



# 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, 2019

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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, 2019, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

April 22, 2020

Sonnenberg & Company, CPAs

**I Love A Clean San Diego**  
**Statement of Financial Position**  
December 31, 2019

ASSETS:

Operating Assets:

Cash and Cash Equivalents	\$	363,433
Investments		440,975
Accounts Receivable		176,384
Prepaid Expenses and Deposits		34,503
Inventory		2,035
Total Operating Assets		1,017,330

Fixed Assets:

Property and Equipment		98,326
Less: Accumulated Depreciation		(75,985)
Total Fixed Assets, Net		22,341

Intangible Assets:

Website and Volunteer Database		83,512
Less: Amortization		(38,210)
Total Intangible Assets, Net		45,302

TOTAL ASSETS	\$	1,084,973
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LIABILITIES AND NET ASSETS:

Liabilities:

Accounts Payable	\$	35,556
Accrued Payroll and Related		131,699
Total Liabilities		167,255

Net Assets:

Without Donor Restrictions		582,838
Without Donor Restrictions - Board Designated Endowment		156,831
Without Donor Restrictions - Board Designated for Future Program		92,958
With Donor Restrictions		85,091
Total Net Assets		917,718

TOTAL LIABILITIES AND NET ASSETS	\$	1,084,973
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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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 155,511	\$	\$ 155,511
Revenue - Fees for Services	51,832		51,832
Revenue - Grants & Contracts - Government	953,616		953,616
Revenue - Grants & Contracts - Private	253,930		253,930
Special Events	72,530		72,530
Merchandise Sales	2,988		2,988
Investment Income	3,092		3,092
Unrealized Gain (loss) on investments	27,784		27,784
Other Income	672		672
In-Kind	354,214		354,214
Net Released from Donor Restrictions	12,042	(12,042)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,888,211</b>	<b>(12,042)</b>	<b>1,876,169</b>
 <b>EXPENSES:</b>			
Program Services	1,280,127		1,280,127
Supporting Services:			
Management and General	173,263		173,263
Fund-raising	305,601		305,601
<b>TOTAL EXPENSES</b>	<b>1,758,991</b>	<b>-</b>	<b>1,758,991</b>
 <b>CHANGE IN NET ASSETS</b>	 <b>\$ 129,220</b>	 <b>\$ (12,042)</b>	 <b>\$ 117,178</b>
 <b>NET ASSETS:</b>			
<b>AT BEGINNING OF YEAR</b>	 <b>703,407</b>	 <b>97,133</b>	 <b>800,540</b>
<b>AT END OF YEAR</b>	<b>\$ 832,627</b>	<b>\$ 85,091</b>	<b>\$ 917,718</b>

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, 2019

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>EXPENSES:</b>				
Personnel Expenses:				
Salaries and Wages	\$ 657,552	\$ 92,963	\$ 111,848	\$ 862,363
Payroll Taxes	53,656	7,586	9,127	70,369
Employee Benefits	66,543	9,408	11,319	87,270
Total Personnel Expenses	<u>777,751</u>	<u>109,957</u>	<u>132,294</u>	<u>1,020,002</u>
Other Expenses:				
Accounting		3,450		3,450
Advertising and Promotion	23,691	449	15,292	39,432
Conferences and Meetings	4,467	532	1,316	6,315
Depreciation and Amortization	13,612	4,188	3,141	20,941
Direct Expenses - Cleanups	34,819			34,819
Direct Expenses - Outreach	19,861			19,861
Equipment	15,978	5,781	4,724	26,483
Information Technology	13,850	4,034	3,779	21,663
Insurance	6,745	7,856	2,262	16,863
In-kind	259,091	12,122	83,001	354,214
Miscellaneous	7,167	4,996	8,509	20,672
Occupancy	49,857	12,464	20,774	83,095
Office Supplies	2,914	617	673	4,204
Outside Services	14,630	5,402	27,081	47,113
Travel	35,694	1,415	2,755	39,864
Total Other Expenses	<u>502,376</u>	<u>63,306</u>	<u>173,307</u>	<u>738,989</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,280,127</u>	<u>\$ 173,263</u>	<u>\$ 305,601</u>	<u>\$ 1,758,991</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, 2019

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 117,178
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	20,941
Unrealized (Gain)/Loss on Investments	(27,784)
Decrease (Increase) in:	
Accounts Receivable	15,923
Prepaid Expenses and Deposits	(17,264)
Inventory	1,448
Increase (Decrease) in:	
Accounts Payable	17,434
Accrued Payroll and Related	33,295
Net Cash (Used) by Operating Activities	<u>161,171</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Additions of Property and Equipment	(7,232)
Additions of Volunteer Database	(29,920)
Purchase of Investment	(65,000)
Net Cash (Used) by Investing Activities	<u>(102,152)</u>
Net Change in Cash and Cash Equivalents:	59,019
Cash and Cash Equivalents at:	
BEGINNING OF YEAR	<u>304,414</u>
END OF YEAR	<u>\$ 363,433</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, 2019

**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 fundraising).

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, 2019, the Board of Directors had designated \$156,831 for an endowment to support its programs.

