



# 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, 2022

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## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of I Love A Clean San Diego (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of I Love A Clean San Diego as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of I Love A Clean San Diego and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about I Love A Clean San Diego's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 I Love A Clean San Diego 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about I Love A Clean San Diego 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited I Love A Clean San Diego 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 10, 2023

Sonnenberg & Company, CPAs

**I Love A Clean San Diego**  
Statement of Financial Position  
December 31, 2022  
(With Comparative Totals for December 31, 2021)

	2022	2021
<b>ASSETS:</b>		
<b>Operating Assets:</b>		
Cash and Cash Equivalents	\$ 657,601	\$ 838,409
Contracts Receivable	257,459	147,385
Prepaid Expenses and Deposits	41,303	36,721
Inventory	336	2,305
<b>Total Operating Assets</b>	<b>956,699</b>	<b>1,024,820</b>
<b>Fixed Assets:</b>		
Furniture and Equipment	123,782	121,459
Less: Accumulated Depreciation	(82,572)	(72,047)
<b>Fixed Assets, Net</b>	<b>41,210</b>	<b>49,412</b>
<b>Intangible Assets:</b>		
Website and Volunteer Database	120,307	114,307
Less: Accumulated Amortization	(90,061)	(75,661)
<b>Intangible Assets, Net</b>	<b>30,246</b>	<b>38,646</b>
Endowment at Rancho Santa Fe Foundation	172,487	197,607
Operating Lease Right of Use Asset	191,797	-
<b>TOTAL ASSETS</b>	<b>\$ 1,392,439</b>	<b>\$ 1,310,485</b>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 28,136	\$ 57,435
Accrued Payroll and Related	83,326	50,203
Paycheck Protection Program Loan	-	191,143
Operating Lease Liability	207,792	-
<b>Total Liabilities</b>	<b>319,254</b>	<b>298,781</b>
<b>Net Assets:</b>		
Without Donor Restrictions		
Undesignated	712,867	672,255
Designated by the Board for Future Programs	75,402	58,162
<b>Total Without Donor Restrictions</b>	<b>788,269</b>	<b>730,417</b>
With Donor Restrictions		
Perpetual in Nature	172,487	197,607
Purpose Restrictions	112,429	83,680
<b>Total With Donor Restrictions</b>	<b>284,916</b>	<b>281,287</b>
<b>Total Net Assets</b>	<b>1,073,185</b>	<b>1,011,704</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,392,439</b>	<b>\$ 1,310,485</b>

