

Orange County Coastkeeper

Costa Mesa, California

Annual Financial Report

For the Years Ended December 31, 2019 and 2018



THE
PUN GROUP
ACCOUNTANTS & ADVISORS

Orange County Coastkeeper
For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Orange County Coastkeeper
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Coastkeeper (Organization), which comprises the statements of financial position as of December 31, 2019 and 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 controls 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 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 Organization'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 Organization'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.

To the Board of Directors
of Orange County Coastkeeper
Costa Mesa, California
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of ASU No. 2014-09 and 2018-08

As discussed in Note 1 to the financial statements, effective January 1, 2019 the Organization implemented Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contract with Customers (Topic 606) using retrospective approach and ASU No. 2018-08, Not-for-Profit-Entities (Topic 958) with modified prospective basis. The adoption did not have a significant impact on the Organization’s financial statements. Our opinion is not modified with this matter.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
April 17, 2020

FINANCIAL STATEMENTS

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**Orange County Coastkeeper
Statements of Financial Position
December 31, 2019 and 2018**

| ASSETS | 2019 | 2018 |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 1,301,607 | \$ 2,184,999 |
| Accounts receivables | - | 4,415 |
| Contributions receivable | 167,899 | 96,243 |
| Grants receivable | - | - |
| Contracts receivable | - | - |
| Prepays and deposits | 8,050 | 8,050 |
| Total current assets | 1,477,556 | 2,293,707 |
| Non-current assets: | | |
| Property and equipment, net (Note 3) | 377,246 | 411,027 |
| Total non-current assets | 377,246 | 411,027 |
| Total assets | \$ 1,854,802 | \$ 2,704,734 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts and other payables | \$ 69,588 | \$ 494,303 |
| Accrued vacation payable | 25,170 | 19,714 |
| Total current liabilities | 94,758 | 514,017 |
| Total liabilities | 94,758 | 514,017 |
| Net assets: | | |
| Without donor restrictions | 1,599,054 | 1,848,245 |
| With donor restrictions (Note 4) | 160,990 | 342,472 |
| Total net assets | 1,760,044 | 2,190,717 |
| Total liabilities and net assets | \$ 1,854,802 | \$ 2,704,734 |

Orange County Coastkeeper
Statement of Activities
For the Year Ended December 31, 2019

| | 2019 | | |
|---|-------------------------------|--|---------------------|
| | Without Donor Restrictions | With Donor Restrictions (Note 4) | Total |
| Support and other revenue: | | | |
| Contributions, gifts and grants: | | | |
| Program service revenue | \$ 570,387 | \$ 498,766 | \$ 1,069,153 |
| Direct public support | 292,328 | 500 | 292,828 |
| Governmental grants | 20,637 | 33,787 | 54,424 |
| Fundraising events, net (Note 5) | 130,565 | - | 130,565 |
| Other revenue | 9,527 | - | 9,527 |
| Investment earnings | 13,812 | - | 13,812 |
| Total support and other revenue | 1,037,256 | 533,053 | 1,570,309 |
| Net assets released from restrictions (Note 4) | 714,535 | (714,535) | - |
| Total revenue | 1,751,791 | (181,482) | 1,570,309 |
| Program expenses: | | | |
| Education | 360,040 | - | 360,040 |
| Sustainability | 246,896 | - | 246,896 |
| Advocacy | 485,715 | - | 485,715 |
| Restoration | 122,437 | - | 122,437 |
| Enforcement | 551,260 | - | 551,260 |
| Special projects | 50,254 | - | 50,254 |
| Total program expenses | 1,816,602 | - | 1,816,602 |
| Supporting services: | | | |
| Management and general | 115,506 | - | 115,506 |
| Fundraising | 68,874 | - | 68,874 |
| Total supporting services | 184,380 | - | 184,380 |
| Total expenses | 2,000,982 | - | 2,000,982 |
| Change in net assets | (249,191) | (181,482) | (430,673) |
| Net Assets: | | | |
| Beginning of year | 1,848,245 | 342,472 | 2,190,717 |
| End of year | <u>\$ 1,599,054</u> | <u>\$ 160,990</u> | <u>\$ 1,760,044</u> |

