



**IAN
SOMERHALDER
FOUNDATION**

Financial Statements
December 31, 2018
With Comparative Totals for 2017

CONTENTS

Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7-13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ian Somerhalder Foundation

We have audited the accompanying financial statements of Ian Somerhalder Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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 the Ian Somerhalder Foundation 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.

Emphasis of Matter

As discussed in Note 2, during the year ended December 31, 2018, the Ian Somerhalder Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Ian Somerhalder Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Long Beach, California
April 29, 2019

IAN SOMERHALDER FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	2018	2017
ASSETS		
Cash and equivalents	\$ 172,533	\$ 446,669
Contributions receivable	54,335	4,933
Prepaid expenses	5,007	-
Website development costs, net	2,904	27,029
Trademark, net	8,177	8,810
Land	1,020,000	1,020,000
TOTAL ASSETS	\$ 1,262,956	\$ 1,507,441

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 5,333	\$ 11,722
Deferred revenue	-	11,125
Note payable	811,388	863,667
	816,721	886,514
NET ASSETS		
Without donor restrictions	446,235	620,927
TOTAL LIABILITIES AND NET ASSETS	\$ 1,262,956	\$ 1,507,441

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

IAN SOMERHALDER FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	Total	
	2018	2017
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Contributions	\$ 376,818	\$ 153,955
Fundraising campaign	83,954	741,819
Other revenue	5,292	7,944
Interest income	2,958	1,057
Total Revenue and Support	469,022	904,775
EXPENSES		
Program	483,865	500,328
General and administrative	88,761	88,994
Fundraising	71,088	282,170
Total Expenses	643,714	871,492
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(174,692)	33,283
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	620,927	587,644
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	\$ 446,235	\$ 620,927

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

IAN SOMERHALDER FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Consulting expenses	\$ 284,611	\$ 14,100	\$ 30,843	\$ 329,554	\$ 460,264
Animal medical grants	98,688	-	-	98,688	90,272
General grants	7,015	-	-	7,015	10,560
Accounting and legal	20,786	28,514	5,659	54,959	32,436
Credit card processing fees	-	-	5,003	5,003	42,734
OMAZE fulfillment expenses	-	-	2,874	2,874	62,020
Advertising and promotion	264	-	4,577	4,841	18,255
Insurance	-	13,065	-	13,065	14,438
Travel	12,172	-	21,869	34,041	32,487
Land maintenance	3,150	-	-	3,150	-
Computer and software expenses	1,548	2,561	-	4,109	7,342
General office expense	7,028	-	-	7,028	13,300
Communication	2,377	2,763	-	5,140	10,763
Interest expense	46,197	-	-	46,197	48,988
Other	29	-	263	292	-
Amortization	-	27,758	-	27,758	27,633
Total Expenses	\$ 483,865	\$ 88,761	\$ 71,088	\$ 643,714	\$ 871,492

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

IAN SOMERHALDER FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (174,692)	\$ 33,283
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization - website development costs	27,125	27,000
Amortization - trademark	633	633
Change in operating assets and liabilities:		
Contributions receivable	(49,402)	19,467
Prepaid expenses	(5,007)	-
Accounts payable	(6,389)	(16,495)
Deferred revenue	(11,125)	11,125
Net Cash Provided By (Used In) Operating Activities	(218,857)	75,013
 CASH FLOWS FROM INVESTING ACTIVITIES		
Website development costs	(3,000)	-
Net Cash Used In Investing Activities	(3,000)	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	(52,279)	(49,488)
Net Cash Used In Financing Activities	(52,279)	(49,488)
 NET CHANGE IN CASH AND EQUIVALENTS	(274,136)	25,525
 CASH AND EQUIVALENTS AT BEGINNING OF YEAR	446,669	421,144
 CASH AND EQUIVALENTS AT END OF YEAR	\$ 172,533	\$ 446,669
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ 46,197	\$ 48,988

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

IAN SOMERHALDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – Nature of Organization

Ian Somerhalder Foundation (the Foundation) was established in November 2010 as a California nonprofit corporation. The purpose of the Foundation is to advance science; promote the conservation of natural resources, such as forests, lands, and wildlife, for the benefit of the entire community; provide relief to the poor, distressed, and underprivileged; and support other organizations conducting activities under Section 501(c)(3) of the Internal Revenue Code. The Foundation aims to empower, educate, and collaborate with people and projects to positively impact the planet and its creatures by providing programs and services, conducting fundraising events and providing financial disbursements to other tax-exempt organizations whose ultimate purposes are to conserve the environment and protect animals.

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In 2018, the Foundation adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Foundation updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Basis Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

IAN SOMERHALDER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

Under Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. At December 31, 2018 and 2017, the Foundation had no assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), where the use of these contributions are limited by donor-imposed stipulations with some donor stipulations temporary in nature that will be met either by actions or with the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that corpus be maintained intact in perpetuity.