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, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 125,875	\$ -	\$ 125,875	\$ 106,071
Paycheck Protection Program Grant	193,277	-	193,277	-
Grants	68,319	211,195	279,514	223,057
Fees for Services	1,295,158	-	1,295,158	986,532
Special Events	-	-	-	67,793
Merchandise Sales	3,530	-	3,530	6,455
Interest and Dividends	2,439	3,621	6,060	3,547
Realized Gain (Net of Fees)	-	4,874	4,874	15,087
Unrealized Gain (Loss) on Investments	-	(33,615)	(33,615)	2,101
Other Income	36	-	36	2,906
In-Kind Contributions	84,250	-	84,250	14,549
Net Assets Released from Restrictions	<u>182,446</u>	<u>(182,446)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,955,330</u>	<u>3,629</u>	<u>1,958,959</u>	<u>1,428,098</u>
<b>EXPENSES:</b>				
Program Services	1,596,606		1,596,606	1,140,236
Supporting Services:				
Management and General	156,145		156,145	133,730
Fund-raising	<u>144,727</u>		<u>144,727</u>	<u>197,319</u>
<b>TOTAL EXPENSES</b>	<u>1,897,478</u>	<u>-</u>	<u>1,897,478</u>	<u>1,471,285</u>
<b>CHANGE IN NET ASSETS</b>	\$ 57,852	\$ 3,629	\$ 61,481	\$ (43,187)
<b>NET ASSETS:</b>				
AT BEGINNING OF YEAR	<u>730,417</u>	<u>281,287</u>	<u>1,011,704</u>	\$ <u>1,054,891</u>
AT END OF YEAR	<u>\$ 788,269</u>	<u>\$ 284,916</u>	<u>\$ 1,073,185</u>	<u>\$ 1,011,704</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, 2022**  
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>EXPENSES:</b>					
Personnel Expenses:					
Salaries and Wages	\$ 992,154	\$ 81,513	\$ 42,769	\$ 1,116,436	\$ 855,543
Payroll Taxes	81,915	6,724	3,530	92,169	73,392
Retirement Benefits	17,275	1,415	740	19,430	18,172
Other Employee Benefits	74,455	6,110	3,203	83,768	79,012
Total Personnel Expenses	<u>1,165,799</u>	<u>95,762</u>	<u>50,242</u>	<u>1,311,803</u>	<u>1,026,119</u>
Other Expenses:					
Advertising and Promotion	27,804	368	8,071	36,243	70,404
Conferences and Meetings	2,586	2,215	3,239	8,040	6,976
Depreciation and Amortization	16,261	4,503	4,253	25,017	28,414
Direct Expenses - Cleanups	28,040	-	-	28,040	3,268
Direct Expenses - Outreach	32,119	-	-	32,119	22,002
Equipment	22,061	3,272	3,647	28,980	28,323
Information Technology	28,584	6,668	28,353	63,605	49,202
Insurance	12,944	5,220	2,714	20,878	18,102
In-kind Contribution	79,121	4,880	249	84,250	14,548
Lease Expense	87,208	12,208	18,312	117,728	98,770
Miscellaneous	9,726	6,821	1,882	18,429	8,644
Office Supplies	963	416	100	1,479	3,136
Outside Services	44,428	11,422	19,692	75,542	71,222
Travel	27,391	407	998	28,796	8,461
Utilities	11,571	1,983	2,975	16,529	13,694
Total Other Expenses	<u>430,807</u>	<u>60,383</u>	<u>94,485</u>	<u>585,675</u>	<u>445,166</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,596,606</u></u>	<u><u>\$ 156,145</u></u>	<u><u>\$ 144,727</u></u>	<u><u>\$ 1,897,478</u></u>	<u><u>\$ 1,471,285</u></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, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 61,481	\$ (43,187)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	25,017	28,414
Unrealized (Gain) on Investments	33,615	(3,962)
(Gain)/Loss on Disposal of Property and Equipment	830	-
Paycheck Protection Program Loan	(191,143)	191,143
Operating Lease Right of Use Asset	(191,797)	-
Repayments of Right of Use Lease Liabilities	207,792	-
Decrease (Increase) in:		
Contracts Receivable	(110,074)	42,780
Prepaid Expenses and Deposits	(4,582)	(5,095)
Inventory	1,969	(369)
Increase (Decrease) in:		
Accounts Payable	(29,299)	34,027
Accrued Payroll and Related	33,123	2,836
Net Cash Provided by (Used in) Operating Activities	(163,068)	246,587
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(3,245)	(24,176)
Investment Volunteer Database	(6,000)	(7,325)
Reinvest of Earnings	(8,495)	(16,349)
Net Cash (Used in) Investing Activities	(17,740)	(47,850)
Net Change in Cash and Cash Equivalents	(180,808)	198,737
Cash and Cash Equivalents at:		
BEGINNING OF YEAR	838,409	639,672
END OF YEAR	\$ 657,601	\$ 838,409

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, 2022

**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 Board of Directors has designated, from net assets without donor restrictions, net assets for future programs. At December 31, 2022, the balance of board designated net assets without donor restriction was \$75,402.

*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. 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 restrictions, depending on the nature of the restrictions. The Organization had net assets with donor restrictions of \$284,916 as of December 31, 2022.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

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

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. The Organization's policy is to capitalize acquisitions valued greater than \$600 with a useful life of more than one year. 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. Depreciation expense was \$10,617 in 2022.

