

# **Orange County Coastkeeper**

Costa Mesa, California

## **Annual Financial Report**

*For the Years Ended December 31, 2022 and 2021*



THE  
**PUN GROUP**  
ACCOUNTANTS & ADVISORS



**Orange County Coastkeeper**  
**For the Years Ended December 31, 2022 and 2021**

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	5
Statements of Activities .....	6
Statements of Functional Expenses .....	8
Statements of Cash Flows .....	10
Notes to the Financial Statements .....	11

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## INDEPENDENT AUDITORS' REPORT



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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Orange County Coastkeeper (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 Auditors' 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.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the Organization implemented Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

#### *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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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  
April 28, 2023

## **FINANCIAL STATEMENTS**

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**Orange County Coastkeeper  
Statements of Financial Position  
December 31, 2022 and 2021**

ASSETS	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,844,413	\$ 1,874,888
Contributions receivable	351,474	245,335
Prepays and deposits	7,412	7,920
<b>Total current assets</b>	<u>2,203,299</u>	<u>2,128,143</u>
<b>Non-current assets:</b>		
Property and equipment, net	279,588	311,994
Right to use assets, net	246,795	329,061
<b>Total non-current assets</b>	<u>526,383</u>	<u>641,055</u>
<b>Total assets</b>	<u>\$ 2,729,682</u>	<u>\$ 2,769,198</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts and other payables	\$ 98,951	\$ 66,242
Accrued vacation payable	66,018	50,505
Current portion of lease liability	86,331	81,315
<b>Total current liabilities</b>	<u>251,300</u>	<u>198,062</u>
<b>Non-current liabilities:</b>		
Non-current portion of lease liability	188,964	275,295
<b>Total non-current liabilities</b>	<u>188,964</u>	<u>275,295</u>
<b>Total liabilities</b>	<u>440,264</u>	<u>473,357</u>
<b>Net assets:</b>		
Without donor restrictions	1,996,432	1,999,884
With donor restrictions	292,986	295,957
<b>Total net assets</b>	<u>2,289,418</u>	<u>2,295,841</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,729,682</u>	<u>\$ 2,769,198</u>

**Orange County Coastkeeper**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and other revenue:</b>			
<b>Contributions, gifts and grants:</b>			
Program service revenue	\$ 776,505	\$ 779,582	\$ 1,556,087
Direct public support	329,062	-	329,062
Governmental grants	143,545	32,232	175,777
Fundraising events	141,340	-	141,340
Other revenue	145,008	-	145,008
Investment loss	(369)	-	(369)
<b>Total support and other revenue</b>	<b>1,535,091</b>	<b>811,814</b>	<b>2,346,905</b>
<b>Net assets released from restrictions</b>	<b>814,785</b>	<b>(814,785)</b>	<b>-</b>
<b>Total revenue</b>	<b>2,349,876</b>	<b>(2,971)</b>	<b>2,346,905</b>
<b>Program expenses:</b>			
Education	314,972	-	314,972
Advocacy	727,788	-	727,788
Restoration	108,180	-	108,180
Enforcement	888,801	-	888,801
Special projects	115,653	-	115,653
<b>Total program expenses</b>	<b>2,155,394</b>	<b>-</b>	<b>2,155,394</b>
<b>Supporting services:</b>			
Management and general	113,850	-	113,850
Fundraising	84,084	-	84,084
<b>Total supporting services</b>	<b>197,934</b>	<b>-</b>	<b>197,934</b>
<b>Total expenses</b>	<b>2,353,328</b>	<b>-</b>	<b>2,353,328</b>
<b>Change in net assets</b>	<b>(3,452)</b>	<b>(2,971)</b>	<b>(6,423)</b>
<b>Net Assets:</b>			
Beginning of year	1,999,884	295,957	2,295,841
End of year	<u>\$ 1,996,432</u>	<u>\$ 292,986</u>	<u>\$ 2,289,418</u>

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

	2021 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and other revenue:</b>			
<b>Contributions, gifts and grants:</b>			
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
<b>Total support and other revenue</b>	<b>1,338,453</b>	<b>890,978</b>	<b>2,229,431</b>
<b>Net assets released from restrictions (Note 6)</b>	<b>724,750</b>	<b>(724,750)</b>	<b>-</b>
<b>Total revenue</b>	<b>2,063,203</b>	<b>166,228</b>	<b>2,229,431</b>
<b>Program expenses:</b>			
Education	185,472	-	185,472
Sustainability	19,655	-	19,655
Advocacy	578,172	-	578,172
Restoration	240,176	-	240,176
Enforcement	624,956	-	624,956
Special projects	61,372	-	61,372
<b>Total program expenses</b>	<b>1,709,803</b>	<b>-</b>	<b>1,709,803</b>
<b>Supporting services:</b>			
Management and general	131,283	-	131,283
Fundraising	45,635	-	45,635
<b>Total supporting services</b>	<b>176,918</b>	<b>-</b>	<b>176,918</b>
<b>Total expenses</b>	<b>1,886,722</b>	<b>-</b>	<b>1,886,722</b>
<b>Change in net assets</b>	<b>176,481</b>	<b>166,228</b>	<b>342,709</b>
<b>Net Assets:</b>			
Beginning of year	1,823,403	129,729	1,953,132
End of year	<u>\$ 1,999,884</u>	<u>\$ 295,957</u>	<u>\$ 2,295,841</u>

