

ECOLIFE Conservation Inc.
(A Non-Profit Organization)
Financial Statements
December 31, 2018

ECOLIFE Conservation Inc.

Financial Statements

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ECOLIFE Conservation, Inc.

We have audited the accompanying financial statements of ECOLIFE Conservation, Inc. (a not for profit organization) which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 ECOLIFE Conservation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

VanderSpik Howerzyl, CPAs

Escondido, California

December 22, 2019

ECOLIFE Conservation Inc.
Statement of Financial Position
December 31, 2018

	2018
Assets	
Cash and cash equivalents	\$ 161,962
Accounts receivable	22,680
Inventory	29,816
Total current assets	214,458
Fixed Assets	
Fixed assets net of depreciation	26,000
Other Assets	
Beneficial interest in assets held by a community foundation	140,731
Total assets	\$ 381,189
Liabilities	
Accounts payable	\$ 34,682
Deferred revenue	37,980
Total liabilities	72,662
Net Assets	
Net assets, without donor restrictions	
Net assets, undesignated	167,796
Net assets, perpetual in nature (note 9)	140,731
Total net assets	308,527
Total liabilities and net assets	\$ 381,189

See Accompanying Notes and Independent Auditor's Report

ECOLIFE Conservation Inc.
Statement of Activities
For the Year Ended December 31, 2018

Income	
Program income	\$ 322,219
Product sales	57,611
Contributions	1,169,013
Investment income	(9,107)
Fundraising	112,768
Total revenues, gains, and other support	1,652,506
Expenses	
Program services	1,401,461
General and administrative	87,324
Fundraising	102,815
Total expenses	1,591,600
Increase (decrease) in net assets	60,906
Net assets at beginning of year	247,621
Net assets at end of year	\$ 308,527

See Accompanying Notes and Independent Auditor's Report

ECOLIFE Conservation Inc
Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Programs</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Automobile	\$ 139	\$ 2,229	\$ 418	\$ 2,786
Advertising	14,895	1,928	701	17,524
Bank fees	14,262	1,846	671	16,779
Client relations	2,168	281	102	2,551
Contract services	4,763	616	224	5,603
Dues and subscriptions	3,982	515	187	4,685
Fundraising expense			71,872.13	71,872
Insurance	55,756	7,215	2,624	65,595
Materials	168,580			168,580
Occupancy	70,567	9,132	3,321	83,020
Office expense	14,192	1,837	668	16,696
Payroll and related expenses	423,452	54,800	19,927	498,178
Professional fees	41,654	5,391	1,960	49,005
Program expenses	279,959			279,959
Supplies	2,966	384	140	3,489
Tools	26,822			26,822
Training and seminars	4,211			4,211
Travel	273,094	1,151		274,245
Totals	<u>\$ 1,401,461</u>	<u>\$ 87,324</u>	<u>\$ 102,815</u>	<u>\$ 1,591,600</u>

See Accompanying Notes and Independent Auditor's Report

ECOLIFE Conservation Inc.
 Statements of Cash Flows
 For the Year Ended December 31, 2018

Cash flows from operating activities	
Increase(decrease) in net assets	\$ 60,906
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase)/decrease accounts receivable	49,339
(Increase)/decrease inventory	(1,304)
(Increase)/decrease other assets	401
Increase/(decrease) in accounts payable	(2,843)
Increase/(decrease) deferred revenue	(34,038)
Increase/(decrease) in accrued liabilities	17,766
Net realized and unrealized (gains) losses on investments	9,107
Net cash provided by operating activities	<u>99,334</u>
Cash flows from investing activities	
Purchases of fixed assets	(26,000)
Proceeds frm short term investments	142
Investment Distribution	988
Net cash used in investing activities	(24,870)
Cash flows from financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	74,464
Beginning cash and cash equivalents	<u>87,498</u>
Ending cash and cash equivalents	<u>\$ 161,962</u>

See Accompanying Notes and Independent Auditor's Report

ECOLIFE Conservation Inc.

Notes to Financial Statements

December 31, 2018

Note 1 - Nature of organization and significant accounting policies

Nature of organization:

ECOLIFE Conservation (the Organization) is a nonprofit public benefit corporation established under the laws of the State of California, operating as an exempt organization. The specific purpose of this organization is to enhance the quality of life for current and future generations. To achieve this goal, the Organization develops conservation strategies that provide for basic human needs while conserving precious natural resources. The Organization educates the public about these strategies. The Organization is supported primarily through contributions from the public as well as through donated services and materials.

The significant accounting policies are as follows:

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America on an accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reporting amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Financial Statement Presentation

The Organization has adopted ASU 2016-14 which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions (formerly “unrestricted”) and with donor restrictions (previously “permanently restricted” and “temporarily restricted”).

- Net assets without donor restriction represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds or recognize the support.