Orange County Coastkeeper
Statement of Activities (Continued)
For the Year Ended December 31, 2018

| | 2018 | | |
|---|-------------------------------|--|---------------------|
| | Without Donor Restrictions | With Donor Restrictions (Note 4) | Total |
| Support and other revenue: | | | |
| Contributions, gifts and grants: | | | |
| Program service revenue | \$ 2,155,691 | \$ 613,331 | \$ 2,769,022 |
| Direct public support | 474,531 | 98,401 | 572,932 |
| Governmental grants | 436 | 68,490 | 68,926 |
| Fundraising events, net (Note 5) | 102,439 | - | 102,439 |
| Other revenue | 5,229 | - | 5,229 |
| Investment earnings | 293 | - | 293 |
| Total support and other revenue | 2,738,619 | 780,222 | 3,518,841 |
| Net assets released from restrictions (Note 4) | 746,738 | (746,738) | - |
| Total revenue | 3,485,357 | 33,484 | 3,518,841 |
| Program expenses: | | | |
| Education | 352,619 | - | 352,619 |
| Sustainability | 137,953 | - | 137,953 |
| Advocacy | 415,029 | - | 415,029 |
| Restoration | 126,498 | - | 126,498 |
| Enforcement | 1,367,512 | - | 1,367,512 |
| Special projects | 80,987 | - | 80,987 |
| Total program expenses | 2,480,598 | - | 2,480,598 |
| Supporting services: | | | |
| Management and general | 143,103 | - | 143,103 |
| Fundraising | 63,341 | - | 63,341 |
| Total supporting services | 206,444 | - | 206,444 |
| Total expenses | 2,687,042 | - | 2,687,042 |
| Change in net assets | 798,315 | 33,484 | 831,799 |
| Net Assets: | | | |
| Beginning of year | 1,049,930 | 308,988 | 1,358,918 |
| End of year | <u>\$ 1,848,245</u> | <u>\$ 342,472</u> | <u>\$ 2,190,717</u> |

**Orange County Coastkeeper
Statement of Functional Expenses
For the Year Ended December 31, 2019**

Program Services

| Expense category | Education | Sustainability | Advocacy | Restoration | Enforcement | Special Projects | Total Program Expenses |
|-----------------------------|-------------------|-----------------------|-------------------|--------------------|--------------------|-------------------------|-------------------------------|
| Salaries and wages | \$ 247,291 | \$ 118,321 | \$ 331,918 | \$ 55,750 | \$ 303,533 | \$ 32,416 | \$ 1,089,229 |
| Payroll taxes | 20,694 | 8,111 | 20,200 | 4,523 | 19,915 | 1,913 | 75,356 |
| Employee benefits | 23,345 | 10,101 | 15,934 | 5,274 | 9,950 | - | 64,604 |
| Workers compensation | 236 | 5,616 | 2,441 | 1,137 | 1,599 | 134 | 11,163 |
| Total salaries and benefits | <u>291,566</u> | <u>142,149</u> | <u>370,493</u> | <u>66,684</u> | <u>334,997</u> | <u>34,463</u> | <u>1,240,352</u> |
| Automobile mileage | 6,122 | 5,155 | 11,731 | 723 | 2,839 | 304 | 26,874 |
| Consultants | 3,565 | 90,801 | 59,725 | 36,292 | 167,042 | 7,939 | 365,364 |
| Insurance | 2,177 | 800 | 375 | 1,017 | 225 | 573 | 5,167 |
| Other | 221 | 575 | 749 | 20 | 791 | 995 | 3,351 |
| Postage | 16 | 25 | 17 | 35 | 220 | 237 | 550 |
| Printing | 10 | 2,263 | 6,527 | 83 | 1,216 | 6 | 10,105 |
| Rent | 22,546 | - | 25,755 | 12,555 | 26,062 | - | 86,918 |
| Supplies and equipment | 31,863 | 5,128 | 4,444 | 4,687 | 15,816 | 5,737 | 67,675 |
| Travel | - | - | 2,727 | - | 1,193 | - | 3,920 |
| Utilities | 1,954 | - | 3,172 | 341 | 859 | - | 6,326 |
| Total other expenses | <u>68,474</u> | <u>104,747</u> | <u>115,222</u> | <u>55,753</u> | <u>216,263</u> | <u>15,791</u> | <u>576,250</u> |
| Total program services | <u>\$ 360,040</u> | <u>\$ 246,896</u> | <u>\$ 485,715</u> | <u>\$ 122,437</u> | <u>\$ 551,260</u> | <u>\$ 50,254</u> | <u>\$ 1,816,602</u> |

