

# DRAFT



## Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

### I Love A Clean San Diego Audited Financial Statements December 31, 2024

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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 30, 2025

Sonnenberg & Company, CPAs

**I Love A Clean San Diego**  
**Statement of Financial Position**  
**December 31, 2024**  
(With Comparative Totals for December 31, 2023)

	2024	2023
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 389,272	\$ 309,162
Operating Investments	374,640	234,852
Contracts Receivable	335,174	333,222
Prepaid Expenses and Deposits	52,582	53,491
Inventory	-	95
Furniture and Equipment	141,340	141,609
Less: Accumulated Depreciation	(88,717)	(75,775)
Website and Volunteer Database	139,696	129,446
Less: Accumulated Amortization	(118,861)	(104,461)
Endowment Investments	204,230	190,953
Operating Lease Right of Use Asset	9,241	96,906
<b>TOTAL ASSETS</b>	<b>\$ 1,438,597</b>	<b>\$ 1,309,500</b>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 22,367	\$ 22,383
Accrued Wages and Salaries	27,014	53,568
PTO Accrual	42,722	35,654
Operating Lease Liability	10,000	112,902
<b>Total Liabilities</b>	<b>102,103</b>	<b>224,507</b>
 <b>Net Assets:</b>		
<b>Without Donor Restrictions</b>		
Undesignated	821,794	735,678
Designated by the Board for Future Programs	119,402	72,402
<b>Total Without Donor Restrictions</b>	<b>941,196</b>	<b>808,080</b>
 <b>With Donor Restrictions</b>		
Perpetual in Nature	204,230	190,953
Purpose Restrictions	191,068	85,960
<b>Total With Donor Restrictions</b>	<b>395,298</b>	<b>276,913</b>
<b>Total Net Assets</b>	<b>1,336,494</b>	<b>1,084,993</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,438,597</b>	<b>\$ 1,309,500</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, 2024**  
 (With Summarized Comparative Totals for the Year Ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 175,303	\$ -	\$ 175,303	\$ 190,066
Employee Retention Tax Credit	116,963	-	116,963	-
Grants	88,819	210,550	299,369	299,613
Fees for Services	1,703,236	-	1,703,236	1,584,042
Special Events	30,445	-	30,445	-
Less: Direct Expenses	(7,778)	-	(7,778)	-
Investment Income	11,364	13,277	24,641	24,778
Other Income	962	-	962	796
Contributed Nonfinancial Assets	125,625	-	125,625	56,033
Net Assets Released from Restrictions	105,442	(105,442)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,350,381</b>	<b>118,385</b>	<b>2,468,766</b>	<b>2,155,328</b>
<b>EXPENSES:</b>				
Program Services	1,831,448	-	1,831,448	1,799,863
Supporting Services:				
Management and General	187,708	-	187,708	168,044
Fund-raising	198,109	-	198,109	175,613
<b>TOTAL EXPENSES</b>	<b>2,217,265</b>	<b>-</b>	<b>2,217,265</b>	<b>2,143,520</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 133,116</b>	<b>\$ 118,385</b>	<b>\$ 251,501</b>	<b>\$ 11,808</b>
<b>NET ASSETS:</b>				
<b>AT BEGINNING OF YEAR</b>	<b>808,080</b>	<b>276,913</b>	<b>1,084,993</b>	<b>\$ 1,073,185</b>
<b>AT END OF YEAR</b>	<b>\$ 941,196</b>	<b>\$ 395,298</b>	<b>\$ 1,336,494</b>	<b>\$ 1,084,993</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, 2024**  
(With Summarized Comparative Totals for the Year Ended December 31, 2023)

	Program Services	Management & General	Fund- raising	2024 Total	2023 Total
<b>EXPENSES:</b>					
Personnel Expenses:					
Salaries and Wages	\$ 1,162,540	\$ 95,391	\$ 114,607	\$ 1,372,538	\$ 1,350,519
Payroll Taxes	91,417	7,501	9,012	107,930	105,338
Retirement Benefits	19,657	1,613	1,938	23,208	25,448
Other Employee Benefits	73,652	6,044	7,261	86,957	98,996
<b>Total Personnel Expenses</b>	<b>1,347,266</b>	<b>110,549</b>	<b>132,818</b>	<b>1,590,633</b>	<b>1,580,301</b>
Other Expenses:					
Advertising and Promotion	21,767	203	13,822	35,792	55,799
Conferences and Meetings	5,039	1,923	4,547	11,509	12,201
Contributed Nonfinancial Assets	110,784	6,525	8,316	125,625	56,032
Depreciation and Amortization	18,787	4,967	4,692	28,446	27,603
Direct Expenses - Cleanups	31,005	-	-	31,005	30,581
Direct Expenses - Outreach	52,636	-	-	52,636	65,282
Equipment	35,049	769	1,094	36,912	25,590
Information Technology	43,329	6,085	5,144	54,558	50,047
Insurance	1,328	25,466	-	26,794	25,466
Lease Expense	58,449	13,634	14,609	86,692	104,785
Miscellaneous	5,636	2,696	7,252	15,584	11,465
Office Supplies	1,695	349	112	2,156	1,812
Outside Services	43,742	12,565	3,444	59,751	31,425
Travel	39,356	648	664	40,668	46,030
Utilities	15,580	1,329	1,595	18,504	19,101
<b>Total Other Expenses</b>	<b>484,182</b>	<b>77,159</b>	<b>65,291</b>	<b>626,632</b>	<b>563,219</b>
 <b>TOTAL EXPENSES</b>	 <b>\$ 1,831,448</b>	 <b>\$ 187,708</b>	 <b>\$ 198,109</b>	 <b>\$ 2,217,265</b>	 <b>\$ 2,143,520</b>