ECOLIFE Conservation Inc.
Notes to Financial Statements
December 31, 2018

Note 1 - Nature of organization and significant accounting policies (cont'd)

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude cash designated or restricted for the endowment fund.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end and establish an allowance for doubtful accounts for uncollectible amounts. The allowance for doubtful accounts at December 31, 2018 was \$0.

Inventory

Inventories of merchandise purchased for resale are stated at cost determined by the first-in-first out (FIFO) method.

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Property and Equipment

The Organization's policy is to capitalize purchases at cost if over \$2,500. Donated property is capitalized at its estimated fair market value at the time of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the capitalized assets.

ECOLIFE Conservation Inc.
Notes to Financial Statements
December 31, 2018

Note 1 - Nature of organization and significant accounting policies (cont'd)

Donated Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The Organization provides an allowance for estimated uncollectible contributions. There were no outstanding contribution receivables at December 31, 2018.

Advertising

Advertising costs are expensed as they are incurred. Advertising expenses were \$17,524 for the year ended December 31, 2018.

Subsequent Events

The Organization has evaluated subsequent events through December 22, 2019 which is the date the Financial Statements were available to be issued.

Note 2 - Fixed Asset

Fixed assets are depreciated using a straight-line basis to write off the cost of the assets over their estimated economic lives as follows:

Furniture and equipment	\$ 12,650
Website	26,000
	<hr/>
	38,650
Accumulated Depreciation	(12,650)
	<hr/>
Total assets	<u>\$ 26,000</u>

Depreciation expense for the year ended December 31, 2018 was \$ -0-.

ECOLIFE Conservation Inc.
Notes to Financial Statements
December 31, 2018

Note 3 – Functional Allocation of Expenses

The functional expenses are broken out to provide detail between three categories: programs, general administrative, and fundraising expenses. Expenses are classified in these categories in accordance with their necessity to run the programs and missions of the Organization. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and benefits, are expenses, which are allocated based on estimates of time and effort. Advertising, office expenses/leases, and utilities are allocated based on square footage of office space used.

Note 4– Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

The organization conforms with Financial Accounting Standards Board Interpretation No.48, *Accounting for Uncertainty in Income Taxes*, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization. Management believes that all of the positions taken by the Organization in its federal and state Exempt Organization Income Tax Returns are more likely than not to be sustained upon examination. The Organization's Exempt Organization Returns are subject to examination by the Internal Revenue Service and The California Franchise Tax Board, generally for three years after they were filed.

The governing board and management regularly monitor income activities for income received which is unrelated to the Organizations purpose. The Organization maintains that they have not participated in activities that would require them to file the Unrelated Business Income Tax (UBIT) Returns.

Note 5 – Liquidity and Availability of Financial Assets

The Organization has \$184,642 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$161,962 and accounts receivable of \$22,680.

Note 6 – Contributed Services

Directors and officers have made a significant contribution of their time to develop the Organization and its programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition of such efforts under GAAP have not been satisfied.

ECOLIFE Conservation Inc.
Notes to Financial Statements
December 31, 2018

Note 7 – Operating Leases

The Organization leased its San Diego office under a five-year lease non-cancelable operating lease that expires in September 2022. In addition, the Organization is leasing a warehouse under a three-year non-cancelable lease expiring in September of 2020.

The following is a schedule of future lease payments required under the above operating leases as of December 31, 2018:

Future minimum lease payment:

2019	\$ 64,200
2020	60,150
2021	48,000
2022	36,000

Note 8 – Board Designation of Net Assets

The Organization shows net assets of \$140,731 for the funds placed in a community foundation in 2008 as an agency endowment. See note 9 for details.

Note 9 – Beneficial Interest in Assets held at a Community Foundation

In 2008 the Organization placed \$100,000 into the care of San Diego Foundation to create an agency endowment to invest and create a perpetual income stream for the Organizations use. The organization can request to have the earnings either reinvested to grow the agency fund or receive the income earned each year. For several years the Organization chose to reinvest the earnings to grow the fund. Currently the Organization has requested the earned income be granted back to the organization for operational costs. The fund balance at the Foundation at December 31, 2018 is \$140,731. Investment income the Organization received was \$988.

	Without Donor Restrictions	Total Benefit Interest in Assets
Beneficial interest in assets, beginning of year	\$ 150,968	150,968
Investment returns, net	(9,249)	(9,249)
Amounts appropriated for expenditure	(988)	(988)
Beneficial interest in assets, end of year	\$ 140,731	\$ 140,731

ECOLIFE Conservation Inc.

Notes to Financial Statements

December 31, 2018

Note 10 – Related Parties

ECOLIFE Conservation Mexico is a company that has applied for non-profit status in Mexico. This company installs stoves and other eco- friendly equipment in Mexico. The Mexico board is selected and approved by the Organization. The Organization reimburses ECOLIFE Conservation Mexico for services rendered and expenses. \$244,404 was reimbursed by the Organization during 2018.