

**LIFE LAB SCIENCE PROGRAM**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Accountant's Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Life Lab Science Program  
Santa Cruz, California

We have reviewed the accompanying financial statements of Life Lab Science Program (a California not-for-profit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on my our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Armanino LLP".

Armanino<sup>LLP</sup>  
Santa Cruz, California

November 10, 2016

LIFE LAB SCIENCE PROGRAM  
Statement of Financial Position  
December 31, 2015  
(See Independent Accountant's Review Report)

<u>ASSETS</u>			
	Unrestricted	Temporarily Restricted	Total
<b>Current assets</b>			
Cash	\$ (31,830)	\$ 205,515	\$ 173,685
Grants and accounts receivable	92,708	-	92,708
Pledges receivable	-	30,000	30,000
Inventory	20,459	-	20,459
Prepaid expenses	1,253	-	1,253
Total current assets	82,590	235,515	318,105
<b>Fixed assets</b>			
Office and other equipment	20,354	-	20,354
Leasehold improvements	75,109	-	75,109
Less accumulated depreciation	(86,081)	-	(86,081)
Net fixed assets	9,382	-	9,382
<b>Other assets</b>			
Pledges receivable over one year	-	90,000	90,000
Workers' compensation deposit	1,049	-	1,049
	1,049	90,000	91,049
Total assets	\$ 93,021	\$ 325,515	\$ 418,536
 <u>LIABILITIES AND NET ASSETS (DEFICIT)</u>			
<b>Current liabilities</b>			
Lines of credit	\$ 44,485	\$ -	\$ 44,485
Accounts payable	14,394	-	14,394
Accrued payroll and payroll taxes	1,252	-	1,252
Accrued vacation	31,920	-	31,920
Deferred revenue			
Advances on government grants	54,500	-	54,500
Total current liabilities	146,551	-	146,551
Total liabilities	146,551	-	146,551
<b>Net assets (deficit)</b>			
<b>Unrestricted funds</b>			
Life Lab	(175,997)	-	(175,997)
Food, What?!	122,467		122,467
Temporarily restricted funds	-	325,515	325,515
Total net assets (deficit)	(53,530)	325,515	271,985
Total liabilities and net assets	\$ 93,021	\$ 325,515	\$ 418,536

The accompanying notes are an integral part of these financial statements.

LIFE LAB SCIENCE PROGRAM  
Statement of Activities  
For the Year Ended December 31, 2015  
(See Independent Accountant's Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support			
Grants			
Government	\$ 10,775	\$ -	\$ 10,775
Foundation	54,500	281,200	335,700
Corporate	27,450	19,500	46,950
Individual	193,780	166,065	359,845
Contributions	<u>99,860</u>	<u>-</u>	<u>99,860</u>
Total support	<u>386,365</u>	<u>466,765</u>	<u>853,130</u>
Revenue			
Program fees			
Contract and consulting	49,867	-	49,867
Workshops	98,931	-	98,931
Field trips	11,524	-	11,524
Camps	112,788	-	112,788
Conference and events	45,556	-	45,556
Other program income	40,503	-	40,503
Royalties and license fees	738	-	738
Sale of curriculum and other merchandise (Net of cost of goods sold of \$28,480)	35,445	-	35,445
Other	<u>5,756</u>	<u>-</u>	<u>5,756</u>
Total revenue	<u>401,108</u>	<u>-</u>	<u>401,108</u>
Net assets released from restrictions	<u>238,450</u>	<u>(238,450)</u>	<u>-</u>
Total support and revenue	<u>1,025,923</u>	<u>228,315</u>	<u>1,254,238</u>
Expenses			
Program	736,368	-	736,368
Supporting services			
Management and general	118,879	-	118,879
Fundraising	<u>99,742</u>	<u>-</u>	<u>99,742</u>
Total expenses	<u>954,989</u>	<u>-</u>	<u>954,989</u>
Excess (deficit) of support and revenue over expenses	70,934	228,315	299,249
Net assets (deficit), beginning of year	<u>(124,464)</u>	<u>97,200</u>	<u>(27,264)</u>
Net assets (deficit), end of year	<u>\$ (53,530)</u>	<u>\$ 325,515</u>	<u>\$ 271,985</u>

The accompanying notes are an integral part of these financial statements.



