,763	\$ 85,032
Leasehold improvements	105,713	105,713
Website	340,040	205,345
Website development-in-process	<u>-</u>	<u>49,360</u>
	534,516	445,450
Less accumulated depreciation	<u>302,245</u>	<u>221,548</u>
Property and equipment, net	<u>\$ 232,271</u>	<u>\$ 223,902</u>

5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Note payable to a private bank, secured by all assets of the Organization and guaranteed by a related party, accrues interest at 6.5% per annum; principal and interest payments of \$3,065 are due monthly, with final payment due March 10, 2014.	\$ 44,098	\$ 76,849
Note payable to former owner of Ecotone Publishing, LLC; unsecured with no interest; principal payments due semiannually. Amounts payable were transferred to the Chief Executive Officer during 2012.	-	48,000
Notes payable to Chief Executive Officer and an employee, unsecured with no interest; principal payments due semiannually, with final payments due July 31, 2013.	<u>92,000</u>	<u>100,377</u>
Total notes payable	<u>\$ 136,098</u>	<u>\$ 225,226</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

5. NOTES PAYABLE, Continued

Future maturities of long-term debt are as follows:

December 31, 2013	\$	126,946
2014		<u>9,152</u>
	\$	<u>136,098</u>

6. BOARD DESIGNATED NET ASSETS

As of December 31, 2012 and 2011, the Organization's Board of Directors has designated \$425,000 of unrestricted net assets as an operating reserve. Remaining net assets that have not been designated by the Board, or otherwise restricted, are included in undesignated net assets.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2012 and 2011:

	2012	2011
TrimTab	\$ -	\$ 12,912
Real Estate Investment Model	88,691	-
Living Building Challenge	-	385,000
Decentralized Water Strategies	12,606	-
Time restricted - general operations	<u>450,000</u>	<u>500,000</u>
Total temporarily restricted net assets	<u>\$ 551,297</u>	<u>\$ 897,912</u>

8. LEASE COMMITMENTS

The Organization leases office facilities in Portland, Oregon under an operating lease, which expires December 2013. The monthly base rent is \$5,970, subject to consumer price index adjustments annually. The Organization sub-leases office space in the Portland facilities to other nonprofit organizations under agreements that expire within one year.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

8. LEASE COMMITMENTS, Continued

The Organization leases office facilities in Seattle, Washington under an operating lease, which expires May 2013, and may be renewed for an additional one-year period. Monthly rent is \$4,562 with annual increases. Subsequent to December 31, 2012, the Organization began leasing office facilities from a related party in Seattle, Washington under an operating lease, which expires February 2018. The Organization will receive four months of free rent at the commencement of the agreement. Monthly rent will be \$7,492 with annual increases.

During 2012, the Organization leased office space at Simon Fraser University in Burnaby, British Columbia, from an unrelated party, at no charge. During 2011, the Organization leased office space in Vancouver, British Columbia, from an unrelated party, at no charge.

Total rent expense, including in-kind rent, approximated \$123,000 and \$149,200 for the years ended December 31, 2012 and 2011, respectively. A portion of the office space is subleased to several unaffiliated nonprofit organizations. The above rental expenses are offset by approximately \$15,600 and \$27,000 in sublease rental income for the years ended December 31, 2012 and 2011, respectively.

Approximate future minimum lease payments under these leases are as follows for the years ending:

December 31, 2013	\$	143,700
2014		95,400
2015		98,100
2016		98,600
2017		100,700
thereafter		<u>16,900</u>
	\$	<u>553,400</u>

9. OTHER COMMITMENTS

On December 21, 2012, the Organization entered into a contract to receive conference planning and management services for the 2013 conference and site selection for the 2014 conference. The amounts agreed to be paid for these services during 2013 approximate \$64,300. The Organization has the option to extend the contract for three successive years at the conclusion of each year's conference.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2012

10. RETIREMENT PLANS

The Organization has two defined contribution salary deferral plans covering employees who have met certain service requirements. One plan covers all eligible employees in the United States and the other covers all eligible employees in the Canadian office. Under the plans, the Organization matched 100% of an eligible employee's contribution up to 8% of the employee's salary through April 2011. The Organization did not contribute to the plan subsequent to April 2011. Contributions to the plans approximated \$21,100 for the year ended December 31, 2011.

11. FOREIGN CURRENCY TRANSLATION

The Organization maintains bank accounts in Canada that are held in Canadian dollars. The account balance and transactions have been translated to U.S. dollars for reporting purposes with any gain or loss from currency translation included in the change in net assets. Management has assessed the risk of loss associated with the foreign currency exchange as minimal.

12. RELATED PARTY TRANSACTIONS

Due to the nature of the green building industry, the Organization, at times, engages in transactions either individually, or with companies or organizations where board members are employees or owners, many of whom are leaders in the industry. The Organization incurred expenses of approximately \$10,000 and \$94,700 to such vendors for services during 2012 and 2011, respectively. There were immaterial amounts due to these vendors and included in accounts payable at December 31, 2012 and 2011. The Organization recognized approximately \$91,400 and \$66,000 in revenue from related parties during December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011 approximately \$6,400 and \$7,000, respectively, was due from these parties and included in accounts and pledges receivable.

The note payable to the bank is personally guaranteed by the Chief Executive Officer. See Note 5 regarding outstanding debt owed to related parties and Note 8 regarding a lease with a related party which was entered into subsequent to December 31, 2012.

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13. CONCENTRATIONS

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). The balances, at times, may exceed the federally insured limit. Balances in Canadian institutions are maintained in credit unions and receive unlimited Canadian Deposit Insurance Corporation (CDIC) insurance coverage.

Substantially all of the balances are receivable from organizations and individuals located within the same geographic region and are unsecured.

For the year ended December 31, 2012, one donor's contributions approximated 14% of total revenues. For the year ended December 31, 2011, one donor's contributions approximated 24% of total revenues.

14. ACQUISITIONS

The assets acquired and liabilities assumed as part of the 2011 acquisition of Ecotone Publishing, LLC and The Natural Step-USA are as follows:

	EcoTone Publishing	The Natural Step
Cash	\$ -	\$ 59,495
Prepays and other assets	-	3,503
Inventory	28,830	-
Property, net of depreciation	-	4,871
Intellectual property	125,586	-
Goodwill	153,584	-
Accrued payroll liabilities	-	(13,972)
Accounts payable - current	(58,000)	-
Notes payable - current	(32,340)	-
Accounts payable - long-term	(67,660)	-
Notes payable - long-term	(150,000)	-
Contribution of net assets	-	(53,897)

Other than the contribution of cash associated with acquisition of The Natural Step, these were non-cash transactions and are not included in the accompanying consolidated statement of cash flows for the year ended December 31, 2011.