Supporting Services

| Expense category | Management and General | Fund - Raising | Total Supporting Services | Total Expenses |
|-----------------------------|-------------------------------|-----------------------|----------------------------------|-----------------------|
| Salaries and wages | \$ 43,217 | \$ 46,326 | \$ 89,543 | \$ 1,178,772 |
| Payroll taxes | 5,610 | 2,994 | 8,604 | 83,960 |
| Employee benefits | 2,385 | 3,464 | 5,849 | 70,453 |
| Workers compensation | 5,782 | 244 | 6,026 | 17,189 |
| Total salaries and benefits | <u>56,994</u> | <u>53,028</u> | <u>110,022</u> | <u>1,350,374</u> |
| Accounting and auditing | 3,000 | - | 3,000 | 3,000 |
| Automobile mileage | 13 | 641 | 654 | 27,528 |
| Consultants | - | 1,333 | 1,333 | 366,697 |
| Insurance | 966 | - | 966 | 6,133 |
| Other | 2,349 | 2,161 | 4,510 | 7,861 |
| Postage | 255 | 349 | 604 | 1,154 |
| Printing | 34 | 37 | 71 | 10,176 |
| Promotion and education | - | 46 | 46 | 46 |
| Rent | 15,953 | 7,438 | 23,391 | 110,309 |
| Supplies and equipment | 103 | 3,403 | 3,506 | 71,181 |
| Travel | 594 | - | 594 | 3,920 |
| Utilities | 225 | 438 | 663 | 4,583 |
| Total other expenses | <u>23,492</u> | <u>15,846</u> | <u>39,338</u> | <u>612,588</u> |
| Depreciation | 35,020 | - | 35,020 | 35,020 |
| Total supporting services | <u>\$ 115,506</u> | <u>\$ 68,874</u> | <u>\$ 184,380</u> | <u>\$ 2,000,982</u> |

Orange County Coastkeeper
Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2018

| Expense category | Program Services | | | | | | Special Projects | Total Program Expenses |
|-----------------------------|------------------|----------------|------------|-------------|--------------|-----------|------------------|------------------------|
| | Education | Sustainability | Advocacy | Restoration | Enforcement | | | |
| Salaries and wages | \$ 214,021 | \$ 95,848 | \$ 248,993 | \$ 51,559 | \$ 252,105 | \$ 55,206 | \$ 917,732 | |
| Payroll taxes | 21,695 | 7,243 | 17,041 | 4,624 | 18,298 | 3,602 | 72,503 | |
| Employee benefits | 15,296 | 8,214 | 16,296 | 5,163 | 9,897 | 4,022 | 58,888 | |
| Workers compensation | 1,690 | 1,364 | 2,191 | 1,145 | 1,583 | 584 | 8,557 | |
| Total salaries and benefits | 252,702 | 112,669 | 284,521 | 62,491 | 281,883 | 63,414 | 1,057,680 | |
| Automobile mileage | 5,416 | 3,279 | 15,671 | 420 | 2,078 | 1,597 | 28,461 | |
| Consultants | 13,821 | 7,369 | 82,375 | 42,611 | 1,041,324 | 138 | 1,187,638 | |
| In-kind | - | 2,199 | - | - | - | - | 2,199 | |
| Insurance | 3,672 | 800 | - | 1,071 | - | - | 5,543 | |
| Other | 1,266 | 459 | 641 | 201 | 1,407 | 278 | 4,252 | |
| Postage | 171 | 211 | 20 | 59 | 206 | 292 | 959 | |
| Printing | 883 | 6,326 | 419 | 95 | 1,492 | 24 | 9,239 | |
| Rent | 19,728 | - | 14,783 | 12,923 | 19,843 | 850 | 68,127 | |
| Supplies and equipment | 36,713 | 4,584 | 12,264 | 6,090 | 15,094 | 14,199 | 88,944 | |
| Travel | 14,448 | - | 2,809 | 270 | 3,603 | - | 21,130 | |
| Utilities | 3,799 | 57 | 1,526 | 267 | 582 | 195 | 6,426 | |
| Total other expenses | 99,917 | 25,284 | 130,508 | 64,007 | 1,085,629 | 17,573 | 1,422,918 | |
| Total program services | \$ 352,619 | \$ 137,953 | \$ 415,029 | \$ 126,498 | \$ 1,367,512 | \$ 80,987 | \$ 2,480,598 | |