LIFE LAB SCIENCE PROGRAM  
Statement of Functional Expenses  
For the Year Ended December 31, 2015  
(See Independent Accountant's Review Report)

	Total Program Expenses	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Personnel/payroll					
Salary and wages	\$ 411,125	\$ 37,846	\$ 62,445	\$ 100,291	\$ 511,416
Benefits	70,523	22,945	20,709	43,654	114,177
Workers' compensation	8,457	373	1,324	1,697	10,154
Payroll taxes	34,125	12,589	5,095	17,684	51,809
Personnel/payroll - other Administration	3,237	1,643	150	1,793	5,030
General office	40,295	16,402	2,539	18,941	59,236
Accounting and payroll services	30,683	4,884	-	4,884	35,567
Rent	21,717	2,961	2,961	5,922	27,639
Depreciation	196	1,071	-	1,071	1,267
Program					
Consultants and contracts and travel	39,739	18,133	1,634	19,767	59,506
Campus parking	4,932	-	-	-	4,932
Maintenance and repairs	4,520	5	10	15	4,535
Instructional materials	9,735	9	-	9	9,744
Participants support	18,871	-	-	-	18,871
Program expenses	25,869	-	-	-	25,869
Other	285	-	-	-	285
Development					
Development	4,273	-	-	-	4,273
Special events and expenses	7,786	18	2,875	2,893	10,679
Total expenses	\$ 736,368	\$ 118,879	\$ 99,742	\$ 218,621	\$ 954,989

The accompanying notes are an integral part of these financial statements.

LIFE LAB SCIENCE PROGRAM  
Statement of Cash Flows  
For the Year Ended December 31, 2015  
(See Independent Accountant's Review Report)

Cash flows from operating activities	
Change in net assets	\$ 299,249
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	1,267
Changes in operating assets and liabilities	
Grants and accounts receivable	4,989
Pledges receivable	(120,000)
Inventory	401
Prepaid expenses	(136)
Workers' compensation deposit	(363)
Accounts payable	(63,938)
Accrued payroll and payroll taxes	(1,703)
Accrued vacation	2,606
Deferred revenue - advances on government grants	54,500
Net cash flows provided by operating activities	<u>176,872</u>
Cash flows from investing activities	
Purchase of office equipment	<u>(7,663)</u>
Net cash flows used in investing activities	<u>(7,663)</u>
Cash flows from financing activities	
Net payments on line of credit	<u>(16,698)</u>
Net cash flows used in financing activities	<u>(16,698)</u>
Net increase in cash	152,511
Cash at beginning of year	<u>21,174</u>
Cash at end of year	<u>\$ 173,685</u>
Supplemental cash flow disclosures	
Amount paid for interest	<u>\$ 6,551</u>

The accompanying notes are an integral part of these financial statements.

# LIFE LAB SCIENCE PROGRAM

## Notes to Financial Statements

December 31, 2015

---

### 1. Nature of Organization and Description of Operations

#### Organization

Life Lab Science Program ("The Organization") incorporated on July 23, 1981. The specific and primary purpose of this nonprofit program is to develop curriculum and teacher education programs that promote and enhance scientific literacy and environmental education in schools and communities. The Organization has also developed model garden-based learning programs serving children in Santa Cruz County. Major programs include, but are not limited to:

#### Garden Classroom and Blooming Classroom

The Life Lab Garden Classroom and Blooming Classroom are interactive, educational gardens located, respectively, at the Center for Agriculture & Sustainable Food Systems at University of California Santa Cruz and on a farm in Watsonville, California. These gardens give children the chance to experience hands-on learning about nature, weather, seasons, life cycles, and nutrition and food systems. Life Lab provides field trips, after-school programs, day camps, and educator workshops in the Garden Classroom, which also serves as a demonstration site for visitors interested in developing their own educational gardens. At the Blooming Classroom, Life Lab provides field trips and after-school programs for students from high-need Pajaro Valley elementary schools.

#### Educator training

Life Lab offers a variety of hands-on workshops on garden-based science, nutrition and environmental education at the Garden Classroom and on demand around the U.S. Life Lab also offers online webinars for those who cannot attend workshops in person and to share expertise and resources with a wider audience. In addition, Life Lab provides training and coaching to elementary school teachers in Santa Cruz County to support effective garden-based teaching with students in local school gardens. Life Lab staff also train and mentor more than 40 college age and community interns each year in hands-on, experiential education in gardens.

#### Publications – curricula

Life Lab develops, publishes and distributes Pre K-6 curricula, activity guides and other learning materials nationally to support hands-on garden-based education.

#### Field trips and after-school programs

Life Lab offers field trips and after-school programs at its gardens for more than 2,800 preschool through elementary school students annually.



1. Nature of Organization and Description of Operations (continued)

Day camps

Life Lab day camps annually offer 278 children, aged 4 to 14, the opportunity to learn and have fun while exploring nature in the garden and surrounding wildlands. Kids create garden crafts and make snacks with farm fresh foods as well.

Movement building leadership

Life Lab facilitates regional and national networking and information sharing among educators and like-minded organizations supporting garden-based learning across the United States. Life Lab co-hosts the California FoodCorps school-based service program and trains and equips FoodCorps members across 18 states.

“Food, What?!”

