



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

I Love A Clean San Diego Audited Financial Statements December 31, 2016

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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, 2016, 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, 2016, 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.

April 7, 2017

Sonnenberg & Company, CPAs

I Love A Clean San Diego
Statement of Financial Position
December 31, 2016

ASSETS:

Operating Assets:

Cash and Cash Equivalents	\$ 365,087
Certificates of Deposit	327,258
Accounts Receivable	88,089
Prepaid Expenses and Deposits	14,799
Inventory	5,460
Total Operating Assets	<u>800,693</u>

Fixed Assets:

Property and Equipment	114,504
Less: Accumulated Depreciation	<u>(64,316)</u>
Total Fixed Assets	<u>50,188</u>

TOTAL ASSETS	<u>\$ 850,881</u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Accounts Payable	\$ 11,731
Accrued Payroll and Related	84,033
Deferred Revenue	50,438
Total Liabilities	<u>146,202</u>

Net Assets:

Unrestricted	589,293
Unrestricted - Board Designated	74,876
Temporarily Restricted	40,510
Total Net Assets	<u>704,679</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 850,881</u>
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The accompanying notes are an integral part of the financial statements

I Love A Clean San Diego
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 383,463	\$	\$ 383,463
Grants & Contracts - Government	527,775		527,775
Grants & Contracts - Private	59,318	95,500	154,818
In-Kind	231,310		231,310
Special Events	20,413		20,413
Less: Direct Expenses	(3,169)		(3,169)
Merchandise Sales	4,560		4,560
Less: Cost of Goods Sold	(3,065)		(3,065)
Other Income	29,226		29,226
Released from Use Restrictions	105,723	(105,723)	-
TOTAL SUPPORT AND REVENUE	<u>1,355,554</u>	<u>(10,223)</u>	<u>1,345,331</u>
EXPENSES:			
Program Services	952,127		952,127
Supporting Services:			
Management and General	164,558		164,558
Fund-raising	151,730		151,730
TOTAL EXPENSES	<u>1,268,415</u>	<u>-</u>	<u>1,268,415</u>
CHANGE IN NET ASSETS	\$ 87,139	\$ (10,223)	\$ 76,916
NET ASSETS:			
AT BEGINNING OF YEAR	<u>577,030</u>	<u>50,733</u>	<u>627,763</u>
AT END OF YEAR	<u>\$ 664,169</u>	<u>\$ 40,510</u>	<u>\$ 704,679</u>

The accompanying notes are an integral part of the financial statements

I Love A Clean San Diego
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>	<u>Total</u>
EXPENSES:				
Personnel Expenses:				
Salaries and Wages	\$ 484,949	\$ 68,543	\$ 74,762	\$ 628,254
Payroll Taxes	41,741	5,900	6,435	54,076
Employee Benefits	37,695	5,327	5,811	48,833
Total Personnel Expenses	<u>564,385</u>	<u>79,770</u>	<u>87,008</u>	<u>731,163</u>
Other Expenses:				
Accounting		3,170		3,170
Advertising and Promotion	30,783	545	13,000	44,328
Conferences and Meetings	2,374	4,741	1,230	8,345
Depreciation	6,069	6,069	775	12,913
Direct Expenses - Cleanups	18,442			18,442
Direct Expenses - Outreach	8,509			8,509
Equipment	13,968	8,708	1,325	24,001
Information Technology	8,860	2,282	1,684	12,826
Insurance	3,295	12,429	483	16,207
In-kind	194,398	5,364	31,548	231,310
Miscellaneous	7,209	3,761	3,903	14,873
Occupancy	35,074	17,537	5,846	58,457
Office Supplies	659	981	189	1,829
Outside Services	34,945	4,872	1,730	41,547
Postage and Shipping	941	96	591	1,628
Sabbatical		12,917		12,917
Travel	22,216	1,316	2,418	25,950
Total Other Expenses	<u>387,742</u>	<u>84,788</u>	<u>64,722</u>	<u>537,252</u>
TOTAL EXPENSES	<u>\$ 952,127</u>	<u>\$ 164,558</u>	<u>\$ 151,730</u>	<u>\$ 1,268,415</u>