As the donor-imposed stipulations are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions with donor-imposed stipulations whose stipulations are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

IAN SOMERHALDER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net 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, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Revenue and Support

Contributions received are recorded as without donor restricted or with donor restricted support depending on the existence and nature of any donor restrictions. Contributions are recognized as support in the period received or pledged.

During the years ended December 31, 2018 and 2017, the Foundation contracted with a third party to conduct a fundraising campaign on behalf of the Foundation. Campaign contributions are recorded in the period received by the fundraising agent and recognized upon completion of the fundraising campaign. Promotional costs and professional fundraising expenses relating to the campaign are recorded within fundraising expenses on the accompanying statement of activities.

Noncash Contributions

A substantial number of volunteers make significant contributions of their time in the furtherance of the Foundation's purpose. The value of this contributed time is not reflected in the accompanying financial statements, as they do not meet the recognition criteria for contributed services.

Cash and Equivalents

The Foundation considers cash equivalents to be all highly liquid debt instruments purchased with an initial maturity of three months or less. Cash and equivalents includes cash deposits with a bank and money market funds.

IAN SOMERHALDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Contributions Receivable

Accounts receivable and contributions receivable expected to be collected within one year are stated at the amount management expects to collect. Management believes the amounts are collectible in full and, therefore, no allowance for doubtful collections has been established at December 31, 2018 and 2017.

Website Development Costs

Website development costs related to data consulting services, site configuration, and conceptual design are capitalized. Costs related to planning the project are expensed as incurred. Capitalized costs are amortized over a three-year expected life using the straight-line method.

Trademark Costs

Trademark costs are related to filing fees to trademark the Foundation's logo. Capitalized costs are amortized over fifteen years, the expected life using the straight-line method.

Land

Land is carried at cost and is not depreciated. Land is evaluated annually for impairment indicators. As of December 31, 2018 and for the year ended, there were no indicators of impairment.

Deferred Revenue

Contributions related to events are deferred as revenue until the event occurs. At December 31, 2017, deferred revenue related to the Foundation's 2018 Mutts to Models event was recognized during the year ended December 31, 2018. There was no deferred revenue at December 31, 2018.

Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Administrative expenses for the Foundation's general operations are charged to general and administrative.

IAN SOMERHALDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively.

The Foundation recognizes the financial statement benefit of tax positions, such as its position of being tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and state purposes is generally three and four years, respectively.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) (“ASU 2014-09”), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018 (fiscal year ending December 31, 2019 for the Foundation). The Foundation does not expect that the adoption of this pronouncement will have a material impact on its financial statements.

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018 (fiscal year ending December 31, 2019 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

IAN SOMERHALDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Foundation’s management has evaluated subsequent events and transactions for potential recognition or disclosure through April 29, 2019, the date the financial statements were available to be issued.

NOTE 3 – Financial Assets and Liquidity Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 172,533
Contributions receivable	54,335
Prepaid expenses	<u>5,007</u>
	<u>\$ 231,875</u>

As part of the Foundation’s liquidity management, there is a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 – Website Development Costs

Website development costs consist of costs incurred for an upgrade of the Foundation’s website. As of December 31, 2018 and 2017, development costs totaling \$84,950 and \$81,950, respectively, have been capitalized relating to this effort. Amortization expense totaled \$27,125 and \$27,000 during the years ended December 31, 2018 and 2017, respectively. Accumulated amortization as of December 31, 2018 and 2017 totaled \$82,046 and \$54,921, respectively.

NOTE 5 – Trademark Costs

Trademark costs consist of costs incurred for filing fees related to the Foundation’s logo. As of December 31, 2018, trademark costs totaled \$9,503. Amortization expense totaled \$633 during the years ended December 31, 2018 and 2017. Accumulated amortization as of December 31, 2018 and 2017 totaled \$1,326 and \$693, respectively.

IAN SOMERHALDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 – Land

During the year ended December 31, 2014, the Foundation purchased approximately 100 acres of undeveloped land in Louisiana. Approximately 70 acres is preserved by zoning laws in Louisiana. The land will be utilized as a nature preserve, and educational and other programs will be developed by the Foundation.

NOTE 7 – Note Payable

Note payable consists of the following:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Note payable to a financial institution, guaranteed by a Board member, payable in monthly installments of \$8,206 including interest at 5.5%, due December 2029	<u>\$ 811,388</u>	<u>\$ 863,667</u>

The following is a schedule of future principal maturities:

<u>Year Ending December 31,</u>	
2019	\$ 55,228
2020	58,343
2021	61,634
2022	65,111
2023	68,784
Thereafter	<u>502,288</u>
	<u>\$ 811,388</u>