



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## I Love A Clean San Diego Audited Financial Statements December 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
I Love A Clean San Diego

We have audited the accompanying financial statements of I Love A Clean San Diego (a nonprofit Organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of I Love A Clean San Diego as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

March 28, 2014



Sonnenberg & Company, CPAs

**I Love A Clean San Diego**  
Statement of Financial Position  
December 31, 2013

ASSETS:

Operating Assets:	
Cash and Cash Equivalents	\$ 349,611
Accounts Receivable	117,773
Prepaid Expenses and Deposits	13,181
Total Operating Assets	<u>480,565</u>
Fixed Assets:	
Property and Equipment	71,201
Less: Accumulated Depreciation	(48,067)
Total Fixed Assets	<u>23,134</u>
TOTAL ASSETS	<u>\$ 503,699</u>

LIABILITIES AND NET ASSETS:

Liabilities:	
Accounts Payable	\$ 12,742
Accrued Payroll and Related	53,389
Deferred Revenue	7,000
Total Liabilities	<u>73,131</u>
Net Assets:	
Unrestricted	402,153
Temporarily Restricted	28,415
Total Net Assets	<u>430,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 503,699</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**I Love A Clean San Diego**  
**Statement of Activities**  
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 273,343	\$ 7,500	\$ 280,843
Grants & contracts - government	432,269		432,269
Grants & contracts - private	62,535	20,915	83,450
In-kind	243,864		243,864
Other Income	23,256		23,256
Released from use restrictions	<u>35,026</u>	<u>(35,026)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u><u>1,070,293</u></u>	<u><u>(6,611)</u></u>	<u><u>1,063,682</u></u>
 <b>EXPENSES:</b>			
Program services	810,531		810,531
Supporting services:			
Management and general	105,664		105,664
Fund-raising	<u>125,509</u>		<u>125,509</u>
<b>TOTAL EXPENSES</b>	<u><u>1,041,704</u></u>	<u><u>-</u></u>	<u><u>1,041,704</u></u>
 <b>CHANGE IN NET ASSETS</b>	 \$ 28,589	 \$ (6,611)	 \$ 21,978
 <b>NET ASSETS:</b>			
AT BEGINNING OF YEAR	<u>373,564</u>	<u>35,026</u>	<u>408,590</u>
AT END OF YEAR	<u><u>\$ 402,153</u></u>	<u><u>\$ 28,415</u></u>	<u><u>\$ 430,568</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

**I Love A Clean San Diego**  
**Statement of Functional Expenses**  
For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>EXPENSES:</b>				
Personnel Expenses:				
Salaries and Wages	\$ 357,674	\$ 55,271	\$ 75,747	\$ 488,692
Payroll Taxes	31,543	4,874	6,680	43,097
Employee Benefits	29,629	4,579	6,275	40,483
Total Personnel Expenses	<u>418,846</u>	<u>64,724</u>	<u>88,702</u>	<u>572,272</u>
Other Expenses:				
Accounting		3,150		3,150
Advertising and Promotion	36,042	325	1,792	38,159
Conferences and Meetings	3,884	92	4,759	8,735
Depreciation	8,019			8,019
Direct Expenses - Cleanups	23,536			23,536
Direct Expenses - Outreach	5,076			5,076
Equipment	1,723	4,399		6,122
Information Technology	10,054	2,706	1,792	14,552
Insurance	2,218	9,118		11,336
In-kind	227,838	4,378	11,648	243,864
Miscellaneous	6,080	1,105	6,920	14,105
Occupancy	29,264	11,255	4,502	45,021
Office Supplies	1,160	672	111	1,943
Outside Services	18,040	882	2,595	21,517
Postage and Shipping	912	406	578	1,896
Telephone and Internet	3,318	1,936	277	5,531
Travel	14,521	516	1,833	16,870
Total Other Expenses	<u>391,685</u>	<u>40,940</u>	<u>36,807</u>	<u>469,432</u>
<b>TOTAL EXPENSES</b>	<u>\$ 810,531</u>	<u>\$ 105,664</u>	<u>\$ 125,509</u>	<u>\$ 1,041,704</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**I Love A Clean San Diego**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2013

**CASH FLOW FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ 21,978
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	8,019
Decrease (Increase) in:	
Accounts Receivable	(17,959)
Prepaid Expenses and Deposits	(790)
Increase (Decrease) in:	
Accounts Payable	(2,516)
Accrued Payroll and Related	(11,274)
Deferred Revenue	<u>(9,700)</u>
Net Cash (Used) by Operating Activities	<u>(12,242)</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Additions of Property and Equipment	(663)
Disposal of Property and Equipment	<u>(2,609)</u>
Net Cash (Used) by Investing Activities	<u>(3,272)</u>

Net Change in Cash and Cash Equivalents: (15,514)

Cash and Cash Equivalents at:	
BEGINNING OF YEAR	<u>365,125</u>
END OF YEAR	<u>\$ 349,611</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**Note 1.      Organization and Purpose**

I Love A Clean San Diego (the Organization) is a pioneering leader in encouraging environmental awareness close to home. Known best for successful beach cleanups, the Organization spearheads a spectrum of environmental initiatives focusing on: resource conservation, waste reduction and recycling, community enhancement, and pollution prevention. Since its inception in 1954, the Organization has been the go-to Organization for programs that enhance and conserve San Diego's environment.

