

**INTERNATIONAL LIVING
FUTURE INSTITUTE**

**Consolidated
Audited Financial
Statements**

**For the Year Ended
December 31, 2013**



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

To 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 consolidated statement of financial position as of December 31, 2013, 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

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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 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
May 30, 2014

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 718,562	\$ 444,636
Accounts and pledges receivable, net	1,027,798	341,863
Prepaid expenses	8,542	14,576
Inventory	-	52,488
Other assets, net	111,372	210,315
Property and equipment, net	117,271	232,271
 TOTAL ASSETS	 \$ 1,983,545	 \$ 1,296,149
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 198,720	\$ 112,723
Accrued expenses	78,372	52,905
Deferred revenue	157,884	217,795
Notes payable	9,137	44,098
Notes payable, related parties	-	92,000
 Total liabilities	 444,113	 519,521
Net assets (deficit):		
Unrestricted:		
Undesignated	454,292	(431,940)
Board designated	425,000	425,000
Net property and equipment	117,271	232,271
Total unrestricted	996,563	225,331
Temporarily restricted	542,869	551,297
Total net assets	1,539,432	776,628
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,983,545	 \$ 1,296,149

See notes to consolidated financial statements.

**INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES**

For the year ended December 31, 2013

(With comparative totals for 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 2,364,969	\$ 545,000	\$ 2,909,969	\$ 1,622,346
Program revenue	1,474,042	-	1,474,042	976,693
Donated materials and services	11,030	-	11,030	31,501
Dues and memberships	131,615	-	131,615	128,961
Interest income	760	-	760	1,064
Other income	12,435	-	12,435	225
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	<u>553,428</u>	<u>(553,428)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,548,279</u>	<u>(8,428)</u>	<u>4,539,851</u>	<u>2,760,790</u>
Expenses:				
Program	2,976,144	-	2,976,144	2,322,369
Management and general	382,230	-	382,230	317,796
Fundraising	<u>244,489</u>	<u>-</u>	<u>244,489</u>	<u>211,307</u>
Total expenses	<u>3,602,863</u>	<u>-</u>	<u>3,602,863</u>	<u>2,851,472</u>
Change in net assets from operations	945,416	(8,428)	936,988	(90,682)
Non-operating items:				
Loss on disposal of assets and impairment	<u>(174,184)</u>	<u>-</u>	<u>(174,184)</u>	<u>-</u>
Total change in net assets	771,232	(8,428)	762,804	(90,682)
Net assets:				
Beginning of the year	<u>225,331</u>	<u>551,297</u>	<u>776,628</u>	<u>867,310</u>
End of the year	<u>\$ 996,563</u>	<u>\$ 542,869</u>	<u>\$ 1,539,432</u>	<u>\$ 776,628</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013					2012 Total
	Program	Management and general	Fundraising	Communications & Information Technologies	Total	
Salaries and related expenses	\$ 1,129,728	\$ 164,729	\$ 160,474	\$ 315,650	\$ 1,770,581	\$ 1,616,627
Professional fees	475,269	59,934	3,093	75,165	613,461	282,637
Events and productions	382,288	13,751	-	-	396,039	322,922
Occupancy	100,210	16,125	9,467	49,816	175,618	145,785
Equipment maintenance	476	2,238	145	7,344	10,203	10,411
Travel	156,814	33,013	4,659	4,049	198,535	146,655
Marketing and development	570	50	8,052	360	9,032	32,837
Prizes, awards, and gifts	21,986	477	222	-	22,685	7,600
Office expense	35,295	5,564	2,609	59,295	102,763	78,959
Printing and copying	66,150	2,087	8,840	34,774	111,851	42,424
Insurance	-	10,680	-	-	10,680	5,858
Licenses, fees, taxes, and interest	16,343	9,852	2	484	26,681	13,801
Miscellaneous	6,776	3,775	675	970	12,196	20,744
Depreciation and amortization	44,639	-	-	97,899	142,538	124,211
	2,436,544	322,275	198,238	645,806	3,602,863	2,851,471
Allocated communications & information technologies	539,600	59,955	46,251	(645,806)	-	-
Total expenses	<u>\$ 2,976,144</u>	<u>\$ 382,230</u>	<u>\$ 244,489</u>	<u>\$ -</u>	<u>\$ 3,602,863</u>	<u>\$ 2,851,471</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 762,804	\$ (90,682)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	142,538	124,211
Loss in inventory	58,579	-
Allowance for uncollectible accounts	(2,054)	-
(Increase) decrease in:		
Accounts and pledges receivable	(683,881)	451,678
Prepaid expenses	6,034	2,806
Inventory	(6,091)	(12,154)
Increase (decrease) in:		
Accounts payable and accrued expenses	111,464	(204,319)
Deferred revenue	(59,911)	48,680
Net cash provided by operating activities	329,482	320,220
Cash flows from investing activities:		
Development of intangible assets	(22,488)	(1,613)
Goodwill impairment loss	76,792	-
Purchase of property and equipment	(21,712)	(89,066)
Loss on disposal of property and equipment	38,813	-
Net cash provided (used) by investing activities	71,405	(90,679)
Cash flows from financing activities:		
Payments on notes payable	(126,961)	(89,128)
Net cash used by financing activities	(126,961)	(89,128)
Net increase in cash and cash equivalents	273,926	140,413
Cash and cash equivalents - beginning of year	444,636	304,223
Cash and cash equivalents - end of year	\$ 718,562	\$ 444,636
Supplemental cash flow disclosure:		
Cash paid during the year for interest	\$ 1,834	\$ 4,027