*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.

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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

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

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 \$85,091 at December 31, 2019.

**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.

**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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

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

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.

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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

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

**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.

**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 \$284,144 are included in the accompanying financial statements. The certificates bear interest ranging from 1.65 % to 2.45% 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.

**Note 5. Board Designated Endowment**

The endowment fund is held by the Rancho Santa Fe Foundation (the Foundation) and managed in accordance with UPMIFA. The investment objectives are to support the Organization's programs. The endowment funds are invested in the Foundation's balanced pool. Distribution from this endowment fund may be made in accordance with the purposes and procedures of the Foundation. Changes in endowment for the year ended December 31, 2019 are as follows:

Balance at Beginning of Year	\$ 68,190
Contribution	65,000
Interest and dividends	2,471
Realized gain/(loss)	17,347
Unrealized gain (loss)	3,823
Balance End of Year	\$ <u>156,831</u>

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 6.      Receivables**

The Organization’s receivables consist of grants and contracts outstanding at December 31, 2019 and are as follows:

County of San Diego	\$	62,109
City of San Diego		51,183
City of Chula Vista		12,723
California Coastal Commission		3,844
Port of San Diego		3,416
Other sources		43,109
Total Receivables	\$	<u><u>176,384</u></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 7.      Operating Lease Obligations**

After the old lease of office space expired, a new lease agreement for the original term of five years and two months was entered for its new office space in Kearny Mesa area of San Diego. The lease commenced on December 1, 2019 and expires on January 3, 2025. The monthly base rent is \$7,971. Rent expense for the year ended December 31, 2019 totaled \$79,442. Future minimum payments under the lease agreements at December 31, 2019 are as follows:

Year End		
2020	\$	95,652
2021		95,652
2022		95,652
2023		95,652
2024		95,652
Thereafter		7,971
Total	\$	<u><u>486,231</u></u>

**Note 8.      Donated Goods and Services**

Donated Goods

During the year ended December 31, 2019 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 \$223,400, and program materials and equipment of \$83,287. In-kind contributions for donated goods total \$41,089 for the year ended December 31, 2019.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 8. Donated Goods and Services (continued)**

Donated Services

During the year ended December 31, 2019, the Organization received in-kind professional services valued at \$6,438. The Organization used 88,378 volunteer hours in beach cleanups and other program activities.

In-kind contributions total \$354,214 for the year ended December 31, 2019.

**Note 9. Net Assets with Donor Restrictions**

As of December 31, 2019, net assets with donor restrictions are restricted for the following purposes:

	Balance 12/31/2018	Received 2019	Used 2019	Balance 12/31/2019
Subject to expenditure for specified purpose:				
Education	\$ 31,959	\$ 66,000	\$ (63,901)	\$ 34,058
Clean Beach Coalition	12,500	5,000	(12,500)	5,000
Kids Ocean Day	5,000	19,000	(11,008)	12,992
Creek to Bay	30,000	44,773	(48,023)	26,750
Other Clean ups	7,674	65,250	(66,633)	6,291
Other Grants	10,000	84,477	(94,477)	-
	\$ 97,133	\$ 284,500	\$ (296,542)	\$ 85,091

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

**Note 10. 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.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 11. Liquidity and Availability**

The following reflects the Organization’s financial assets as of December 31, 2019, 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	\$ 363,433
Investments	440,975
Accounts receivable	<u>176,384</u>
Total financial assets	980,792
Less amounts not available to be used within one year:	
Restricted by donors for programs	(85,091)
Restricted from endowment	<u>(156,831)</u>
Total amount not available to be used within one year	<u>(241,922)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 738,870</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.

**Note 12. Retirement Plan**

During 2016, the Organization adopted a 403(b) plan effective January 1, 2016. All employees that work 480 hours or more are eligible to participate in the plan. The Organization’s matching contribution is dollar for dollar, up to a max of 3% annual based salary. The Organization’s contributed amount to the plan was totaled \$15,360 for the year ended December 31, 2019.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2019

**Note 13. Date of Management's Review/Subsequent Events**

The Organization has evaluated subsequent events through April 22, 2020, the date the financial statements were available to be issued. As a result of the spread of COVID-19, the NPO has been diligent in effectively managing its cash flow and reserves to provide services which remain possible given the isolation orders. While many of the social events and contract events have been cancelled or postponed, a significant amount of strategic planning and preparation efforts remain and billable under contract. The outbreak will have an effect on the organizations ability to conduct its mission in the immediate future but it is expected to remain strong. While events may be smaller and fewer apart than normal the expenses and support from the base of volunteers and corporate sponsors are projected to remain strong. While nothing can be predicted at this point, the organization has survived for more than 65 years because of its tremendous reputation and large volunteer base. The organization is in a strong financial position and is aggressively applying for and pursuing all relief benefits afforded to it as a result of the outbreak.