

Orange County Coastkeeper

Costa Mesa, California

Annual Financial Report

For the Years Ended December 31, 2020 and 2019



THE
PUN GROUP
ACCOUNTANTS & ADVISORS

Orange County Coastkeeper
For the Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

The PwC Group, LLP

Santa Ana, California
April 1, 2021

FINANCIAL STATEMENTS

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**Orange County Coastkeeper
Statements of Financial Position
December 31, 2020 and 2019**

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,788,924	\$ 1,301,607
Contributions receivable	2,668	167,899
Grants receivable	63,879	-
Prepays and deposits	8,550	8,050
Total current assets	1,864,021	1,477,556
Property and equipment, net (Note 3)	343,823	377,246
Total assets	\$ 2,207,844	\$ 1,854,802
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts and other payables	\$ 53,650	\$ 69,588
Accrued vacation payable	51,062	25,170
Loan current portion	4,487	-
Total current liabilities	109,199	94,758
Noncurrent liabilities:		
Loans (Note 4)	145,513	-
Total non-current liabilities	145,513	-
Total liabilities	254,712	94,758
Net assets:		
Without donor restrictions	1,823,403	1,599,054
With donor restrictions (Note 6)	129,729	160,990
Total net assets	1,953,132	1,760,044
Total liabilities and net assets	\$ 2,207,844	\$ 1,854,802

Orange County Coastkeeper
Statement of Activities
For the Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions (Note 6)	Total
Support and other revenue:			
Contributions, gifts and grants:			
Program service revenue	\$ 333,846	\$ 388,404	\$ 722,250
Direct public support	641,459	2,400	643,859
Governmental grants	99,046	230,454	329,500
Fundraising events, net (Note 7)	78,661	-	78,661
Other revenue	19,130	-	19,130
Investment earnings	2,801	-	2,801
Total support and other revenue	1,174,943	621,258	1,796,201
Net assets released from restrictions (Note 6)	652,519	(652,519)	-
Total revenue	1,827,462	(31,261)	1,796,201
Program expenses:			
Education	216,285	-	216,285
Sustainability	105,318	-	105,318
Advocacy	484,587	-	484,587
Restoration	149,516	-	149,516
Enforcement	455,317	-	455,317
Special projects	14,919	-	14,919
Total program expenses	1,425,942	-	1,425,942
Supporting services:			
Management and general	130,022	-	130,022
Fundraising	47,149	-	47,149
Total supporting services	177,171	-	177,171
Total expenses	1,603,113	-	1,603,113
Change in net assets	224,349	(31,261)	193,088
Net Assets:			
Beginning of year	1,599,054	160,990	1,760,044
End of year	<u>\$ 1,823,403</u>	<u>\$ 129,729</u>	<u>\$ 1,953,132</u>

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

	2019		
	Without Donor Restrictions	With Donor Restrictions (Note 6)	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 7)	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 6)	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 Functional Expenses
For the Year Ended December 31, 2020**

Expense category	Program Services						Special Projects	Total Program Expenses
	Education	Sustainability	Advocacy	Restoration	Enforcement			
Salaries and wages	\$ 146,713	\$ 89,960	\$ 291,744	\$ 62,302	\$ 219,134	\$ 11,264	\$ 821,117	
Payroll taxes	14,166	1,793	13,706	4,756	15,847	182	50,450	
Employee benefits	15,111	5,764	35,401	4,372	9,884	408	70,940	
Workers compensation	1,072	1,793	946	386	1,200	19	5,416	
Total salaries and benefits	177,062	99,310	341,797	71,816	246,065	11,873	947,923	
Automobile mileage	1,753	730	5,483	421	1,980	308	10,675	
Consultants	-	2,622	75,183	60,588	160,704	-	299,097	
Insurance	2,758	698	375	-	630	331	4,792	
Other	1,441	520	1,984	1,198	488	96	5,727	
Postage	60	11	1,025	32	504	-	1,632	
Printing	231	-	8,414	-	360	-	9,005	
Rent	18,542	-	31,491	12,470	25,350	1,875	89,728	
Supplies and equipment	11,422	1,427	15,232	2,991	17,265	436	48,773	
Travel	-	-	(531)	-	997	-	466	
Utilities	3,016	-	4,134	-	974	-	8,124	
Total other expenses	39,223	6,008	142,790	77,700	209,252	3,046	478,019	
Total program services	\$ 216,285	\$ 105,318	\$ 484,587	\$ 149,516	\$ 455,317	\$ 14,919	\$ 1,425,942	

