

Orange County Coastkeeper

Costa Mesa, California

Annual Financial Report

For the Years Ended December 31, 2021 and 2020



THE
PUN GROUP
ACCOUNTANTS & ADVISORS

Orange County Coastkeeper
For the Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Orange County Coastkeeper (Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
of Orange County Coastkeeper
Costa Mesa, California
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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The PwC Group, LLP

Santa Ana, California
May 5, 2022

FINANCIAL STATEMENTS

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**Orange County Coastkeeper
Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,874,888	\$ 1,788,924
Contributions receivable	245,335	2,668
Grants receivable	-	63,879
Prepays and deposits	7,920	8,550
Total current assets	2,128,143	1,864,021
Property and equipment, net (Note 3)	311,994	343,823
Total assets	\$ 2,440,137	\$ 2,207,844
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts and other payables	\$ 66,242	\$ 53,650
Accrued vacation payable	50,505	51,062
Loan current portion	-	4,487
Total current liabilities	116,747	109,199
Noncurrent liabilities:		
Loans (Note 4)	-	145,513
Total non-current liabilities	-	145,513
Total liabilities	116,747	254,712
Net assets:		
Without donor restrictions	2,027,433	1,823,403
With donor restrictions (Note 6)	295,957	129,729
Total net assets	2,323,390	1,953,132
Total liabilities and net assets	\$ 2,440,137	\$ 2,207,844

Orange County Coastkeeper
Statement of Activities
For the Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions (Note 6)	Total
Support and other revenue:			
Contributions, gifts and grants:			
Program service revenue	\$ 657,151	\$ 645,817	\$ 1,302,968
Direct public support	363,642	12,045	375,687
Governmental grants	236,140	233,116	469,256
Other revenue	67,057	-	67,057
Gain on sale of property and equipment	11,050	-	11,050
Investment earnings	3,413	-	3,413
Total support and other revenue	1,338,453	890,978	2,229,431
Net assets released from restrictions (Note 6)	724,750	(724,750)	-
Total revenue	2,063,203	166,228	2,229,431
Program expenses:			
Education	184,270	-	184,270
Sustainability	19,654	-	19,654
Advocacy	567,243	-	567,243
Restoration	235,828	-	235,828
Enforcement	621,015	-	621,015
Special projects	60,611	-	60,611
Total program expenses	1,688,620	-	1,688,620
Supporting services:			
Management and general	125,418	-	125,418
Fundraising	45,135	-	45,135
Total supporting services	170,553	-	170,553
Total expenses	1,859,173	-	1,859,173
Change in net assets	204,030	166,228	370,258
Net Assets:			
Beginning of year	1,823,403	129,729	1,953,132
End of year	\$ 2,027,433	\$ 295,957	\$ 2,323,390

Orange County Coastkeeper
Statement of Activities (Continued)
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 Functional Expenses
For the Year Ended December 31, 2021**

Expense category	Program Services						Special Projects	Total Program Expenses
	Education	Sustainability	Advocacy	Restoration	Enforcement			
Salaries and wages	\$ 142,309	\$ 16,911	\$ 246,057	\$ 53,350	\$ 266,950	\$ 50,599	\$ 776,176	
Payroll taxes	11,188	1,320	20,671	4,181	19,949	2,075	59,384	
Employee benefits	8,489	(2,539)	18,899	3,363	10,388	0	38,600	
Workers compensation	778	81	1,713	1,123	1,517	64	5,276	
Total salaries and benefits	162,764	15,774	287,339	62,017	298,804	52,739	879,436	
Automobile mileage	1,195	178	7,650	381	3,683	625	13,712	
Consultants	-	225	213,054	155,946	270,864	5,247	645,336	
Insurance	1,609	232	3,889	1,529	518	0	7,778	
Other	927	118	733	284	838	250	3,150	
Postage	28	6	47	30	888	18	1,018	
Printing	52	475	4,461	164	567	-	5,720	
Rent	13,023	-	34,674	11,445	17,696	696	77,534	
Supplies and equipment	3,203	2,647	12,560	3,639	25,988	1,037	49,075	
Travel	-	-	-	-	-	-	-	
Utilities	1,467	-	2,834	393	1,169	-	5,863	
Total other expenses	21,506	3,880	279,903	173,811	322,212	7,872	809,184	
Total program services	\$ 184,270	\$ 19,654	\$ 567,243	\$ 235,828	\$ 621,015	\$ 60,611	\$ 1,688,620	

Expense category	Supporting Services			
	Management and General	Fund - Raising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 48,185	\$ 33,316	\$ 81,501	\$ 857,677
Payroll taxes	3,326	3,244	6,570	65,954
Employee benefits	7,360	537	7,897	46,497
Workers compensation	(933)	258	(675)	4,601
Total salaries and benefits	57,937	37,355	95,292	974,728
Accounting and auditing	6,000	-	6,000	6,000
Automobile mileage	726	39	765	14,477
Consultants	2,358	-	2,358	647,693
Insurance	5,739	-	5,739	13,517
Other	4,240	483	4,723	7,872
Postage	626	472	1,098	2,115
Printing	17	82	99	5,819
Promotion and education	-	-	-	-
Rent	11,914	5,415	17,329	94,863
Supplies and equipment	2,292	913	3,205	52,280
Travel	-	-	-	-
Utilities	250	376	626	626
Total other expenses	34,161	7,780	41,941	845,263
Depreciation	33,319	-	33,319	33,319
Total supporting services	\$ 125,418	\$ 45,135	\$ 170,553	\$ 1,859,173