| Expense category | Supporting Services | | | |
|-----------------------------|------------------------|----------------|---------------------------|----------------|
| | Management and General | Fund - Raising | Total Supporting Services | Total Expenses |
| Salaries and wages | \$ 58,709 | \$ 34,205 | \$ 92,914 | \$ 1,010,646 |
| Payroll taxes | 4,277 | 2,927 | 7,204 | 79,707 |
| Employee benefits | 7,666 | 7,666 | 15,332 | 74,220 |
| Workers compensation | 3,611 | 242 | 3,853 | 12,410 |
| Total salaries and benefits | 74,263 | 45,040 | 119,303 | 1,176,983 |
| Accounting and auditing | 6,000 | - | 6,000 | 6,000 |
| Automobile mileage | 424 | 109 | 533 | 28,994 |
| Consultants | - | 6,666 | 6,666 | 1,194,304 |
| In-kind | - | - | - | 2,199 |
| Insurance | 6,744 | - | 6,744 | 12,287 |
| Other | 1,408 | 96 | 1,504 | 5,756 |
| Postage | 100 | 75 | 175 | 1,134 |
| Printing | 40 | - | 40 | 9,279 |
| Rent | 23,710 | 6,187 | 29,897 | 98,024 |
| Supplies and equipment | 1,921 | 4,819 | 6,740 | 95,684 |
| Travel | - | - | - | 21,130 |
| Utilities | 276 | 349 | 625 | 21,755 |
| Total other expenses | 40,623 | 18,301 | 58,924 | 1,502,972 |
| Depreciation | 28,217 | - | 28,217 | 28,217 |
| Total supporting services | \$ 143,103 | \$ 63,341 | \$ 206,444 | \$ 2,687,042 |

Orange County Coastkeeper
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (430,673) | \$ 831,799 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| (used in) operating activities: | | |
| Depreciation | 35,020 | 28,217 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in assets: | | |
| Accounts receivables – other | 4,415 | 28,467 |
| Contributions receivable | (71,656) | 6,000 |
| Grants receivable | - | (77,719) |
| Contracts receivable | - | 73,138 |
| Increase (Decrease) in liabilities: | | |
| Accounts and other payables | (424,715) | 406,061 |
| Accrued vacation payable | 5,456 | 9,073 |
| Total adjustments | (451,480) | 473,237 |
| Net cash provided by (used in) operating activities | (882,153) | 1,305,036 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (1,239) | (28,406) |
| Net cash (used in) investing activities | (1,239) | (28,406) |
| Net increase (decrease) in cash and cash equivalents | (883,392) | 1,276,630 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 2,184,999 | 908,369 |
| End of year | \$ 1,301,607 | \$ 2,184,999 |

Orange County Coastkeeper
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

Orange County Coastkeeper (the “Organization”) is a California nonprofit public benefit organization dedicated to the protection and preservation of marine habitats and watersheds of Orange County, the Inland Empire, Coachella Valley and surrounding areas through programs of education, advocacy, restoration, enforcement, and sustainability. Affiliated with the national Waterkeeper Alliance, consisting of over 350 Waterkeeper organizations worldwide, The Organization maintains a full-time staff of skilled and dedicated professionals, including educators, marine biologists, attorneys, and activists. The Organization supports two additional separately licensed regional programs, the Inland Empire Waterkeeper and Coachella Waterkeeper. The Inland Empire Waterkeeper maintains an office and staff in Riverside and the Coachella Waterkeeper maintains an office in Palm Desert.

