



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## I Love A Clean San Diego Compiled Financial Statements December 31, 2018

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## Accountant's Compilation Report

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

Management is responsible for 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management.

Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

March 28, 2019



Sonnenberg & Company, CPAs

**I Love A Clean San Diego**  
**Statement of Financial Position**  
**December 31, 2018**

ASSETS:

Operating Assets:

Cash and Cash Equivalents	\$ 304,414
Investments	348,190
Accounts Receivable	192,307
Prepaid Expenses and Deposits	17,239
Inventory	3,483
Total Operating Assets	<u>865,633</u>

Fixed Assets:

Property and Equipment	144,685
Less: Accumulated Depreciation	<u>(93,253)</u>
Total Fixed Assets	<u>51,432</u>

TOTAL ASSETS	<u>\$ 917,065</u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Accounts Payable	\$ 18,122
Accrued Payroll and Related	98,403
Total Liabilities	<u>116,525</u>

Net Assets:

Without Donor Restrictions	528,073
Without Donor Restrictions - Board Designated	107,144
With Donor Restrictions	165,323
Total Net Assets	<u>800,540</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 917,065</u>
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See accompanying notes and accountant's compilation report

**I Love A Clean San Diego**  
**Statement of Activities**  
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 387,671	\$	\$ 387,671
Contract Clean-ups and Presentations	59,557		59,557
Grants & Contracts - Government	760,548		760,548
Grants & Contracts - Private	6,286	128,000	134,286
In-Kind	227,514		227,514
Special Events	33,278		33,278
Less: Direct Expenses	(7,843)		(7,843)
Merchandise Sales	5,448		5,448
Less: Cost of Goods Sold	(4,224)		(4,224)
Investment Income	5,918		5,918
Unrealized Gain (loss) on investments	(15,450)		(15,450)
Other Income			-
Released from Donor Restrictions	<u>103,300</u>	<u>(103,300)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,562,003</u>	<u>24,700</u>	<u>1,586,703</u>
 <b>EXPENSES:</b>			
Program Services	1,154,851		1,154,851
Supporting Services:			
Management and General	176,152		176,152
Fund-raising	<u>246,251</u>		<u>246,251</u>
<b>TOTAL EXPENSES</b>	<u>1,577,254</u>	<u>-</u>	<u>1,577,254</u>
 <b>CHANGE IN NET ASSETS</b>	 \$ (15,251)	 24,700	 \$ 9,449
 <b>NET ASSETS:</b>			
AT BEGINNING OF YEAR	<u>650,468</u>	<u>140,623</u>	<u>791,091</u>
AT END OF YEAR	<u>\$ 635,217</u>	<u>\$ 165,323</u>	<u>\$ 800,540</u>

See accompanying notes and accountant's compilation report

**I Love A Clean San Diego**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>EXPENSES:</b>				
<b>Personnel Expenses:</b>				
Salaries and Wages	\$ 585,620	\$ 75,314	\$ 128,524	\$ 789,458
Payroll Taxes	49,350	6,347	10,831	66,528
Employee Benefits	55,102	7,086	12,092	74,280
<b>Total Personnel Expenses</b>	<u>690,072</u>	<u>88,747</u>	<u>151,447</u>	<u>930,266</u>
<b>Other Expenses:</b>				
Accounting		3,470		3,470
Advertising and Promotion	59,811	347	8,209	68,367
Conferences and Meetings	1,038	120	3,224	4,382
Depreciation	9,268	7,367	1,854	18,489
Direct Expenses - Cleanups	26,702			26,702
Direct Expenses - Outreach	34,263			34,263
Equipment	20,168	5,972	2,358	28,498
Information Technology	12,170	2,166	4,533	18,869
Insurance	7,180	8,975	1,795	17,950
In-kind	167,311	14,502	45,701	227,514
Miscellaneous	6,333	5,708	272	12,313
Occupancy	43,941	10,985	18,309	73,235
Office Supplies	1,882	1,280	461	3,623
Outside Services	43,435	25,140	4,505	73,080
Travel	31,277	1,373	3,583	36,233
<b>Total Other Expenses</b>	<u>464,779</u>	<u>87,405</u>	<u>94,804</u>	<u>646,988</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,154,851</u>	<u>\$ 176,152</u>	<u>\$ 246,251</u>	<u>\$ 1,577,254</u>

See accompanying notes and accountant's compilation report

**I Love A Clean San Diego**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2018

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 9,449
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	18,489
Unrealized Loss on Investments	15,450
Decrease (Increase) in:	
Accounts Receivable	(7,379)
Prepaid Expenses and Deposits	(710)
Inventory	3,115
Increase (Decrease) in:	
Accounts Payable	(12,182)
Accrued Payroll and Related	2,208
Net Cash (Used) by Operating Activities	28,440
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Additions of Property and Equipment	(7,120)
Proceeds from Sale of Investments	329,141
Purchase of Certificates of Deposit	(280,000)
Net Cash (Used) by Investing Activities	42,021
Net Change in Cash and Cash Equivalents:	70,461
Cash and Cash Equivalents at:	
BEGINNING OF YEAR	233,953
END OF YEAR	\$ 304,414

See accompanying notes and accountant's compilation report

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

**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, City of Chula Vista and 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

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve. At December 31, 2018, the Board of Directors had designated \$107,144 for strategic initiatives.