Life Lab’s youth empowerment and food justice program launched in 2007, uses food through sustainable agriculture and health, as the vehicle for growing strong, healthy and inspired teens. Through internships, summer jobs, and community events, “Food, What?!” partners with low-income and at-risk youth to grow, cook, eat and distribute healthy, sustainably raised food and to address food justice in Santa Cruz and Watsonville. “Food, What?!” became a fiscally sponsored organization under Life Lab as of January 1, 2015.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Financial statement presentation

The financial statements of the Organization are presented in accordance with the Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are resources that may be used in a later period or after a specified date (time restrictions) or resources that must be used for a specific purpose (program restrictions) or both. Permanently restricted assets are resources donated with stipulations that they be preserved or invested to provide a permanent source of income.

LIFE LAB SCIENCE PROGRAM  
Notes to Financial Statements  
December 31, 2015

---

2. Summary of Significant Accounting Policies (continued)

Revenue recognition – contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. For purpose of the financial statements contributions, in general, are donations received from corporations, foundations, and individuals. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restricted.

As of December 31, 2015, the Organization had \$325,515 in temporarily restricted net assets and \$-0- in permanently restricted net assets.

Revenue government grants and deferred revenue

Government grants, in general, are fee for service agreements and are not treated as contributions. Government grants are recognized when earned. Deferred revenues are recorded when the Organization bills for work not yet performed or when the Organization receives an advance.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of these financial statements, the Organization considers all business checking and savings accounts and cash on hand to be cash equivalents.

Grants and accounts receivable

Accounts receivables consist of amounts due from funding sources and for program services and are considered by management to be fully collectable.

LIFE LAB SCIENCE PROGRAM  
Notes to Financial Statements  
December 31, 2015

---

2. Summary of Significant Accounting Policies (continued)

Promises to give (pledges) receivable

The Organization has a fund-raising campaign which generates promises (pledges) to give. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value and shown in current assets.

Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of estimated future cash flows and shown as other assets. The discount on those amounts is computed using a risk adjusted rate applicable to the year in which the promise is made. The Organization's current risk free rate is 0%.

Inventory

Inventory consists of various manuals, books, and teaching guides related to the Organization's programs, and is stated at the lower of cost (determined by the first-in, first-out method) or market.

Fixed assets

Equipment is recorded at cost or fair market value if donated. Equipment purchase of \$500 or more is capitalized and depreciated over the estimated useful life. Depreciation is recognized to match the cost of using equipment over its expected useful life, using the straight-line method. Office equipment is depreciated over an estimated useful life of seven years. Leasehold improvements are depreciated over an estimated useful life of 15 years. Depreciation for year ended December 31, 2015 amounted to \$1,267.

Accrued payroll and payroll taxes

Accrued payroll and payroll taxes represent amounts owed for the pay period ended December 31, 2015 and not paid as of December 31, 2015.

Accrued vacation

All regular full-time and part-time employees are entitled to accrue a set amount of annual vacation time for every pay period worked. Employees may accrue up to a maximum of 192 hours of vacation time. Upon terminating employment an employee will be paid for the unused portion of accrued vacation time.

Functional expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct cost allocation and management estimates.

LIFE LAB SCIENCE PROGRAM  
Notes to Financial Statements  
December 31, 2015

---

2. Summary of Significant Accounting Policies (continued)

Income taxes

The Organization is a tax-exempt corporation under Internal Revenue Code Section 501(c)(3) and California state franchise tax under Section 23701(d) of the Revenue and Taxation Code. The Organization is exempt from taxes on income other than unrelated business income. For the year ended December 31, 2015, the Organization paid no unrelated business income tax.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded liabilities. The Organization is current on requisite tax filings, which are subject to examination under statutory provisions and standard statute of limitations.

3. Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with a commercial bank, and accounts and pledges receivable.

The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of FDIC coverage at December 31, 2015 was \$-0-.

Credit risk with respect to accounts receivable is considered low because a substantial portion of the receivables are from governmental sources.

4. Promises to Give (Pledges)

Promises to give (pledges) receivable at December 31, 2015 are expected to be received as follows:

In less than one year	\$ 30,000
In years 2-4	<u>90,000</u>
Less discount to net present value	<u>-</u>
	<u>\$ 120,000</u>

Management expects uncollectible pledges to be insignificant, no allowance has been provided.