Expense category	Supporting Services			
	Management and General	Fund - Raising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 60,126	\$ 27,246	\$ 87,372	\$ 908,489
Payroll taxes	3,513	2,267	5,780	56,230
Employee benefits	2,610	6,408	9,018	79,958
Workers compensation	5,202	166	5,368	10,784
Total salaries and benefits	71,451	36,087	107,538	1,055,461
Accounting and auditing	7,600	-	7,600	7,600
Automobile mileage	3	9	12	10,687
Consultants	-	-	-	299,097
Insurance	941	-	941	5,733
Other	2,468	2,001	4,469	10,196
Postage	218	13	231	1,863
Printing	14	13	27	9,032
Promotion and education	-	-	-	-
Rent	12,767	8,098	20,865	110,593
Supplies and equipment	2	758	760	49,533
Travel	629	-	629	466
Utilities	506	170	676	1,142
Total other expenses	25,148	11,062	36,210	505,942
Depreciation	33,423	-	33,423	33,423
Total supporting services	\$ 130,022	\$ 47,149	\$ 177,171	\$ 1,603,113

Orange County Coastkeeper
Statement of Functional Expenses (Continued)
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
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>618,914</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
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 193,088	\$ (430,673)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,423	35,020
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivables – other	-	4,415
Contributions receivable	165,231	(71,656)
Grants receivable	(63,879)	-
Prepaid expense	(500)	-
Increase (Decrease) in liabilities:		
Accounts and other payables	(15,938)	(424,715)
Accrued vacation payable	25,892	5,456
Total adjustments	144,229	(451,480)
Net cash provided by (used in) operating activities	337,317	(882,153)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing the new loan	150,000	-
Net cash (used in) investing activities	150,000	-
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	-	(1,239)
Net cash (used in) investing activities	-	(1,239)
 Net increase (decrease) in cash and cash equivalents	487,317	(883,392)
 CASH AND CASH EQUIVALENTS:		
Beginning of year	1,301,607	2,184,999
End of year	\$ 1,788,924	\$ 1,301,607

Orange County Coastkeeper
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

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 La Quinta.

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 eight 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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019.

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.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2020 and 2019

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

Liquidity and Availability of Financial Assets

The following represents the Organization financial assets at June 30, 2020 and 2019:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 1,788,924	\$ 1,301,607
Contribution receivable	2,668	-
Grants and contracts receivable	63,879	167,899
Total financial assets	1,855,471	1,469,506
Less amounts not available to be used within one year:		
Net assets with donor restrictions	129,729	160,990
	129,729	160,990
Financial assets available to meet general expenditures over the next twelve months	\$ 1,725,742	\$ 1,308,516

The Organization has a goal to maintain financial assets that consist of cash and investments. 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.

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, 2020 and 2019.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2020 and 2019

Note 2 – Cash and Cash Equivalents

At December 31, 2020 and 2019, Cash and Cash Equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits with financial institutions	\$ 770,054	\$ 535,311
Certificate of deposits	100,215	-
Money market mutual funds	918,455	766,096
Petty cash	200	200
Total Cash and Cash Equivalents	<u>\$ 1,788,924</u>	<u>\$ 1,301,607</u>