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

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's support is derived primarily from grants, contributions and fees charged for program services. TNS provides services in the United States of America.

Ecotone Publishing

On January 5, 2011, the Organization acquired the assets of EcoTone Publishing LLC (Ecotone), a publishing company. Ecotone became a division of ILFI upon acquisition and does business as (dba) Ecotone.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

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

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.

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.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

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

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. Management expensed (wrote-off) all book inventory balances of approximately \$58,000 during 2013 due to the inventory becoming damaged and obsolete. No inventory reserve had been recorded and only immaterial balances were written off during the fiscal year ending 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.

Given the changing role in Ecotone's activities as part of ILFI, the Organization determined that the carrying value of Ecotone's net assets exceeded the estimated fair value. Accordingly, the Organization concluded that it was probable the goodwill associated with the original purchase had diminished and recognized an impairment loss of approximately \$76,700 in 2013. Ecotone continues to benefit the Organization in various ways, opening up new funding opportunities and offering a vehicle to further promote the Living Building Challenge.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

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, 2013. 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, 2013, the Organization recorded \$10,000 for donated rent (\$1,000 of contributed furniture and equipment and \$10,000 for donated rent for the year ended December 31, 2012).

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, 2013, the Organization recorded approximately \$1,000 of contributed legal and other consulting services as management and general expense (approximately \$20,500 for the year ended December 31, 2012).

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

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 415 volunteers who provided an estimated 5,800 hours during the year ended December 31, 2013. 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, 2013 and 2012 were approximately \$9,000 and \$32,800, 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, 2013

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.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organizations file federal and state of Oregon information returns. The Organizations' informational returns for years ended December 31, 2009 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Summarized Financial Information for 2012

The financial information as of December 31, 2012 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 May 30, 2014, the date the consolidated financial statements were available to be issued.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

2. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable are unsecured and consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pledges and grants receivable	\$ 963,912	\$ 320,334
Other	<u>67,672</u>	<u>27,369</u>
	1,031,584	347,703
Less allowance for doubtful accounts	<u>3,786</u>	<u>5,840</u>
Accounts and pledges receivable, net	<u>\$ 1,027,798</u>	<u>\$ 341,863</u>

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

At December 31, 2013 and 2012, two accounts represented 72% of total receivables.