The Organization has five established program pillars or departments that comprise its overall program are as follows:

Education – The Organization interacts with thousands of students and citizens at schools and public outreach events to raise regional awareness about watersheds and marine issues. Currently, in more than 40 schools, the Organization promotes stewardship and environmental careers through its WHALES Program, which provides in-class and field experience to junior high school and high school students each year.

Advocacy – The Organization collaborates on various projects and advocates for stricter storm water and runoff regulations at regulatory agencies and commissions, as well as state, county, and local governments. The Organization promote collaborative solutions to enhance coastal protection, including ensure public access to coastal resources, and healthy marine habitats.

Restoration – The Organization spent eight-years successfully restoring acres of kelp forests along the Orange County Coastline. For the past seven years, the Organization has conducted an eelgrass restoration project in Upper Newport Bay. Also, the Organization is doing an oyster restoration project in Upper Newport and Los Alamitos Harbors. Living Shorelines is a project that grows eelgrass and Olympia Oyster adjacent to each other to ascertain if it will stabilize the sediment from erosion during sea-level rise.

Enforcement – The Organization monitors any pollution that occurs during rain events or through any other activity throughout the region. The goal is to clean up the region, which includes polluted runoff from industrial sites of all types. The Organization initiates federal Clean Water Act based litigation against violators when polluted discharges are consistently out of compliance with state and federal water laws.

Sustainability – The Organization produces numerous programs intended to both educate the public and change public behavior. The Organization’s Smartscape Program reaches out to communities to train property owners on how to transition from turf to drought-tolerant landscapes and manage them. The Organization is involved on a statewide basis in the evolution of drinking water in California. Water sustainability involves indirect and direct water reuse and recycling. The Organization hosts over 80 beach trash cleanups each year, open to the public and sponsoring corporations.

The Organization initiates and conducts Special Programs in addition to the five pillar programs.

Coastkeeper Garden – Located at Santiago Canyon College, the Organization leases a 2.5-acre site on which it has constructed a demonstration garden for public education. The focus of the Coastkeeper Garden is to illustrate water conservation through landscaping, the elimination of urban runoff, and many other lessons to homeowners. The Garden with six themed vignettes serves as a public venue for smart landscaping and education.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded as when liabilities are incurred.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Financial statement presentation follows the guidance of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) Topic 958, *Presentation of Financial Statements of Not-For-Profit Organizations* as updated in August 2016. Under this pronouncement, the Organization 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. The significant accounting policies with respect to these two classes of net assets are described below:

Net Assets Without Donor Restrictions – Utilized to record fees and other forms of unrestricted revenue and expenses related to the general operations of the Organization which are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets With Donor Restrictions – Utilized to account for donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Statements of Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

The costs of providing the Organization’s programs and administration have been summarized on a functional basis in the Statements of Functional Expenses. Certain costs are allocated to applicable programs.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in Organization net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments, including money market funds, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to seven years and the Coastkeeper Garden for 20 years. Property and equipment are capitalized if the cost or donated fair market value of an asset is greater than, or equal to \$5,000.

Impairment of Long-Lived Assets

The Organization accounts for impairment and disposition of long-lived assets. Impairment losses are recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of the value of such assets for the years ended December 31, 2019 and 2018.

Vacation Payable

The Organization provides vacation benefits to all regular full-time employees. Employees may accumulate unused vacation of up to 1.5 times their current annual vacation entitlement. Once an employee has earned his or her full vacation credit for the year, the employee will not become eligible for any additional time in the subsequent year until some of the unused vacation time has been used. If the maximum accrual is reached, no further vacation accrual will take place until it drops below the maximum accrual.

| <u>Length of Employment</u> | <u>Vacation Accrual Per Month</u> | <u>Vacation Accrual Per Year</u> | <u>Maximum Annual Cap</u> |
|-----------------------------|---------------------------------------|--------------------------------------|-------------------------------|
| 0 - 1 year | 0 | 0 | N/A |
| 1 - 2 years | 0.5 days | 6 days | 9 days |
| 3 - 4 years | 1 day | 12 days | 18 days |
| 5 - 9 years | 1.5 days | 18 days | 27 days |
| 10 + years | 2.0 days | 24 days | 36 days |

Grants and Contracts Revenue Recognition

Exchange-like grants receivable consist of expenses that are reimbursable under various grant programs. Grants receivables are reported in the period the expenses are incurred, whether billed or unbilled. Periodic audits may be performed by the grantors, and certain costs may be questioned as not being reimbursable expenditures under the terms of the contracts. Such results could cause reimbursement to the grantors. The Organization's management believes disallowances, if any, will be immaterial. The Organization considers grants receivable to be fully collectible; accordingly, allowance for doubtful accounts is not required.

