

INTERNATIONAL LIVING
FUTURE INSTITUTE

Consolidated Audited Financial Statements

For the Year Ended December 31, 2018



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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.

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 accordance 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
April 30, 2019

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 684,713	\$ 785,153
Accounts and pledges receivable, net	1,109,355	731,347
Prepaid expenses	39,214	25,885
Other assets, net	113,437	113,437
Property and equipment, net	232,342	342,118
 TOTAL ASSETS	 \$ 2,179,061	 \$ 1,997,940
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 74,762	\$ 109,067
Accrued personnel expenses	118,834	97,924
Deferred revenue	460,239	462,212
Conservation land deposits	17,080	29,572
Deferred rent	53,814	57,347
Total liabilities	724,729	756,122
Net assets (deficit):		
Without donor restrictions:		
Undesignated	(829,260)	(371,133)
Board designated	600,000	425,000
Net property and equipment	232,342	342,118
Total without donor restrictions	3,082	395,985
With donor restrictions	1,451,250	845,833
Total net assets	1,454,332	1,241,818
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,179,061	 \$ 1,997,940

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
(With comparative totals for 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions and grants	\$ 993,820	\$ 2,520,000	\$ 3,513,820	\$ 2,263,636
Program revenue	2,261,104	-	2,261,104	2,176,810
Donated materials and services	59,132	-	59,132	55,771
Dues and memberships	153,337	-	153,337	130,171
Other income	26,186	-	26,186	40,177
Net assets released from restrictions:				
Satisfaction of time restrictions	650,000	(650,000)	-	-
Satisfaction of purpose restrictions	1,264,583	(1,264,583)	-	-
Total support and revenue	<u>5,408,162</u>	<u>605,417</u>	<u>6,013,579</u>	<u>4,666,565</u>
Expenses:				
Program	4,850,301	-	4,850,301	4,597,201
Management and general	629,609	-	629,609	631,267
Fundraising	321,155	-	321,155	324,047
Total expenses	<u>5,801,065</u>	<u>-</u>	<u>5,801,065</u>	<u>5,552,515</u>
 Total change in net assets	 (392,903)	 605,417	 212,514	 (885,950)
Net assets:				
Beginning of the year	<u>395,985</u>	<u>845,833</u>	<u>1,241,818</u>	<u>2,127,768</u>
 End of the year	 <u>\$ 3,082</u>	 <u>\$ 1,451,250</u>	 <u>\$ 1,454,332</u>	 <u>\$ 1,241,818</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	2018				
	Program	Management and general	Fundraising	Communications and Information Technologies	Total
Salaries and related expenses	\$ 2,556,295	\$ 249,025	\$ 226,980	\$ 392,185	\$ 3,424,485
Professional fees	440,093	187,751	120	219,220	847,184
Events and productions	546,837	16,748	181	15,107	578,873
Occupancy	197,969	60,756	12,440	44,336	315,501
Equipment, software, and maintenance	-	-	-	62,918	62,918
Travel	170,066	11,454	3,018	10,626	195,164
Marketing and development	18,578	-	125	41,806	60,509
Prizes, awards, and gifts	11,774	1,739	1,429	-	14,942
Office expense	28,272	1,270	953	4,127	34,622
Printing and copying	12,745	2,432	1,084	21,083	37,344
Insurance	173	11,366	-	-	11,539
Licenses, fees, taxes, and interest	54,618	4,177	2,621	955	62,371
Miscellaneous	21,636	10,457	2,257	3,733	38,083
Depreciation and amortization	-	-	-	117,530	117,530
	4,059,056	557,175	251,208	933,626	5,801,065
Allocated communications and information technologies	791,245	72,434	69,947	(933,626)	-
Total expenses	<u>\$ 4,850,301</u>	<u>\$ 629,609</u>	<u>\$ 321,155</u>	<u>\$ -</u>	<u>\$ 5,801,065</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	2017				
	Program	Management and general	Fundraising	Communications and Information Technologies	Total
Salaries and related expenses	\$ 2,197,896	\$ 210,746	\$ 211,454	\$ 446,243	\$ 3,066,339
Professional fees	340,185	167,742	2,776	189,683	700,386
Events and productions	548,938	20,438	5,395	15,395	590,166
Occupancy	277,840	30,570	21,399	53,776	383,585
Equipment, software, and maintenance	5,756	15,951	15	32,372	54,094
Travel	160,668	22,604	3,697	14,505	201,474
Marketing and development	53,413	35	221	47,918	101,587
Prizes, awards, and gifts	16,079	570	1,048	231	17,928
Office expense	103,379	15,175	601	10,026	129,181
Printing and copying	42,916	1,445	1,048	2,656	48,065
Insurance	2,500	16,222	-	-	18,722
Licenses, fees, taxes, and interest	32,695	33,519	716	6,305	73,235
Miscellaneous	13,962	26,546	746	1,388	42,642
Depreciation and amortization	-	-	-	125,111	125,111
	3,796,227	561,563	249,116	945,609	5,552,515
Allocated communications and information technologies	800,974	69,704	74,931	(945,609)	-
Total expenses	\$ 4,597,201	\$ 631,267	\$ 324,047	\$ -	\$ 5,552,515