**Orange County Coastkeeper  
Statement of Functional Expenses  
For the Year Ended December 31, 2022**

Expense category	Program Services						Total Program Expenses
	Education	Sustainability	Advocacy	Restoration	Enforcement	Special Projects	
Salaries and benefits:							
Salaries and wages	\$ 216,946	\$ -	\$ 305,452	\$ 41,810	\$ 326,022	\$ 72,994	\$ 963,224
Payroll taxes	18,061	-	24,134	3,468	23,630	3,523	72,816
Employee benefits	14,265	-	23,215	6,188	12,404	-	56,072
Workers compensation	1,522	-	2,269	284	1,961	3,124	9,160
Total salaries and benefits	250,794	-	355,070	51,750	364,017	79,641	1,101,272
Other expenses:							
Automobile mileage	5,098	-	5,511	894	3,027	947	15,477
Bad debt	-	-	-	-	107,769	-	107,769
Consultants	5,615	-	234,763	30,275	342,553	17,982	631,188
Insurance	275	-	6,519	1,025	-	-	7,819
Other	3,214	-	515	821	714	378	5,642
Postage	137	-	513	18	143	59	870
Printing	493	-	7,936	349	925	1,037	10,740
Rent	-	-	22,562	4,463	-	-	27,025
Supplies and equipment	31,719	-	49,883	4,628	45,063	15,609	146,902
Travel	-	-	4,924	1,790	4,733	-	11,447
Utilities	1,946	-	3,350	380	1,140	-	6,816
Total other expenses	48,497	-	336,476	44,643	506,067	36,012	971,695
Amortization	12,716	-	29,388	9,558	15,178	-	66,840
Interest	2,965	-	6,854	2,229	3,539	-	15,587
Total program services	\$ 299,291	\$ -	\$ 691,546	\$ 96,393	\$ 870,084	\$ 115,653	\$ 2,155,394
<b>Supporting Services</b>							
Expense category	Management and General	Fund - Raising	Total Supporting Services	Total Expenses			
Salaries and benefits:							
Salaries and wages	\$ 41,684	\$ 47,719	\$ 89,403	\$ 1,052,627			
Payroll taxes	3,061	3,494	6,555	79,371			
Employee benefits	8,954	4,110	13,064	69,136			
Workers compensation	894	317	1,211	10,371			
Total salaries and benefits	54,593	55,640	110,233	1,211,505			
Other expenses:							
Accounting and auditing	7,000	-	7,000	7,000			
Automobile mileage	703	169	872	16,349			
Bad debt	-	-	-	107,769			
Consultants	1,430	-	1,430	632,618			
In-kind	-	4,321	4,321	4,321			
Insurance	5,658	-	5,658	13,477			
Other	3,330	1,599	4,929	10,571			
Postage	(170)	166	(4)	866			
Printing	5	2	7	10,747			
Rent	(9,107)	-	(9,107)	17,918			
Supplies and equipment	4,669	16,386	21,055	167,957			
Travel	-	-	-	11,447			
Utilities	332	417	749	7,565			
Total other expenses	13,850	23,060	36,910	1,008,605			
Amortization	11,060	4,366	15,426	82,266			
Depreciation	32,406	-	32,406	32,406			
Interest	1,941	1,018	2,959	18,546			
Total supporting services	\$ 113,850	\$ 84,084	\$ 197,934	\$ 2,353,328			

See accompanying Notes to the Financial Statements.

