

Life Lab Science Program
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
December 31, 2017

Life Lab Science Program
(A Nonprofit Public Benefits Corporation)

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PATRICIA A. BECKWITH

CERTIFIED PUBLIC ACCOUNTANT



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Life Lab Science Program
Santa Cruz, California

I have reviewed the accompanying statements of financial position of Life Lab Science Program (a California not-for-profit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows expenses 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, I do not express such an opinion.

Management's Responsibility 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; 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

My 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Based on my 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.

Patricia Beckwith

Aptos, CA

July 11, 2018

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**LIFE LAB SCIENCE PROGRAM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

Cash and cash equivalents	\$	52,604
Grants and accounts receivable		83,312
Pledges receivable		68,750
Inventory		16,065
Prepaid expenses		310
Property and equipment, net		9,921
Deposits		745

TOTAL ASSETS \$ 231,707

LIABILITIES

Accounts payable	\$	10,239
Accrued payroll liabilities		1,252
Accrued vacation		29,819
Deferred revenue		21,500

TOTAL LIABILITIES 62,810

NET ASSETS

Unrestricted		(90,159)
Temporarily restricted		259,056

TOTAL NET ASSETS 168,897

TOTAL LIABILITIES AND NET ASSETS \$ 231,707

See accompanying notes and independent accountant's review report.

**LIFE LAB SCIENCE PROGRAM
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
SUPPORT			
Contributions	\$ 76,699	\$ -	\$ 76,699
Grants			
Foundation	38,750	240,500	279,250
Corporate	18,628	30,000	48,628
			-
TOTAL SUPPORT	134,077	270,500	404,577
REVENUE			
Program fees			-
Contract and consulting	149,182	-	149,182
Workshops	127,922	-	127,922
Field trips	10,480	-	10,480
Camps	123,177	-	123,177
Other program revenue	388	-	388
Royalties and license fees		-	-
Sale of curriculum and other merchandise (Net of cost of goods sold of \$27,418)	23,300	-	23,300
TOTAL REVENUE	434,449	-	434,449
Net assets released from restrictions:			
Restrictions satisfied by payments	229,266	(229,266)	-
TOTAL SUPPORT AND REVENUE	797,792	41,234	839,026
EXPENSES			
Program Services			
Program	623,115	-	623,115
Supporting Services			
Management and General	24,365	-	24,365
Fundraising	111,252	-	111,252
TOTAL EXPENSES	758,732	-	758,732
CHANGE IN NET ASSETS	39,060	41,234	80,294
NET ASSETS, beginning of year	46,592	311,805	358,397
Transfer of FoodWhat Assets to new 501(c)(3) on Jan 1, 2017	(175,811)	(93,983)	(269,794)
NET ASSETS, end of year	\$ (90,159)	\$ 259,056	\$ 168,897

See accompanying notes and independent accountant's review report.

LIFE LAB SCIENCE PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services	Supporting Services		Total Year Ended December 31, 2017	
	Local & National	Management and General	Fundraising		
Compensation and related expenses					
Compensation	\$ 347,157	\$ 8,006	\$ 72,322	\$ 427,485	56.3%
Employee benefits and personnel costs	66,523	(1,572)	14,716	79,667	10.5%
Payroll taxes	31,149	778	6,710	38,637	5.1%
	<u>444,829</u>	<u>7,212</u>	<u>93,748</u>	<u>545,789</u>	<u>71.9%</u>
Accounting and legal	3,471	158	659	4,288	0.6%
Advertising	210	-	165	375	0.0%
Bank fees and finance charges	7,364	3,549	503	11,416	1.5%
Consultants and professional fees	33,388	10,164	588	44,140	5.8%
Copier and noncapital equipment	15,981	2,236	1,266	19,483	2.6%
Depreciation/amortization	2,138	38	199	2,375	0.3%
Dues, subscriptions and license fees	917	17	188	1,122	0.1%
Fundraising event costs & supplies	144	(15)	5,171	5,300	0.7%
Insurance	11,047	221	2,012	13,280	1.8%
Meetings and conferences	534	221	100	855	0.1%
Occupancy	15,086	(444)	2,864	17,506	2.3%
Parking and transportation	12,094	22	172	12,288	1.6%
Program-related expenses	41,741	40	70	41,851	5.5%
Postage and printing	1,740	329	1,714	3,783	0.5%
Repairs and maintenance	11,617	30	156	11,803	1.6%
Supplies	885	276	299	1,460	0.2%
Travel & mileage	6,919	-	-	6,919	0.9%
Web-based services	13,010	311	1,378	14,699	1.9%
	<u>623,115</u>	<u>24,365</u>	<u>111,252</u>	<u>758,732</u>	<u>100%</u>
Total expenses, year ended December 31, 2017	<u>\$ 623,115</u>	<u>\$ 24,365</u>	<u>\$ 111,252</u>	<u>\$ 758,732</u>	<u>100%</u>
	<u>82%</u>	<u>3%</u>	<u>15%</u>		