See notes to consolidated financial statements.

**INTERNATIONAL LIVING FUTURE INSTITUTE
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2018

(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contracts, memberships and contributions	\$ 5,548,280	\$ 5,159,089
Other cash receipts	13,694	47,519
Cash paid to employees and suppliers	<u>(5,649,759)</u>	<u>(5,284,272)</u>
Net cash flows from operating activities	<u>(87,785)</u>	<u>(77,664)</u>
Cash flows from investing activities:		
Development of intangible assets	-	(15,028)
Purchase of property and equipment	<u>(12,655)</u>	<u>(177,058)</u>
Net cash flows from investing activities	<u>(12,655)</u>	<u>(192,086)</u>
Net change in cash and cash equivalents	(100,440)	(269,750)
Cash and cash equivalents - beginning of year	<u>785,153</u>	<u>1,054,903</u>
Cash and cash equivalents - end of year	<u>\$ 684,713</u>	<u>\$ 785,153</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 212,514	\$ (885,950)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	117,530	125,111
Donated capital assets	-	(11,311)
Loss on disposal of equipment	4,901	-
Allowance for uncollectible accounts	(15,106)	13,961
(Increase) decrease in:		
Accounts and pledges receivable	(362,902)	353,599
Prepaid expenses	(13,329)	(13,468)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,395)	108,212
Deferred revenue	(1,973)	232,223
Conservation land deposits	(12,492)	7,342
Deferred rent expense	<u>(3,533)</u>	<u>(7,383)</u>
Net cash flows from operating activities	<u>\$ (87,785)</u>	<u>\$ (77,664)</u>

See notes to consolidated financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

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) 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. It includes Ecotone Publishing, which is dedicated to meeting the growing demand of authoritative and accessible books on sustainable design, materials selection, and building techniques in North America and beyond. 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 socially just and ecologically restorative built environment. Cascadia is a wholly-owned subsidiary of ILFI. Cascadia provides services in the states of Oregon and Washington, 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

The Natural Step-USA (TNS) is a wholly-owned 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. TNS was dissolved during 2018.

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.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

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

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 unsecured and 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 and 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, 2018

I. 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, 2018. Trademarks are considered to have indefinite lives. Intellectual property, relating to publishing titles, is fully amortized.

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 three to seven years. Leasehold improvements are depreciated over the lease term.

Support and Revenue With and Without Donor Restrictions

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Deferred Rent

For lease agreements that contain rent holidays and/or rent escalation clauses, the Organization amortizes the lease on a straight-line basis over the term of the lease and records a deferred lease liability as an addition or reduction to rent expense.