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

Expense category	Program Services						Total Program Expenses
	Education	Sustainability	Advocacy	Restoration	Enforcement	Special Projects	
Salaries and wages	\$ 142,309	\$ 16,911	\$ 246,057	\$ 53,350	\$ 266,950	\$ 50,599	\$ 776,177
Payroll taxes	11,188	1,320	20,670	4,181	19,949	2,075	59,383
Employee benefits	8,489	(2,539)	18,900	3,363	10,388	-	38,601
Workers compensation	779	81	1,714	1,123	1,517	64	5,278
Total salaries and benefits	162,765	15,773	287,341	62,017	298,804	52,738	879,438
Automobile mileage	1,195	178	7,649	382	3,683	625	13,712
Consultants	-	225	213,055	155,947	270,864	5,247	645,338
Insurance	1,608	232	3,889	1,529	518	0	7,777
Other	927	118	733	284	838	250	3,150
Postage	29	6	47	29	888	18	1,017
Printing	52	475	4,461	164	567	-	5,719
Rent	-	-	7,727	3,420	2,400	696	14,243
Supplies and equipment	3,203	2,648	12,559	3,509	25,894	1,037	48,850
Utilities	1,467	-	2,834	393	1,169	-	5,863
Total other expenses	8,481	3,882	252,954	165,657	306,821	7,872	745,668
Amortization	11,293	-	30,069	9,925	15,346	604	67,237
Interest	2,933	-	7,808	2,577	3,985	157	17,460
Total program services	\$ 185,472	\$ 19,655	\$ 578,172	\$ 240,176	\$ 624,956	\$ 61,372	\$ 1,709,803

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	65,953
Employee benefits	7,360	537	7,897	46,498
Workers compensation	(934)	258	(676)	4,602
Total salaries and benefits	57,936	37,355	95,291	974,730
Accounting and auditing	6,000	-	6,000	6,000
Automobile mileage	725	39	764	14,476
Consultants	2,359	-	2,359	647,697
Insurance	5,739	-	5,739	13,516
Other	4,239	483	4,722	7,872
Postage	626	472	1,098	2,115
Printing	17	82	99	5,818
Rent	4,543	-	4,543	18,786
Supplies and equipment	2,293	913	3,206	52,056
Utilities	251	376	627	6,490
Total other expenses	26,792	2,365	29,157	774,825
Amortization	10,332	4,696	15,028	82,265
Depreciation	33,319	-	33,319	33,319
Interest	2,904	1,219	4,123	21,583
Total supporting services	\$ 131,283	\$ 45,635	\$ 176,918	\$ 1,886,722

See accompanying Notes to the Financial Statements.

**Orange County Coastkeeper**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (6,423)	\$ 342,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,406	33,319
Gain on sale of property and equipment.	-	(11,050)
Amortization	82,266	82,265
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Contributions receivable	(106,139)	(242,667)
Grants receivable	-	63,879
Prepaid expense	508	630
Increase (Decrease) in liabilities:		
Accounts and other payables	32,709	12,592
Accrued vacation payable	15,513	(557)
<b>Total adjustments</b>	<b>57,263</b>	<b>(61,589)</b>
<b>Net cash provided by operating activities</b>	<b>50,840</b>	<b>281,120</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments for loans	-	(150,000)
Payment for lease	(81,315)	(54,716)
<b>Net cash (used in) investing activities</b>	<b>(81,315)</b>	<b>(204,716)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceed from sale of property and equipment	-	11,050
Acquisition of property and equipment	-	(1,490)
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>9,560</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>(30,475)</b>	<b>85,964</b>
 <b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	1,874,888	1,788,924
End of year	<b>\$ 1,844,413</b>	<b>\$ 1,874,888</b>

**Orange County Coastkeeper**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**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 four 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** – It was one of the five established program pillars or departments in the year ended December 31, 2021. However, the Organization closed this pillar program in the year ended December 31, 2022, and moved the functions to other departments.

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, 2022 and 2021**

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**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 (“U.S. GAAP”). 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 U.S. GAAP 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, 2022 and 2021**

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**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.

**Right-to-Use Asset**

A right-to-use asset is recognized at the commencement date of a lease. The right-to-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-to-use assets are amortized on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the amortization is over its estimated useful life. Right-to-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**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, 2022 and 2021.

**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>Accrual Per Month</u>	<u>Accrual Per Year</u>	<u>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.

**Orange County Coastkeeper**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

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

**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.

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, 2022 and 2021:

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,844,413	\$ 1,874,888
Contribution	351,168	245,335
Total financial assets	<u>2,195,581</u>	<u>2,120,223</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>292,986</u>	<u>295,957</u>
	<u>292,986</u>	<u>295,957</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,902,595</u>	<u>\$ 1,824,266</u>

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, 2022 and 2021**

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**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, 2022 and 2021.

**Recently Adopted Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, and amended guidance for the treatment of leases. The new standard requires lessees to recognize on the balance sheet a right of use asset representing its right to use the underlying asset for the lease term and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard and requires both qualitative and quantitative disclosures regarding the nature of the Organization’s leasing activities. The new standard is effective for nonprofit organizations beginning after December 15, 2021. The Organization has adopted *Topic 842* for the year ended December 31, 2022.