The carrying amount of the Organization’s deposits with financial institutions were \$770,054 and \$535,311, and bank balance before reconciling items were \$685,553 and \$572,062 for years ended December 31, 2020 and 2019, 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 \$103,275 and \$65,493 on deposit uninsured above the FDIC limit for years ended December 31, 2020 and 2019, 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 \$918,455 and \$766,096, at December 31, 2020 and 2019, respectively, 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, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Depreciable assets:		
Coastkeeper garden	\$ 526,605	\$ 526,605
Coastkeeper van	29,645	29,645
Boat and tractor	61,709	61,709
Total depreciable assets	<u>617,959</u>	<u>617,959</u>
Less: accumulated depreciation	<u>(275,733)</u>	<u>(240,713)</u>
Total property and equipment, net	<u>\$ 342,226</u>	<u>\$ 377,246</u>

Depreciation expense on property and equipment for the years ended December 31, 2020 and 2019 were \$33,423 and \$35,020, respectively.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2020 and 2019

Note 4 – Long-Term Debt

Small Business Administration Disaster promissory note

In June 14, 2020, the Organization entered into an agreement with U.S. Small Business Administration (“SBA”) to finance the business operation. In the agreement, the Organization received \$150,000 from the SBA with annual interest rate at 2.75% for 30 years. The installment payments, including principal and interest, of \$641 monthly, will begin 12 months from the date of the promissory note. The first installment payment will be in June, 2021. As of December 31, 2020, the outstanding balance of the promissory note was in the amount of \$150,000. At February 16, 2021, the Organization paid off this promissory note.

Note 5 – Payroll Protection Program

In April 2020, the Organization received a loan totaling \$224,532 from the SBA under the CARES Act Paycheck Protection Program (“PPP”). The loan balance is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in May 2022. The Organization satisfied the terms and conditions of forgiveness, and will recognize the forgivable portion of the loan as revenue during the year ended December 31, 2020. The Organization traced it as conditional contribution based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan record a gain on extinguishment, once the loan is forgiven. The Organization received final forgiveness notification on February 8, 2021.

Note 6 – Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Released</u>	<u>December 31, 2020</u>
Education	\$ 66,076	\$ 159,844	\$ (204,241)	\$ 21,679
Sustainability	42,706	28,728	(48,861)	22,573
Advocacy	52,208	193,000	(165,450)	79,758
Restoration	-	239,686	(233,967)	5,719
Total	<u>\$ 160,990</u>	<u>\$ 621,258</u>	<u>\$ (652,519)</u>	<u>\$ 129,729</u>
	<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>

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

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2020 and 2019

Note 7 – Fundraising Events

Fundraising events for the year ended December 31, 2020 was comprised of the following:

<u>Description</u>	<u>Toast The Coast</u>	<u>Rock The River</u>	<u>Total</u>
Fundraising events proceeds	\$ 77,161	\$ 1,500	\$ 78,661
Costs of direct benefits to attendees	-	-	-
Total fundraising events, net	<u>\$ 77,161</u>	<u>\$ 1,500</u>	<u>\$ 78,661</u>

Fundraising events for the year ended December 31, 2019 were 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)	(184)	(27,511)
Total fundraising events, net	<u>\$ 119,173</u>	<u>\$ 11,392</u>	<u>\$ 130,565</u>

Note 8 – 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, 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 May 31, 2021. Rental expense for all operating leases for the years ended December 31, 2020 and 2019 amounted to \$108,618 and \$86,918 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>
2021	\$ 95,334	\$ 7,500	\$ 5,760	\$ 108,594
Total	<u>\$ 95,334</u>	<u>\$ 7,500</u>	<u>\$ 5,760</u>	<u>\$ 108,594</u>

Note 9 – 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.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2020 and 2019

Note 10 – 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 11 – Subsequent Events

At February 17, 2021, the Organization received the second loan totaling \$204,415 from the SBA under PPP. The loan balance is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in February 2026.

Management evaluated the subsequent events from December 31, 2020 through April 12, 2021, the date on which the financial statements are available to be issued. No events other than described above have occurred subsequent to December 31, 2020 requiring recording or disclosure in the financial statements.

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