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. Donated materials and services consist of the following at December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Donated goods	\$ 17,588	\$ 13,006
Consulting/professional fees	28,051	26,997
Donated rent/facilities	<u>13,493</u>	<u>15,768</u>
Total donated facilities, materials and services	<u>\$ 59,132</u>	<u>\$ 55,771</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
 December 31, 2018

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

Donated Materials and Services (Continued)

Donated consulting and professional fees are reflected in the accompanying statements of functional expenses as follows:

	2018	2017
Management	\$ 1,898	\$ 1,965
Communication and Information		
Technology	6,084	5,000
Fundraising	20,069	20,032
	\$ 28,051	\$ 26,997

In addition, ILFI received contributed services from 951 volunteers who provided approximately 5,300 hours during the year ended December 31, 2018 (794 volunteers and 8,650 hours for the year ended December 31, 2017). The value of such services does not meet the requirements for recognition and; therefore, have 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 books, 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.

Marketing and Development

Marketing and development costs are expensed as incurred.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, office supplies, salaries and other shared costs including information technology and communication expenses, which are allocated based on employee equivalents.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

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

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Update modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. Based on certain tax law changes, the Organization may be subject to unrelated business income tax. Any provision for income taxes associated with these changes is estimated to be insignificant. No provision for income taxes is made in the accompanying consolidated financial statements, and the Organizations have no other activities subject to unrelated business income tax. 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.

The Organization follows the provisions of FASB ASC Topic 740 *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 consolidated financial statements to comply with provisions of this Topic.

Summarized Financial Information for 2017

The financial information as of December 31, 2017 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 April 30, 2019, the date the consolidated financial statements were available to be issued.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and pledges and accounts receivable.

Financial assets of the Organization consist of the following at December 31, 2018:

	Available for General <u>Expenditure</u>	Board Designated	With Donor Restrictions	Total Financial Assets
Cash and cash equivalents	\$ (610,287)	\$ 600,000	\$ 695,000	\$ 684,713
Accounts and pledges receivable	<u>353,105</u>	<u>-</u>	<u>756,250</u>	<u>1,109,355</u>
	(257,182)	<u>\$ 600,000</u>	<u>\$ 1,451,250</u>	<u>\$ 1,794,068</u>
Conservation land deposits	(17,080)			
Expiring time restrictions	<u>600,000</u>			
	<u>\$ 325,738</u>			

Board designated funds are maintained for various purposes and the release of funds may be approved by a simple majority vote of the Board of Directors. See Note 6 regarding board designated net assets. In addition, the Organization includes the expiration of all time restricted pledge receivable in the immediate subsequent 12 month period as available for general expenditure.

3. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable are unsecured and consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pledges and grants receivable	\$ 1,009,730	\$ 499,943
Accounts receivable	<u>99,625</u>	<u>246,510</u>
	1,109,355	746,453
Less allowance for doubtful accounts	<u>-</u>	<u>15,106</u>
Accounts and pledges receivable, net	<u>\$ 1,109,355</u>	<u>\$ 731,347</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

3. ACCOUNTS AND PLEDGES RECEIVABLE, Continued

Pledges and grants receivable are expected to be collected within one year.

In 2017, the Organization received notice of a 3-year grant for \$2,250,000. The Organization received payment and recognized \$750,000 as revenue in both 2017 and 2018. Subsequent funding on the grant is contingent upon submission and approval of progress on the program and satisfactory reports of expenses incurred. While the Organization anticipates that the remaining balance of \$750,000 will be earned and the funds advanced, the revenue is only recognized when the contingencies have been met and the next disbursement of funding is received. The final installment of \$750,000 is anticipated to be received in June 2019.