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, 2024  
(With Comparative Totals for the Year Ended December 31, 2023)

	2024	2023
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 251,501	\$ 11,808
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	28,446	27,603
Unrealized (Gain) on Investments	(8,202)	(13,364)
Loss on Disposal of Property and Equipment	38	-
Reduction of Right-of-Use Asset-Operating Lease	87,665	-
Decrease (Increase) in:		
Contracts Receivable	(1,952)	(75,763)
Prepaid Expenses and Deposits	909	(12,188)
Inventory	95	241
Increase (Decrease) in:		
Accounts Payable	(14)	(5,753)
Accrued Wages and Salaries	(26,554)	(8,708)
PTO Accrual	7,068	14,604
Operating Lease Liability	(102,902)	-
Net Cash Provided by (Used in) Operating Activities	236,098	(61,520)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(875)	(37,827)
Investment Volunteer Database	(10,250)	(9,139)
Reinvestment of Dividends	(14,863)	(2,603)
Purchase of Investments	(130,000)	(237,350)
Net Cash (Used in) Investing Activities	(155,988)	(286,919)
Net Change in Cash and Cash Equivalents	80,110	(348,439)
Cash and Cash Equivalents at:		
BEGINNING OF YEAR	309,162	657,601
END OF YEAR	\$ 389,272	\$ 309,162
<b>SUPPLEMENATAL CASH FLOW DISCLOSURES</b>		
Operating Cash Out-Flows-Payments on Operating Lease	\$ 107,928	104,785

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, 2024

**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 Financial 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.

Net Assets

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, 2024, the balance of board designated net assets without donor restriction was \$119,402.

*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 \$395,298 as of December 31, 2024.

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, 2024

**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. 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.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists primarily of contract services provided to various governmental agencies, non-profits and other businesses.

The Organization recognizes an allowance for credit losses for accounts receivable carried at amortized cost to present the net amount expected to be collected as of the financial position date. Such allowance is based on the credit losses expected to arise over the contractual term which includes consideration of prepayments and is based on the expectation as of the financial position date. Accounts receivable are written off when the Organization determines that such accounts are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the financial position date. The Organization pools its accounts receivable based on similar risk characteristics and types of receivables in estimating expected credit losses. The Organization continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. Management believes that all accounts receivable are fully collectible; therefore, no allowance for credit losses was recorded as of December 31, 2024.

Revenue Recognition

Program revenue is recognized when services are provided. Contributions and grants are recognized when cash, other assets, or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 \$14,046 in 2024.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2024

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

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, 2024, 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 2024.

Advertising

The Organization expenses advertising costs as incurred.

Inventory

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.

PTO Accrual

Accumulated unpaid employee vacation benefit are recognized as liability of the Organization. As of December 31, 2024, the liability for accrued PTO is \$42,722.

Leases

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases. 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.

The discount rate is the rate implicit in the lease if it is readily determinable. The Organization elected the option to use the U.S. Treasury rate based on the information available at the commencement date for each lease for leases where the implicit rate is not readily determinable. The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2024

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

Contributed Nonfinancial Assets

The estimated fair value of contributed goods and professional services is recorded in the financial statements. Contributed goods are recorded at fair value at the date of donation. Contributed professional services are recognized in the financial statements because the services create nonfinancial assets, require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization presents contributed nonfinancial assets in accordance with Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities* for Contributed Nonfinancial Assets.

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.

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 not subject to unrelated business income for the year ended December 31, 2024. 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.

Functional Allocation of Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Words Alive. 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. Personnel and related expenses are allocated based on employee time attributed to program activities or supporting services. Overhead costs, which include advertising, meetings, information system, outside services, travel, utilities, and office expenses are allocated based on the weighted average of personnel costs attributed to program activities or supporting services.