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. As of December 31, 2022, management has determined that no such write-downs are required.

Intangible Assets

The Organization's intangible assets include website and volunteer database. They are amortized using straight-line over five years. The amortization expense was \$14,400 in 2022.

Advertising

The Organization expenses advertising costs as incurred.

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. Interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses are reported in the statements of activities.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

**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 fair value of endowment funds held by Rancho Santa Fe Foundation is determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of investments as reported by Rancho Santa Fe Foundation and is considered to be Level 3.

Inventories

Inventories including drop-in buckets 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.

Promises to Give

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

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 and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

**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 23701(d) of the California State Revenue and Taxation Code. The Organization qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Organization is subject to unrelated business income tax and have filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2022. The Organization's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. Accordingly, there are no tax positions that qualify for recognition or disclosure in the financial statements.

Adoption of New Lease Standard

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842). The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022 was necessary for the cumulative impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 was the recognition of \$331,431 of operating lease ROU assets and a total of \$346,409 of lease liabilities on the balance sheet as of January 1, 2022. No cumulative effect adjustment to net assets as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

For leases existing at the transition date, the Organization applied the package of three transition practical expedients and therefore did not reassess whether any existing arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. GAAP are automatically classified as operating leases under the new standard, and all leases previously classified as capital leases are recorded as finance leases.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease. Beginning January 1, 2022, operating lease ROU assets and related operating lease liabilities have been presented in the balance sheet.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

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

Leases (continued)

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised.

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, it should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2021 financial statements presentation to conform to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

**Note 3. Concentrations**

The Organization maintains its cash and cash equivalents accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation and or the National Credit Union Administration, both up to \$250,000. At times, the Organizations bank accounts may exceed federally insured deposit limits. There was no uninsured cash as of December 31, 2022.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

**Note 4. Endowment at Rancho Santa Fe Foundation/Investment**

The Organization is the beneficiary of an endowment. The assets, in the possession of the Rancho Santa Fe Foundation (the Foundation), are to be held indefinitely. The Organization has legally enforceable rights and claims to such assets, including the sole right to income therefrom.

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA. The factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment and spending policies have been adopted for the Endowment that attempt to provide a predictable stream of funding for operation while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy and cover the costs of managing the Endowment investments. To satisfy a long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through capital appreciation (realized and unrealized) and current yield "interest and dividends). A significant portion of the funds are invested in equity and fixed income to seek growth of principal over time.

The endowment spending-rate formula is determined the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investment for the prior 20 quarters in January of each year. Distributions should not exceed 5% annually. Spendable Amounts available for spending, but not required for use within a two-year period by ILACSD may remain invested with the Endowment Funds or may be transferred to operating accounts. The spending rate maximum is 5 percent. In establishing this policy, we considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

There was no distribution in the year ended December 31, 2022.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2022

**Note 4. Endowment at Rancho Santa Fe Foundation/Investment (continued)**

Changes in the endowment for the year ended December 31, 2022 are as follows:

Balance at Beginning of Year	\$	197,607
Interest and Dividends		3,621
Realized Gain		4,874
Unrealized (Loss)		<u>(33,615)</u>
Balance End of Year	\$	<u><u>172,487</u></u>

**Note 5. Contracts Receivable**

The Organization's receivables consist of contracts outstanding at December 31, 2022 and are as follows:

County of San Diego	\$	146,661
City of San Diego		36,083
Other		<u>74,715</u>
Total Contracts Receivable	\$	<u><u>257,459</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. There was no bad expense for the year ended December 31, 2022.