Liquidity and Availability of Financial Assets

The Organization has \$1,469,506 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenses consisting of cash and cash equivalents of \$1,301,607, and accounts and grants receivable of \$167,899. The amount of \$160,990 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenses within one year of the balance sheet date. The Organization has a goal to maintain financial assets that consist of cash and investments, which are, on average, appropriately \$1.7 million. The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invested cash in excess of daily requirements in mutual funds which can be converted into cash timely.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Contributions

Nonexchange grants of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Nonexchange grants received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 statement of activities as net assets released from restrictions. Grants having donor stipulations that are satisfied in the period the grants are received are reported as revenue and net assets without donor restrictions.

Income Taxes

As a publicly supported not-for-profit organization, the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Organization has applied the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, and penalties, disclosure, and transition. Management of the Organization believes that no such uncertain tax positions exist as of December 31, 2019 and 2018.

Implementation of New Accounting Standards

ASU No. 2014-09

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contract with Customers (Topic 606). This guidance provides framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018 for nonpublic entities. The Organization implemented this guidance effective January 1, 2019, using the retrospective approach. Management has assessed the Organization's revenue recognition policies and procedures, and based on the analysis performed to date, the adoption did not have a significant impact on the Organization's Consolidated Financial Statements. The Organization also elected not to present the optional disclosures for the nonpublic entities under ASU No. 2014-09.

ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit-Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The guidance is issued to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. The Organization implemented this guidance effective January 1, 2019 on a modified prospective basis.

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Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 2 – Cash and Cash Equivalents

At December 31, 2019 and 2018, Cash and Cash Equivalents consist of the following:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|---------------------|---------------------|
| Deposits with financial institutions | \$ 535,311 | \$ 2,059,799 |
| Certificate of deposits | - | 125,000 |
| Money market mutual funds | 766,096 | - |
| Petty cash | 200 | 200 |
| Total Cash and Cash Equivalents | <u>\$ 1,301,607</u> | <u>\$ 2,184,999</u> |

The carrying amount of the Organization’s deposits with financial institutions were \$ 535,311 and \$2,059,799, and bank balance before reconciling items were \$572,062 and \$2,144,069 for years ended December 31, 2019 and 2018, respectively. Financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalent balances above \$250,000 are uninsured. There were \$65,493 and \$1,453,715 on deposit uninsured above the FDIC limit for years ended December 31, 2019 and 2018, respectively.

The Organization invests cash with a national brokerage firm that manages the Organization’s portfolio which are made up of mutual funds. The investments are exposed to interest rate and market risk. Economic conditions can impact these risks and resulting market values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances and the amounts reported in the financial statements could be materially affected by market fluctuations.

These investments totaled \$766,096 at December 31, 2019 and were valued at quoted price in active markets which is considered Level 1 of the fair value hierarchy. These investments have original maturities of three months or less and are considered cash equivalents.

Note 3 – Property and Equipment

Property and equipment at December 31, 2019 and 2018 are as follows:

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|-----------------------------------|--------------------------|--------------------------|
| Depreciable assets: | | |
| Coastkeeper garden | \$ 526,605 | \$ 526,605 |
| Coastkeeper van | 29,645 | 28,406 |
| Boat and tractor | 61,709 | 61,709 |
| Total depreciable assets | <u>617,959</u> | <u>616,720</u> |
| Less: accumulated depreciation | <u>(240,713)</u> | <u>(205,693)</u> |
| Total property and equipment, net | <u>\$ 377,246</u> | <u>\$ 411,027</u> |