LIFE LAB SCIENCE PROGRAM  
Notes to Financial Statements  
December 31, 2015

---

5. Deferred Revenue

Deferred revenue as of December 31, 2015 was \$54,500 in advances on government fee for service contracts.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions restricted for future periods or for specific purposes not satisfied as of December 31, 2015, and consist of the following:

Packard Foundation for general support (2016)	\$ 110,000
Pledges restricted by collection period	120,000
Restricted for Food, What?! Vehicle Purchase	31,065
Restriction general support (2016)	<u>64,450</u>
	<u>\$ 325,515</u>

7. Temporarily Restricted Net Assets Released in 2015

Temporarily restricted net assets released in 2015 consist of the following:

Packard Foundation for general support (2015)	\$ 50,000
Packard Foundation for consulting services	18,200
Packard Foundation Healthy Future contribution	25,000
Individual contribution - restricted for "Food, What?!" program in 2015	4,000
Contributions – restricted for the Pajaro Valley Initiative	25,000
Contributions restricted for 2015 projects released during the year	<u>116,250</u>
	<u>\$ 238,450</u>

8. Retirement Plan

The Organization adopted a 403(b) retirement plan effective March 7, 1984. The plan covers all permanent employees who are at least 18 years of age and work at least 50% of full-time after a three-month waiting period. The Organization's contribution for the year ended December 31, 2015 was \$-0-.

LIFE LAB SCIENCE PROGRAM

Notes to Financial Statements

December 31, 2015

---

9. Short-Term Loans

Lines of credit - As of December 31, 2015, the Organization had the following lines of credit: (1) Santa Cruz County Community Credit Union Variable Rate Revolving Line of Credit with a limit of \$50,000 due October 15, 2016, and (2) Wells Fargo Business Line credit with a limit of \$15,000 due on demand. The balances on the lines of credit as of December 31, 2015 were as follows:

Santa Cruz County Community Credit Union	\$ 30,000
Wells Fargo Business Line	<u>14,485</u>
	<u>\$ 44,485</u>

Lines of Credit – credit cards - the Organization has a Capital One Visa card with an available credit limit of \$14,500. As of December 31, 2015, the balance due on the credit card was \$13,890, and was included in accounts payable.

10. Lease and Rental Agreements

The Organization has entered into a lease agreement with the University of California, Santa Cruz, for lease of a trailer (office) with a commencement date of April 1, 2013, which expires March 31, 2020. Lease payments start at \$1,973 per month and increase by the CPI adjustment on each anniversary of the commencement date. Rent paid for the year end December 31, 2015 was \$23,685. Lease payments for the next five years are as follows (prior to CPI increases):

<u>Minimum Lease Payments</u>	
December 31, 2016	\$ 23,676
December 31, 2017	\$ 23,676
December 31, 2018	\$ 23,676
December 31, 2019	\$ 23,676
December 31, 2020	\$ 5,919

The Organization has entered into a land use license agreement with the University of California Santa Cruz, for access to use of land located at the UCSC Farm with a commencement date of April 1, 2013, which expires March 31, 2020. No payments are due under the agreement; however the use of the UCSC Farm is critical to many of the Organization's programs.



LIFE LAB SCIENCE PROGRAM  
Notes to Financial Statements  
December 31, 2015

---

11. Fiscal Sponsorship

The Organization has signed an agreement with FOODWHAT to act as its fiscal sponsor while it is obtaining its 501(C)(3) status from the Internal Revenue Service. The Organization has a similar mission and FOODWHAT has operated as a part of the Organization for eight years. Significant financial activities, included in these financial statements, relating to FOODWHAT, are as follows:

Cash – unrestricted	\$ 139,884
Cash – restricted (vehicle purchase)	31,065
Accounts receivable	59,500
Net fixed assets	<u>4,747</u>
Net assets	<u>\$ 235,196</u>
Accounts payable	\$ 2,914
Deferred revenue, advances on government grants	54,500
Unrestricted net assets	122,467
Temporarily restricted net assets	<u>55,315</u>
Net assets	<u>\$ 235,196</u>
Support and revenue	\$ 393,375
Expenses	<u>361,149</u>
Excess	<u>\$ 32,226</u>

12. Financial Difficulties Experienced by the Organization

For the year ending December 31, 2015, the Organization experienced cash shortages caused by continuing deficits in unrestricted funds (operations). As of December 31, 2015, the Organization has liabilities in excess of assets (deficit) of \$175,997 in Life Lab unrestricted funds. Cash flow was obtained from use of lines of credit, timing of payment for accounts payable, advances on government contracts and restricted contributions.

As of December 31, 2015, the Organization's management is working to increase gifts, grants, contracts, program fee income, and sales income. The Organization launched a Healthy Futures Campaign in late 2015 to raise general support funds to retire existing debt and build operating revenues over a four year period; \$125,000 of the \$400,000 campaign goal as committed by December 31, 2015, with \$25,000 raised in 2015. The Organization has reviewed and updated the budget process towards generating a surplus and has generated \$325,515 in temporarily restricted net assets.

13. Subsequent Events

The Organization's management has evaluated events and transactions subsequent to December 31, 2015, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through November 10, 2016, the date the financial statements became available to be issued. The Organization has not evaluated subsequent events after November 10, 2016. The Organization had no subsequent events that require recognition or disclosure in the financial statements for the year ended December 31, 2015.