**Note 6. Lease**

On December 1, 2019, the Organization entered into a five-year lease for its office facilities in Kearny Mesa area of San Diego. This lease is classified as operating lease. The lease expires on January 31, 2025. Payments under the lease arrangement are adjusted each year to reflect the increase in the cost of living. Lease expense from operating lease was \$117,728 for the year ended December 31, 2022. Future lease payments under this operating lease as of December 31, 2022, are \$221,685 for the year ended December 31, 2023, 2024, and 2025.

The remaining lease term and discount rate related to lease liability as of December 31, 2022 were 2.08 years and 6%.

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**Note 7. Net Assets with Donor Restrictions**

As of December 31, 2022, net assets with donor restrictions are restricted for the following purposes:

	<u>Balance</u> <u>12/31/2021</u>	<u>Received</u> <u>2022</u>	<u>Used</u> <u>2022</u>	<u>Balance</u> <u>12/31/2022</u>
Subject to Expenditure for Specified Purpose:				
Education	\$ 38,685	\$ 54,745	\$ (62,451)	\$ 30,979
Clean Beach Coalition	8,670	25,000	(8,670)	25,000
Kids Ocean Day	2,500	15,000	(12,500)	5,000
Creek to Bay	17,500	15,000	(17,500)	15,000
Other Clean ups	2,500	83,450	(67,500)	18,450
Other Grants	13,825	18,000	(13,825)	18,000
Total	<u>\$ 83,680</u>	<u>\$ 211,195</u>	<u>\$ (182,446)</u>	<u>\$ 112,429</u>
Endowment at Rancho Santa Fe Foundation for General Use:				
	<u>197,607</u>	<u>-</u>	<u>(25,120)</u>	<u>172,487</u>
Total	<u>\$ 281,287</u>	<u>\$ 211,195</u>	<u>\$ (207,566)</u>	<u>\$ 284,916</u>

**Note 8. Retirement Plan**

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% of annual salary. The Organization's retirement expenses were \$19,430 including \$17,522 for matching contributions and \$1,908 for other fees for the year ended December 31, 2022.

**Note 9. Donated Goods and Services**

In-kind contributions for the year ended December 31, 2022 are as follows:

Donated Supplies, Prizes, and Other	\$ 31,833
Donated Services	
Legal	4,250
Hauling	8,480
Marketing/Advertising	37,500
Other	2,187
Total Donated Services	<u>52,417</u>
Total In-Kind Contributions	<u>\$ 84,250</u>

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**Note 10. Liquidity and Availability**

The following reflects the Organization’s financial assets as of December 31, 2022, 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	\$ 657,601
Contracts Receivable	257,459
Total Financial Assets	<u>915,060</u>
Less Amounts not Available to be Used within One Year:	
Designated by the Board for Future Programs	(75,402)
Donor-Imposed Restrictitons	(112,429)
Total amount not available to be used within one year	<u>(187,831)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 727,229</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. As of December 31, 2022, the Organization’s Board of Directors designated \$75,402 for future program, but the funds remain available and may be spent at the discretion of the Board.

**Note 11. Payroll Protection Program Loan**

In January 2021, the Organization entered into a second term note with Western Alliance Bank, with a principal amount of \$191,143. The PPP loan, administered by the Small Business Administration (SBA) bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. The Organization has elected to account for the loan as a debt instrument and to accrue interest on the outstanding loan balance. The proceeds from this loan will remain recorded as a liability until either 1) the loan is, in part or wholly, forgiven and the Organization has been legally released or 2) the Organization repays the loan to the lender. On March 17, 2022, the total balance of \$193,277 (principal amount \$191,143 plus interest amount \$2,134) was forgiven and is included in the statement of activities.

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**Note 12. Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses required allocation on a reasonable basis that is consistently applied. The expense that are allocated include salaries and wages, benefits, payroll taxes, rent, insurance, office expenses, and other, which are allocated on the basis of time and efforts.

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

The Organization's management has evaluated subsequent events through April 10, 2023, the date the financial statements were available to be issued. Management is not aware of any other subsequent events that would require adjustment to, or disclosures in the financial statement.