Orange County Coastkeeper
Statement of Functional Expenses (Continued)
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
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
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 370,258	\$ 193,088
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,319	33,423
Gain on sale of property and equipment.	(11,050)	-
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Contributions receivable	(242,667)	165,231
Grants receivable	63,879	(63,879)
Prepaid expense	630	(500)
Increase (Decrease) in liabilities:		
Accounts and other payables	12,592	(15,938)
Accrued vacation payable	(557)	25,892
Total adjustments	(143,854)	144,229
Net cash provided by (used in) operating activities	226,404	337,317
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing the new loan	-	150,000
Payments for loans	(150,000)	-
Net cash (used in) investing activities	(150,000)	150,000
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from sale of property and equipment	11,050	-
Acquisition of property and equipment	(1,490)	-
Net cash (used in) investing activities	9,560	-
 Net increase in cash and cash equivalents	85,964	487,317
 CASH AND CASH EQUIVALENTS:		
Beginning of year	1,788,924	1,301,607
End of year	\$ 1,874,888	\$ 1,788,924

Orange County Coastkeeper
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 is currently operated from the Costa Mesa office.

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 non-compliant 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.

The Organization is intensely involved in a campaign opposing a \$1.5 billion ocean desalination plant that will have high environmental impacts to the marine life and is not needed. In response to the October 2021 Huntington Beach Oil Spill, the Organization is building a statewide campaign to expedite the decommissioning of the remaining 27 offshore oil platforms.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

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. The Organization considers grants receivable to be fully collectible; accordingly, allowance for doubtful accounts is not required.

Revenues from Programs and Events

Programs and Events – Revenue from program and events from the members for conferences, programs, and special events is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the conferences, programs, and special events to the members. Revenue is recognized as performance obligations are satisfied, which is when the conference, program and special events took place. Any unearned amounts for payment received in advance for payments received are included in deferred revenue.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

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

Revenues from Programs and Events (Continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing the programs and events. The performance obligations for these contracts are generally completed when the programs and events are completed.

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.

Liquidity and Availability of Financial Assets

The following represents the Organization financial assets at December 31, 2021 and 2020:

Financial assets at year end:	2021	2020
Cash and cash equivalents	\$ 1,874,888	\$ 1,788,924
Contribution receivable	245,335	2,668
Grants and contracts receivable	-	63,879
Total financial assets	2,120,223	1,855,471
Less amounts not available to be used within one year:		
Net assets with donor restrictions	295,957	129,729
	295,957	129,729
Financial assets available to meet general expenditures over the next twelve months	\$ 1,824,266	\$ 1,725,742

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.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

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

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, 2021 and 2020.

Note 2 – Cash and Cash Equivalents

At December 31, 2021 and 2020, Cash and Cash Equivalents consist of the following:

	2021	2020
Deposits with financial institutions	\$ 852,805	\$ 770,054
Certificate of deposits	100,480	100,215
Money market mutual funds	921,403	918,455
Petty cash	200	200
Total Cash and Cash Equivalents	\$ 1,874,888	\$ 1,788,924

The carrying amount of the Organization’s deposits with financial institutions were \$852,805 and \$770,054, and bank balance before reconciling items were \$838,684 and \$685,553 for years ended December 31, 2021 and 2020, 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 \$26,347 and \$103,2753 on deposit uninsured above the FDIC limit for years ended December 31, 2021 and 2020, 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 \$921,403 and \$918,455, at December 31, 2021 and 2020, 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.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

Note 3 – Property and Equipment

Property and equipment at December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Depreciable assets:		
Coastkeeper garden	\$ 526,605	\$ 526,605
Coastkeeper van	29,645	29,645
Boat and tractor	<u>44,014</u>	<u>61,710</u>
Total depreciable assets	600,264	617,960
Less: accumulated depreciation	<u>(288,270)</u>	<u>(274,136)</u>
Total property and equipment, net	<u>\$ 311,994</u>	<u>\$ 343,824</u>

Depreciation expense on property and equipment for the years ended December 31, 2021 and 2020 were \$33,419 and \$33,423, respectively.

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. On 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.

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

Note 6 – Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Released</u>	<u>December 31, 2021</u>
Education	\$ 21,679	\$ 276,455	\$ (208,493)	\$ 89,641
Sustainability	22,573	-	(22,573)	-
Advocacy	79,758	373,450	(298,219)	154,989
Restoration	5,719	241,073	(195,465)	51,327
Total	<u>\$ 129,729</u>	<u>\$ 890,978</u>	<u>\$ (724,750)</u>	<u>\$ 295,957</u>

	<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
Special projects	-	-	-	-
Total	<u>\$ 160,990</u>	<u>\$ 621,258</u>	<u>\$ (652,519)</u>	<u>\$ 129,729</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 7 – Fundraising Events

There are no fundraising event for the year ended December 31, 2021.

Fundraising events for the year ended December 31, 2020 were 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>

Orange County Coastkeeper
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2021 and 2020

Note 8 – Operating Lease Agreements

The Organization leases its administrative offices in Costa Mesa, California, and an office in Riverside, California, (Inland Empire), under operating leases in the amount of \$4,193 from January 1, 2021 to April 1, 2021, \$5,708 from April 1, 2021 to June 30, 2021, and \$7,729 from July 1, 2021 to December 31, 2021 for Costa Mesa Office, and \$625 for Inland Empire Office. The Inland Empire lease is a month-to-month lease since May 1, 2016. Rental expense for all operating leases for the years ended December 31, 2021 and 2020 amounted to \$89,337 and \$108,618 respectively.

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

Year	Costa Mesa Office	Inland Empire Office	Total Office Lease
2022	\$ 100,500	\$ 7,500	\$ 108,000
Total	\$ 100,500	\$ 7,500	\$ 108,000

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.

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

The Organization has evaluated subsequent events through May 5, 2022, the date of the Consolidated Financial Statements were available to be issued, and is not aware of any other subsequent events which would require recognition or disclosure in the Consolidated Financial Statements.

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