4. OTHER ASSETS

Other assets consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Intellectual property	\$ 125,586	\$ 125,586
Trademarks	<u>117,866</u>	<u>117,866</u>
	243,452	243,452
Less accumulated amortization	<u>130,015</u>	<u>130,015</u>
Other assets, net	<u>\$ 113,437</u>	<u>\$ 113,437</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 119,390	\$ 173,893
Leasehold improvements	191,451	193,215
Software	89,087	52,984
Website	71,815	464,984
Work in process	<u>-</u>	<u>40,913</u>
	471,743	925,989
Less accumulated depreciation	<u>239,401</u>	<u>583,871</u>
Property and equipment, net	<u>\$ 232,342</u>	<u>\$ 342,118</u>

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

6. BOARD DESIGNATED NET ASSETS

As of December 31, 2018 and 2017, the Organization's Board of Directors has designated \$600,000 and \$425,000, respectively, of unrestricted net assets as an operating reserve.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restricted – general operations	\$ 600,000	\$ -
Living Product Challenge	375,000	375,000
Pittsburgh Hub - Living Product Challenge	222,500	-
Living Community Challenge	15,000	-
Net Positive Water Solutions	-	50,000
Resilient Cities and Healthy Communities	11,250	83,333
Resiliency event 2019	115,000	-
Adoption of biophilic design	<u>112,500</u>	<u>337,500</u>
Total net assets with donor restrictions	<u>\$ 1,451,250</u>	<u>\$ 845,833</u>

8. LEASE COMMITMENTS

The Organization leases office facilities in Portland, Oregon under an operating lease with monthly payments of \$1,600 expiring February 28, 2019. The Organization also leases office facilities in Seattle, Washington under operating leases expiring March 2019 and April 30, 2023. Monthly rent for Seattle offices is approximately \$21,200 with annual increases. In accordance with U.S. generally accepted accounting principles, the Seattle lease is recognized on a straight-line basis over the term of the lease, resulting in a deferred rent liability of approximately \$53,800 and \$57,300 at December 31, 2018 and 2017, respectively.

A portion of the office space is sublet to several unaffiliated entities. Total rent expense, net of sublet income and including in-kind rent, approximated \$393,700 in 2018 (\$351,500 in 2017). The above rental expenses are offset by approximately \$104,900 in 2018 (\$67,600 in 2017) of sublease rental income.

Subsequent to year-end, the Portland lease was not renewed.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

8. LEASE COMMITMENTS, Continued

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

December 31, 2019	\$	185,100
2020		160,300
2021		164,800
2022		169,600
2023		<u>57,100</u>
	\$	<u>736,900</u>

9. 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 Canada. Under the plans, the Organization matches 100% of an eligible employee's contribution up to 6% of the employee's salary during 2018 and 2017 with contributions approximating \$132,300 and \$116,400 in 2018 and 2017, respectively.

10. 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.

11. RELATED PARTY TRANSACTIONS

Due to the nature of the green building industry, the Organization, at times, engages in transactions either with individuals, or with companies or organizations, where board members are employees or owners, many of whom are leaders in the industry. The Organization recognized approximately \$68,000 during 2018 (\$22,000 during 2017) in revenue from related parties. At December 31, 2018, approximately \$8,000 (\$22,000 at December 31, 2017), was due from these parties and included in accounts and pledges receivable. In addition, at December 31, 2018, approximately \$19,000 (\$10,000 at December 31, 2017), is due to a related party for services and is included in expenses.

INTERNATIONAL LIVING FUTURE INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

11. RELATED PARTY TRANSACTIONS, Continued

In 2018, the Organization was awarded a \$500,000 contract for two years from a state agency that employs the spouse of a key employee in a director position. In 2018, the Organization recognized approximately \$71,000 in revenue related to this contract.

12. CONCENTRATIONS OF CREDIT RISK

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. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$412,000 as of December 31, 2018 (\$384,000 as of December 31, 2017). Balances in Canadian institutions are maintained in credit unions and receive unlimited Canadian Deposit Insurance Corporation (CDIC) insurance coverage.

At December 31, 2018, one donor represented 54% of total receivables (one donor represented 31% of total receivables at December 31, 2017).

For the year ended December 31, 2018, two donors' contributions approximated 33% of total revenues. For the year ended December 31, 2017, one donor's contributions approximated 16% of total revenues.

13. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.