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 4 – Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes:

| | <u>January 1, 2019</u> | <u>Additions</u> | <u>Released</u> | <u>December 31, 2019</u> |
|------------------|------------------------|-------------------|---------------------|--------------------------|
| Education | \$ 64,238 | \$ 349,159 | \$ (347,321) | \$ 66,076 |
| Sustainability | 57,761 | 86,233 | (101,288) | 42,706 |
| Advocacy | 115,342 | 79,093 | (142,227) | 52,208 |
| Restoration | 64,318 | 18,568 | (82,886) | - |
| Special projects | 40,813 | - | (40,813) | - |
| Total | <u>\$ 342,472</u> | <u>\$ 533,053</u> | <u>\$ (714,535)</u> | <u>\$ 160,990</u> |

| | <u>January 1, 2018</u> | <u>Additions</u> | <u>Released</u> | <u>December 31, 2018</u> |
|------------------|------------------------|-------------------|---------------------|--------------------------|
| Education | \$ 81,696 | \$ 391,320 | \$ (408,778) | \$ 64,238 |
| Sustainability | 50,241 | 42,000 | (34,480) | 57,761 |
| Advocacy | 76,681 | 147,750 | (109,089) | 115,342 |
| Restoration | 36,609 | 153,152 | (125,443) | 64,318 |
| Special projects | 63,761 | 46,000 | (68,948) | 40,813 |
| Total | <u>\$ 308,988</u> | <u>\$ 780,222</u> | <u>\$ (746,738)</u> | <u>\$ 342,472</u> |

Net assets were released from donor restrictions by satisfying the purpose and/or time specifications by the donor's or grantor's requests.

Note 5 – Fundraising Events

Fundraising events for the year ended December 31, 2019 was comprised of the following:

| <u>Description</u> | <u>Toast The Coast</u> | <u>Rock The River</u> | <u>Total</u> |
|---------------------------------------|------------------------|-----------------------|-------------------|
| Fundraising events proceeds | \$ 146,500 | \$ 11,576 | \$ 158,076 |
| Costs of direct benefits to attendees | (27,327) | (183) | (27,510) |
| Total fundraising events, net | <u>\$ 119,173</u> | <u>\$ 11,393</u> | <u>\$ 130,566</u> |

Fundraising events for the year ended December 31, 2018 were comprised of the following:

| <u>Description</u> | <u>Toast The Coast</u> | <u>Rock The River</u> | <u>Total</u> |
|---------------------------------------|------------------------|-----------------------|-------------------|
| Fundraising events proceeds | \$ 113,670 | \$ 12,736 | \$ 126,406 |
| Costs of direct benefits to attendees | (16,569) | (7,398) | (23,967) |
| Total fundraising events, net | <u>\$ 97,101</u> | <u>\$ 5,338</u> | <u>\$ 102,439</u> |

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Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

Note 6 – Operating Lease Agreements

The Organization leases its administrative offices in Costa Mesa, California, an office in Riverside, California, (Inland Empire), and an office in Palm Desert, California, (Coachella Valley) under operating leases in the amount of \$6,672, \$625 and \$795 per month, respectively. The Costa Mesa lease contains annual escalation clauses and expires on December 31, 2020. The Inland Empire lease is a month-to-month lease since May 1, 2016. The Coachella Valley lease is a month-to-month lease as of April 1, 2018. Rental expense for all operating leases for the years ended December 31, 2019 and 2018 amounted to \$86,918 and \$68,127 respectively.

Minimum future rental payments under these non-cancelable operating leases are as follows:

| <u>Year</u> | <u>Costa Mesa Office</u> | <u>Inland Empire Office</u> | <u>Coachella Valley Office</u> | <u>Total Office Lease</u> |
|-------------|----------------------------------|-------------------------------------|--|-------------------------------|
| 2020 | \$ 80,052 | \$ 7,500 | \$ 9,540 | \$ 97,092 |
| Total | <u>\$ 80,052</u> | <u>\$ 7,500</u> | <u>\$ 9,540</u> | <u>\$ 97,092</u> |

Note 7 – Public Support

Volunteers from the community have donated significant amounts of their time in support of the Organization’s programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

Note 8 – Contingencies

Litigation

The Organization is subject to claims and litigation from outside parties in the ordinary course of operations. After consultation with legal counsel, the Organization believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Note 9 – Subsequent Events

COVID19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Organization and the duration cannot be reasonably estimated at this time.

Events occurring after December 31, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of April 17, 2020, which is the date the financial statements were available to be issued.

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