3. OTHER ASSETS

Other assets consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Goodwill	\$ 76,792	\$ 153,584
Intellectual property	125,586	125,586
Trademarks	<u>39,009</u>	<u>16,521</u>
	241,387	295,691
Less accumulated amortization	<u>130,015</u>	<u>85,376</u>
Other assets, net	<u>\$ 111,372</u>	<u>\$ 210,315</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 99,028	\$ 88,763
Leasehold improvements	6,321	105,713
Website	<u>287,991</u>	<u>340,040</u>
	393,340	534,516
Less accumulated depreciation	<u>276,069</u>	<u>302,245</u>
Property and equipment, net	<u>\$ 117,271</u>	<u>\$ 232,271</u>

5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</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 the final payment made March 2014.	\$ 9,137	\$ 44,098
Notes payable to Chief Executive Officer and an employee, unsecured with no interest; principal payments due semiannually. Paid in full July 2013.	<u>-</u>	<u>92,000</u>
Total notes payable	<u>\$ 9,137</u>	<u>\$ 136,098</u>

6. BOARD DESIGNATED NET ASSETS

As of December 31, 2013 and 2012, 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.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
TrimTab	\$ 150,000	\$ -
Real Estate Investment Model	20,369	88,691
Green Infrastructure	22,500	
Living Communities	110,000	-
Decentralized Water Strategies	-	12,606
LBC Film Project	40,000	-
Time restricted – general operations	<u>200,000</u>	<u>450,000</u>
 Total temporarily restricted net assets	 <u>\$ 542,869</u>	 <u>\$ 551,297</u>

8. LEASE COMMITMENTS

The Organization leases office facilities in Portland, Oregon under an operating lease, which expired December 2013 and is continuing renting on a month to month basis.

The Organization leases office facilities in Seattle, Washington under an operating lease, which expired in May 2013. The Organization began leasing office facilities in April 2013 from a related party in Seattle, Washington under an operating lease, which expires February 2018. The Organization received four months of free rent at the commencement of the agreement. Monthly rent is \$7,492 with annual increases.

During 2013 and 2012, the Organization was provided office space at Simon Fraser University in Burnaby, British Columbia, provided by an unrelated party at no charge.

Total rent expense, including in-kind rent, approximated \$144,300 and \$123,000 for the years ended December 31, 2013 and 2012, respectively. A portion of the office space is sublet to several unaffiliated nonprofit organizations. The above rental expenses are offset by approximately \$17,100 and \$15,600 in sublease rental income for the years ended December 31, 2013 and 2012, respectively.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

8. LEASE COMMITMENTS, Continued

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

December 31, 2014	\$	95,100
2015		97,900
2016		98,300
2017		100,500
2018		<u>25,300</u>
	\$	<u>417,100</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 with an option to extend the contract each year for subsequent conference management services up to the 2016 conference. In September 2013 the Organization entered into another contract with the same company for conference management support for another conference. The amounts agreed to be paid for these services at December 31, 2013 and 2012 approximate \$44,900 and \$64,300.

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 6% of the employee's salary during 2013 with contributions approximating \$46,800. The Organization did not elect to contribute to the plan during the year ended December 31, 2012.

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.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2013

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 \$35,000 and \$10,000 to such vendors for services during 2013 and 2012, respectively. There were immaterial amounts due to these vendors and included in accounts payable at December 31, 2013 and 2012. The Organization recognized approximately \$435,000 and \$91,400 in revenue from related parties during 2013 and 2012, respectively. At December 31, 2013 and 2012 approximately \$56,200 and \$6,400, 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 during 2013.

13. CONCENTRATIONS

The Organization maintains its cash balances in several financial institutions. Balances in each domestic 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 excess of insured limits were approximately \$475,400 and \$162,700 as of December 31, 2013 and 2012, respectively. 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, 2013, one donor's contributions approximated 31% of total revenues. For the year ended December 31, 2012, one donor's contributions approximated 14% of total revenues.