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2024

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

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, 2023 from which the summarized information was derived. Certain reclassifications have been made to the December 31, 2023 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. As of December 31, 2024, the uninsured balance was \$146,901. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to significant credit risk on its accounts. At times, the Organizations bank accounts may exceed federally insured deposit limits. The Organization received 35% and 24% of the total revenue from County of San Diego and City of San Diego respectively in the year ended December 31, 2024.

**Note 4. Fair Value Measurements and Disclosure**

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.

**I Love A Clean San Diego**  
 Notes to the Financial Statements  
 For the year ended December 31, 2024

**Note 4. Fair Value Measurements and Disclosure (continued)**

Investments are measured and recorded on a recurring basis at fair value and have been categorized based upon the fair value hierarchy for the year ended December 31, 2024. Investments consist of the following as of December 31, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Bank Sweep at Cost	\$ 39,456	\$ -	\$ -	\$ -
Money Fund - Government Obligations	144,150	144,150		
Fixed Income	191,034	191,034	-	-
Rancho Santa Fe Foundation	204,230	-	-	204,230
<b>Total</b>	<b>\$ 578,870</b>	<b>\$ 335,184</b>	<b>\$ -</b>	<b>\$ 204,230</b>

**Note 5. Endowment at Rancho Santa Fe Foundation**

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, 2024, 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

**I Love A Clean San Diego**  
Notes to the Financial Statements  
For the year ended December 31, 2024

**Note 5. Endowment at Rancho Santa Fe Foundation (continued)**

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 the Organization 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, 2024.

Changes in the endowment for the year ended December 31, 2024 are as follows:

Balance at Beginning of Year	\$ 190,953
Interest and Dividends	5,102
Unrealized Gain, Net	8,175
Balance End of Year	<u>\$ 204,230</u>

**Note 6. Contracts Receivable**

The Organization’s receivables consist of balance due from County of San Diego, City of San Diego, and other agencies. The contracts receivable balance was \$335,174 at December 31, 2024 and collected subsequent to year end as follows:

County of San Diego	\$ 167,660
City of San Diego	85,892
City of Chula Vista	16,348
Port of San Diego	14,092
City of Encinitas	11,817
Other	39,365
Total Contracts Receivable	<u>\$ 335,174</u>

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**Note 7. 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. Starting February 2025, the office facility is rented on a month-to-month basis. Payments under the lease arrangement are adjusted each year to reflect the increase in the cost of living. Lease expense from operating lease was \$92,692 for the year ended December 31, 2024. Future lease payments under this operating lease as of December 31, 2024, are \$10,000 for the year ended December 31, 2025. The remaining lease term and discount rate related to lease liability as of December 31, 2024 were 1.08 years and 6%.

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

As of December 31, 2024, net assets with donor restrictions are restricted for the following purposes:

	January 1, 2024	Additions	Released	December 31, 2024
<b>Subject to Expenditure for Specified Purpose:</b>				
Education	\$ 17,955	\$ 116,800	\$ (59,490)	\$ 75,265
Clean Beach Coalition	-	15,500	(15,431)	69
Kids Ocean Day	32,425	12,500	(8,896)	36,029
Creek to Bay	7,500	63,750	(14,297)	56,953
Other Clean ups	28,080	2,000	(7,328)	22,752
<b>Total</b>	<b>\$ 85,960</b>	<b>\$ 210,550</b>	<b>\$ (105,442)</b>	<b>\$ 191,068</b>

**Note 9. Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended December 31, 2024 are as follows:

		Utilization in Programs/Activities	Valuation Techniques and Input
Contributed Supplies, Prizes, and Other	\$ 20,970	Utilized within clean up projects, admin, and fundraising	Cleaning supplies and food are valued at estimated retail values if purchased
Contributed Professional Services			
Legal	2,355	Utilized in all clean up projects, professional information, and fundraising	Contributed professional services from are valued at estimated fair value based on current rates for similar provided services
Hauling	13,900		
Marketing/Advertising	88,400		
<b>Total Contributed Services</b>	<b>104,655</b>		
<b>Total Contributed Nonfinancial Assets</b>	<b>\$ 125,625</b>		

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**Note 10.      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 \$25,448 including \$23,208 for matching contributions and \$2,088 for other fees for the year ended December 31, 2024.

**Note 11.      Liquidity and Availability**

The following reflects the Organization's financial assets as of December 31, 2024, 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	\$ 389,272
Operating Investments	374,640
Contracts Receivable	335,174
Endowment Investments	204,230
Designated by the Board for Future Programs	(119,402)
Donor-Imposed Restrictitons	<u>(395,298)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 788,616</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, 2024, the Organization's Board of Directors designated \$119,402 for future programs, but the funds remain available and may be spent at the discretion of the Board.

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

The Organization's management has evaluated subsequent events through April 30, 2025, 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.