**Note 2 – Cash and Cash Equivalents**

On December 31, 2022 and 2021, Cash and Cash Equivalents consist of the following:

	2022	2021
Deposits with financial institutions	\$ 823,545	\$ 852,805
Certificate of deposits		100,480
Money market mutual funds	1,020,668	921,403
Petty cash	200	200
Total Cash and Cash Equivalents	\$ 1,844,413	\$ 1,874,888

The carrying amount of the Organization’s deposits with financial institutions at \$823,545 and \$852,805, and bank balance before reconciling items were \$817,580 and \$838,684 at December 31, 2022 and 2021, 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 \$4,136 and \$26,347 on deposit uninsured above the FDIC limit at December 31, 2022 and 2021, 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.

**Orange County Coastkeeper**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

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**Note 2 – Cash and Cash Equivalents (Continued)**

These investments totaled \$1,020,668 and \$921,403, at December 31, 2022 and 2021, 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, 2022 and 2021 are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Depreciable assets:		
Coastkeeper garden	\$ 526,605	\$ 526,605
Coastkeeper van	29,645	29,645
Boat and tractor	42,524	42,524
Computer	1,490	1,490
Total depreciable assets	<u>600,264</u>	<u>600,264</u>
Less: accumulated depreciation	<u>(320,676)</u>	<u>(288,270)</u>
Total property and equipment, net	<u><u>\$ 279,588</u></u>	<u><u>\$ 311,994</u></u>

Depreciation expense on property and equipment for the years ended December 31, 2022 and 2021 were \$32,406 and \$33,319, respectively.

**Note 4 – Lease Payable**

The Organization leases its administrative office space on January 1, 2021, under a noncancelable five-year agreement. As required by *Topic 842*, the Organization recorded the right-to-use assets and the lease payable in the amount of \$411,326 on January 1, 2021.

For the years ended December 31, 2022 and 2021, the amortization of the right-to-use assets is \$82,266 and \$82,265, respectively. The payment schedule for the future years is as follows:

Year Ended			
December 31,	Principal	Interest	Total
2023	\$ 86,331	\$ 14,169	\$ 100,500
2024	91,655	8,845	100,500
2025	<u>97,309</u>	<u>3,191</u>	<u>100,500</u>
Total	<u><u>275,295</u></u>	<u><u>26,205</u></u>	<u><u>301,500</u></u>

**Orange County Coastkeeper**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

**Note 5 – 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, began 12 months from the date of the promissory note. The first installment payment was in June 2021. On February 16, 2021, the Organization paid off this promissory note.

**Note 6 – Net Assets with Donor Restrictions**

Restricted net assets are available for the following purposes:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Released</u>	<u>December 31, 2022</u>
Education	\$ 89,641	\$ 376,478	\$ (287,436)	\$ 178,683
Sustainability	-	-	-	-
Advocacy	154,989	303,000	(400,582)	57,407
Restoration	51,327	132,336	(126,767)	56,896
Total	<u>\$ 295,957</u>	<u>\$ 811,814</u>	<u>\$ (814,785)</u>	<u>\$ 292,986</u>

  

	<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>

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**

Fundraising events for the year ended December 31, 2022 were comprised of the following:

<u>Description</u>	<u>Toast The Coast</u>	<u>Rock The River</u>	<u>Total</u>
Fundraising events proceeds	\$ 141,340	\$ -	\$ 141,340
Costs of direct benefits to attendees	(18,561)	-	(18,561)
Total fundraising events, net	<u>\$ 122,779</u>	<u>\$ -</u>	<u>\$ 122,779</u>

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

**Orange County Coastkeeper**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

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**Note 8 – 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 9 – 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 10 – Subsequent Events**

The Organization has evaluated subsequent events through April 28, 2023, the date of the financial statements were available to be issued, and is not aware of any other subsequent events which would require recognition or disclosure in the Financial Statements.

**Note 11 – Restatements**

Due to the implementation of ASU No. 2016-02, *Leases* (Topic 842), the Organization restated certain balances in its 2021 financial statements as follows:

<b>Statement of Net Position</b>			
	As Previously Reported		As Restated
Assets:			
Right-to-use assets, net	\$ -	\$	329,061
Liabilities:			
Current portion of lease liability	-		81,315
Noncurrent portion of lease liability	-		275,295
Net Assets:			
Without donor restriction	2,027,433		1,999,884
<b>Statement of Activities</b>			
	As Previously Reported		As Restated
Program Expenses:			
Education	\$ 184,270	\$	185,472
Sustainability	19,654		19,655
Advocacy	567,243		578,172
Restoration	235,528		240,176
Enforcement	621,015		624,956
Special Projects	60,611		61,372
Supporting services:			
Management and general	125,418		131,283
Fundraising	45,135		45,635