See accompanying notes and independent accountant's review report.

**LIFE LAB SCIENCE PROGRAM
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets		\$ 80,294
Adjustments to reconcile increase in net assets to to net cash used in operating activities:		
Depreciation		2,373
(Increase) decrease in operating assets:		
Grants and accounts receivable		(18,385)
Pledges receivable		45,000
Inventory		(416)
Prepaid expenses		11,619
Deposits		35
Increase (decrease) in operating liabilities:		
Accounts payable		(23,235)
Accrued vacation		(3,883)
Deferred revenue - advances on government grants		21,500
Transfer of FoodWhat cash and cash equivalents		(269,794)
Transfer of FoodWhat other assets		23,689
		<u>23,689</u>
Net Cash (Used) by Operating Activities		<u>(131,203)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit		<u>(33,942)</u>
Net Cash (Used) by Financing Activities		(33,942)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(165,145)
CASH AND CASH EQUIVALENTS, beginning of year		<u>217,749</u>
CASH AND CASH EQUIVALENTS, end of year		<u><u>\$ 52,604</u></u>

See accompanying notes and independent accountant's review report.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

1. Nature of Organization and Description of Operations

Organization: Life Lab Science Program (The Organization) incorporated on July 23, 1981 and officially amended its name and purpose on February 4, 1986. Life Lab's specific and primary purpose is to promote scientific literacy through the Life Lab curriculum, a garden-based experiential and classroom learning program, by activities including, but not limited to: establishment and dissemination of model curricula; training of teachers and administrative staff and providing other technical assistance; and participation of community members in public education. The Organization has also developed model garden-based learning programs serving children in Santa Cruz County under its current mission: cultivating children's love of learning, healthy food, and nature through garden-based education. Major programs include, but are not limited to:

Local Programs (Santa Cruz County, CA) - The Life Lab Garden Classroom and Blooming Classroom are interactive, educational gardens located, respectively, at the Center for Agroecology & Sustainable Food Systems at UC Santa Cruz and on a private farm in Watsonville, CA. These gardens give children the chance to experience hands-on learning about nature, weather, seasons, life cycles, nutrition, food systems and more. Life Lab provides field trips, 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 public elementary schools. In addition, Life Lab provides garden educators and training and coaching for elementary school teachers in Santa Cruz County to support effective garden-based teaching with students in Watsonville schools. Life Lab staff also train and mentor more than 50 college and community interns each year in garden-based education. These Local Programs served more than 5,000 children age 4 to 14 in 2017.

National Programs - Life Lab offers a variety of hands-on workshops on garden-based science, nutrition and environmental education for educators from across the nation at the Garden Classroom and on demand around the U.S. Life Lab hosts an annual national School Garden Support Organization Leadership Institute to advance garden-based learning nationwide. Life Lab also develops, publishes and distributes PreK-6 curricula, activity guides and other learning materials nationally to support teachers in understanding and successfully implementing hands-on garden-based education programs. Life Lab also facilitates national networking and information sharing among educators and like-minded organizations supporting garden-based learning across the U.S., including through the National School Garden Network it cofounded in 2013. Life Lab teacher training impacted more than 500,000 students across the U.S. in 2017.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

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.