The accompanying notes are an integral part of the financial statements

I Love A Clean San Diego
Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 76,916
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	12,913
Realized and Unrealized Gain on Certificates of Deposit	(1,527)
Decrease (Increase) in:	
Accounts Receivable	32,498
Prepaid Expenses and Deposits	(2,238)
Inventory	2,772
Increase (Decrease) in:	
Accounts Payable	(31,755)
Accrued Payroll and Related	15,206
Deferred Revenue	37,188
Net Cash Provided by Operating Activities	<u>141,973</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Additions of Property and Equipment	(32,836)
Purchase of Certificates of Deposit	(175,000)
Net Cash (Used) by Investing Activities	<u>(207,836)</u>

Net Change in Cash and Cash Equivalents: (65,863)

Cash and Cash Equivalents at:	
BEGINNING OF YEAR	<u>430,950</u>
END OF YEAR	<u>\$ 365,087</u>

The accompanying notes are an integral part of the financial statements

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

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. The Board of Directors has designated \$74,876 for strategic initiatives.

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 \$40,510 at December 31, 2016.

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, 2016.

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.

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

Note 2. Summary of Significant Accounting Policies (Continued)

Certificates of Deposit

Certificates of deposit totaling \$327,258 are included in the accompanying financial statements. The certificates bear interest ranging from .4% to .8% and have maturities ranging from one to two years, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

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.

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.

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

Note 3. Concentrations

The Organization maintains bank accounts at three banking institutions. Accounts at one institution are insured by the Federal Deposit Insurance Corporation, and the others are insured by the National Credit Union Administration, both 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.

Note 4. Receivables

The Organization’s receivables consist of grants and contracts outstanding at December 31, 2016 and are as follows:

City of San Diego	\$	32,358
County of San Diego		24,742
City of Chula Vista		7,557
California Coastal Commission		4,134
City of Encinitas		2,818
City of Vista		2,220
Network for Good		1,867
Port of San Diego		1,110
Other sources		11,282
Total Receivables	\$	88,088

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. Donated Goods and Services

Donated Goods

During the year ended December 31, 2016 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 \$81,700, and program material and equipment of \$149,610. Total in-kind contributions were \$231,310 for the year ended December 31, 2016.

Donated Services

The Organization did not have any donated services in 2016 that qualified per generally accepted accounting principles to be valued and recorded on the face of the financial statements. Nonetheless, the Organization used 76,452 volunteer hours in beach cleanups and other program activities.

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

Note 6. Temporarily Restricted Net Assets

As of December 31, 2016, the amounts of temporarily restricted net assets are as follows:

	Balance 12/31/15	Received 2016	Used 2016	Balance 12/31/16
Ball Corporation	\$ -	\$ 4,000	\$ -	\$ 4,000
Carlsbad Charitable	2,430		(2,430)	-
Cox Communications	1,200		(1,200)	-
Ellen Browning Scripps Foundation	1,500	15,000	(13,909)	2,591
Escondido Charitable Foundation	16,250		(16,250)	-
Heller Foundation	2,500	2,500	(2,500)	2,500
Keep America Beautiful	1,253	10,000	(10,652)	601
La Jolla Foundation	4,000	12,000	(6,000)	10,000
Qualcomm Foundation	10,000	10,000	(10,000)	10,000
SDG&E	11,600	42,000	(42,782)	10,818
Total	<u>\$ 50,733</u>	<u>\$ 95,500</u>	<u>\$ (105,723)</u>	<u>\$ 40,510</u>

Note 7. Operating Lease Obligations

The Organization leases approximately 2,407 square feet of cubicle and office space within a shared suite environment. The lease is for a 3 year term expiring October 31, 2018. Rent expense during 2016 was \$53,028. The annual lease obligation for future years is as follows:

For the year ending December 31,	
2017	\$ 62,602
2018	<u>55,237</u>
Total	<u>\$ 117,839</u>

Note 8. Retirement Plan

During 2016, the Organization adopted a 403(b) plan effective January 1, 2016. All employees that work 1,000 hours or more are eligible to participate in the plan. Plan expenses were \$1,502 for the year ended December 31, 2016.

I Love A Clean San Diego
Notes to the Financial Statements
For the year ended December 31, 2016

Note 9. Date of Management's Review

The Organization has evaluated subsequent events through April 7, 2017 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.