*Net Assets With Donor Restrictions* – Net assets subject to donor or 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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

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

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, and are reported in the statement of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions.

The Organization had net assets with donor restrictions of \$165,323 at December 31, 2018.

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, 2018

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

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs that may be used for measuring fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The Organization's investments are Level 1 securities.

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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

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

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.

Change in accounting principle

During 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

**Note 3. Concentrations**

The Organization maintains bank accounts at two 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. Investments**

Certificates of deposit totaling \$280,000 are included in the accompanying financial statements. The certificates bear interest ranging from 2.25 % to 2.5% and have maturities ranging from three months to one year, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

**Note 4. Investments (Continued)**

During 2017, the Organization received a donation of stock. The stock is restricted for a period of ten years. Any income received on the stock is unrestricted and may be used at the Organizations discretion. In 2018, the donor agreed to convert the stock into a permanent endowment. As of December 31, 2018, the stock had not been sold.

The change in stock value at December 31, 2018 is as follows:

Balance at Beginning of Year	\$ 83,640
Investment income	-
Distribution	-
Unrealized gain (loss)	(15,450)
Balance End of Year	<u>\$ 68,190</u>

**Note 5. Receivables**

The Organization's receivables consist of grants and contracts outstanding at December 31, 2018 and are as follows:

County of San Diego	\$ 101,941
City of San Diego	33,314
City of Chula Vista	21,479
California Coastal Commission	7,801
Port of San Diego	4,326
Other sources	23,446
Total Receivables	<u>\$ 192,307</u>

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 6. Donated Goods and Services**

**Donated Goods**

During the year ended December 31, 2018 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 \$83,075, and program materials and equipment of \$136,040. In-kind contributions for donated goods total \$219,115 for the year ended December 31, 2018.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

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

Donated Services

During the year ended December 31, 2018, the Organization received in-kind professional services valued at \$8,399. The Organization used 89,942 volunteer hours in beach cleanups and other program activities.

In-kind contributions total \$227,514 for the year ended December 31, 2018.

**Note 7. Operating Lease Obligations**

The Organization leases approximately 2,639 square feet of cubicle and office space within a shared suite environment. The lease is for a 4 year term expiring October 31, 2019. Rent expense during 2018 was \$67,257. The remaining lease obligation at December 31, 2018 is \$56,047.

**Note 8. Net Assets with Donor Restrictions**

As of December 31, 2018, net assets with donor restrictions are restricted for the following purposes:

	<u>Balance</u> 12/31/17	<u>Received</u> 2018	<u>Used</u> 2018	<u>Balance</u> 12/31/18
Subject to expenditure for specified purpose:				
Education	\$ 32,324	\$ 60,000	\$ (60,365)	\$ 31,959
Clean Beach Coalition	3,000	12,500	(3,000)	12,500
Kids Ocean Day	4,659	5,000	(4,659)	5,000
Creek to Bay	5,000	30,000	(5,000)	30,000
Other Clean ups	12,000	10,500	(14,826)	7,674
Other Grants		10,000		10,000
	<u>\$ 56,983</u>	<u>\$ 128,000</u>	<u>\$ (87,850)</u>	<u>\$ 97,133</u>
Restricted by donor for endowment:	<u>83,640</u>	<u>-</u>	<u>(15,450)</u>	<u>68,190</u>
Total	<u>\$ 140,623</u>	<u>\$ 128,000</u>	<u>\$ (103,300)</u>	<u>\$ 165,323</u>

Net assets are released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

**Note 9.      Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office occupancy and all costs associated with the use of the office, salaries and wages, benefits, payroll taxes, professional services, information technology, insurance, and other expenses that are listed on the Statement of Activities, which are allocated on the basis of estimates of time and effort of each employee in the respective program and/or supporting function.

**Note 10.     Liquidity and Availability**

The following reflects the Organization's financial assets as of December 31, 2018, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:	
Cash and cash equivalents	\$ 304,414
Investments	348,190
Accounts receivable	<u>192,307</u>
Total financial assets	844,911
Less amounts not available to be used within one year:	
Restricted by donors for programs	(97,133)
Restricted by donor to purchase endowment	<u>(68,190)</u>
Total amount not available to be used within one year	<u>(165,323)</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>747,778</u></u>

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in CDs and money market funds.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2018

**Note 11.      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 \$1,254 for the year ended December 31, 2018.

**Note 12.      Date of Management's Review**

The Organization has evaluated subsequent events through March 28, 2019 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.