Government revenue and deferred revenue

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

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 statement contributions, in general, are donations received for 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, 2017, the Organization had \$ 259,056 in temporarily restricted net assets and \$-0- in permanently restricted net assets.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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. 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 of 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 estimate useful life of seven years. Leasehold improvements are depreciated over an estimate useful life of 15 years. Depreciation for year ended December 31, 2017 amounted to \$2,373.

Accrued payroll and payroll taxes

Accrued payroll and payroll taxes represent amounts owed for the pay period ended December 31, 2017 and not paid as of December 31, 2017.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accrued Vacation

All regular full-time and part-time employees are entitled to accrue a set amount 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 has 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 proportional allocation of shared costs.

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 Taxation Code. The Organization is exempt from taxes on income other than unrelated business income. For the year ended December 31, 2017, 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.

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 amounts at financial institutes whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of FDIC coverage at December 31, 2017 was \$-0-.

Credit risk with respect to accounts receivable is considered low due to strong, established relationships with donors and creditors; booking of receivables based on written pledges and contractual agreements; and revenue from governmental sources.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

4. Promises to Give (Pledges)

Promises to give (pledges) receivable at December 31, 2017 are expected to be received as follows:

In less than one year	\$ 40,000
In year 2-4	<u>28,750</u>
Less discount to net present value	<u>-</u>
	<u>\$ 68,750</u>

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

5. 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, 2017, and consist of the following:

Restricted general support for future periods	\$ 110,000
Contributions - restricted for local programs	99,500
Contributions-restricted for national programs	<u>61,500</u>
	<u>\$ 270,500</u>

6. Temporarily Restricted Net Assets Released in 2017

Temporarily restricted net assets released in 2017 consist of the following:

Foundations	\$ 172,916
Corporate donations	16,000
Individual contributions	38,000
Program fees (workshop deposits)	<u>2,350</u>
Total released during the year	<u>\$ 229,266</u>

7. Retirement Plan

The Organization adopted a 403(b) retirement on 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, 2017 was \$-0-.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

8. Short-Term Loans

Lines of credit - As of December 31, 2017, 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 and (2) Wells Fargo Business Line of credit with a limit of \$15,000 due on demand. There were no balances due on the lines of credit as of December 31, 2017.

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, 2017, the balance due on the credit card was \$8,762, and was included in accounts payable.

9. 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. The parties executed an amendment to the lease on October 26, 2017. Lease payments during 2017 began at \$1,973.66 per month and were reduced to \$1,340.27 per month during the year. Payments increase by the CPI adjustment on each anniversary of the commencement date. Rent paid for the year ended December 31, 2017 was \$17,482. Lease payments for the next three years are as follows (prior to CPI increases):

Minimum Lease Payments

December 31, 2018	\$ 16,083
December 31, 2019	16,083
December 31, 2020	<u>4,021</u>
	<u>\$ 36,187</u>

The Organization has entered into a land use license agreement with the University of California Santa Cruz, for access to use of 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. The Organization is having positive discussions now with the University about plans for continued use of the land and office space on the UCSC Farm.

10. Fiscal Sponsorship

The Organization acted as fiscal sponsor for Food, What?! from January 1, 2015 through December 31, 2016, while Food, What?! obtained its own 503(c)(3) status from the Internal Revenue Service. On January 1, 2017, the Organization transferred all Food, What?! assets to the new Food, What?! nonprofit entity (Federal employer ID # 81-2590280), as reflected in the Statement of Activities on page 3 and in the Statement of Cash Flows on page 4 in this report.

LIFE LAB SCIENCE PROGRAM
Notes to Financial Statements

11. Subsequent Events

The Organization's management has evaluated events and transactions subsequent to December 31, 2017, for potential recognition or July 11, 2018, the date the financial statements became available to be issued. The Organization had no subsequent events that require recognition or disclosure in the financial statements for the year ended December 31, 2017.