The Organization is supported primarily through grants and contracts with the County of San Diego, City of San Diego, other local municipalities, and various private sources.

**Note 2.      Summary of Significant Accounting Policies**

Basis of Presentation

The Organization presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, resulting in related receivables and payables.

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services (management and general, and fund-raising).

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. That is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**Note 2. Summary of Significant Accounting Policies (Continued)**

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization had temporarily restricted net assets of \$28,415 at December 31, 2013.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at December 31, 2013.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. The Organizations policy is to capitalize acquisitions valued greater than \$600 with a useful life of one year or more. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment	5 years
Vehicles	7 years
Furniture	10 years

Maintenance and repair costs are charged to expense as incurred.

Impairment of Long-lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Donated Goods and Services

Contributions of donated goods are recorded at fair value at the date of donation. Donated services are recorded if they meet certain specified criteria: they either: (a) improve the value of a nonfinancial asset, or (b) require specialized skill, and are donated by someone who possess those skills, which would have had to be purchased if not donated.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**Note 2. Summary of Significant Accounting Policies (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, revenues, and expenses as of the date of the financial statements and for the period presented. Actual results could differ from those estimates.

Promises to Give (Pledges)

An unconditional promise to give is recorded as a receivable when the pledge is made, provided that it is reasonably certain to be collected and the amount is known.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California State Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization has reviewed its position for all open tax years and believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state Exempt Organization Tax Returns are subject to examination, generally for three years after they were filed.

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ["Fin 48"]). Under FASB ASC 740-10-25, an Organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Organization's financial statements. The Organization does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2013, there was no interest or penalties recorded or included in the financial statements.

**Note 3. Concentrations**

The Organization maintains bank accounts at two banking institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Organizations bank accounts may exceed federally insured deposit limits. The Organization has not experienced any losses in such accounts.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**Note 4.      Receivables**

The Organization's receivables consist of grants and contracts outstanding at December 31, 2013 and are as follows:

City of San Diego	\$	55,100
County of San Diego		41,594
California Coastal Commission		6,270
City of Chula Vista		5,066
Other sources		9,743
Total Receivables	\$	117,773

The Organization's management has evaluated the accounts receivable to determine whether an allowance for doubtful accounts should be recorded and has deemed all outstanding receivables collectible. Therefore, no allowance has been recorded.

**Note 5.      Temporarily Restricted Net Assets**

As of December 31, 2013, the amounts of temporarily restricted net assets are as follows:

	Balance		Received		Used		Balance
	12/31/12	\$	2013	\$	2013	\$	12/31/13
Ellen Browning Scripps Foundation	\$ 9,651		\$ 4,120		\$ (9,651)		\$ 4,120
Chula Vista Charitable Foundation	-		8,152				8,152
SDG&E	11,574		5,250		(11,574)		5,250
Qualcomm Foundation	-		3,393				3,393
Creek to Bay	8,000		5,000		(8,000)		5,000
Clean Beach Coalition	4,176		2,500		(4,176)		2,500
Sundt Foundation	1,625		-		(1,625)		-
Total	\$ 35,026	\$	28,415	\$	(35,026)	\$	28,415

**Note 6.      Donated Goods and Services**

Donated Goods

During the year ended December 31, 2013 a substantial amount of the in-kind donations recorded on the financial statements consist of media spots contributed by local radio and television stations, recorded at the retail value of \$106,050, and program material and equipment of \$137,814. Total in-kind contributions were \$243,864 for the year ended December 31, 2013.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2013

**Note 6. Donated Goods and Services (continued)**

Donated Services

The Organization did not have any donated services in 2013 that qualified per generally accepted accounting principles to be valued and recorded on the face of the financial statements. Nonetheless, the Organization used 80,539 volunteer hours in beach cleanups and other program activities.

**Note 7. Operating Lease Obligations**

During the year ended December 31, 2010, the Organization obtained a 60-month lease at its new location for approximately 2,407 square feet of cubicle and office space within a shared suite environment. Rent expense during 2013 was \$43,450. The remaining lease obligation is as follows:

For the year ended December 31,	
2014	50,028
2015	43,754
Total Lease Obligation	\$ <u>93,782</u>

**Note 8. Date of Management's Review**

The Organization has evaluated subsequent events through March 28, 2014 the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosure in, the financial statements.