



ORANGE COUNTY
COASTKEEPER®

Orange County Coastkeeper

Financial Statements

December 31, 2023 and 2022



BRETT BRADBURY CPA PC

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BRETT BRADBURY CPA PC
NONPROFIT AUDIT |
REVIEW | COMPILATION

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the accompanying financial statements of Orange County Coastkeeper (nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Orange County Coastkeeper as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Orange County Coastkeeper and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Orange County Coastkeeper's, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards, I:

- 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 Orange County Coastkeeper'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Coastkeeper's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Prior Period Financial Statements

The financial statements of Orange County Coastkeeper as of and for the year ended December 31, 2022 were audited by The Pun Group, LLP. The report issued by The Pun Group, LLP expressed an unmodified opinion on those statements.

Brett Bradbury CPA PC

Long Beach, California

March 26, 2024

**Orange County Coastkeeper
Statements of Financial Position
December 31, 2023 and 2022**

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,905,037	\$ 1,844,413
Contributions receivable	346,360	351,474
Total Current Assets	2,251,397	2,195,887
Long-Term Assets		
Accrued revenue	750,000	-
Property and equipment, net	597	279,588
Operating lease right-of-use assets	544,476	246,795
Deposits	8,050	7,412
Total Long-Term Assets	1,303,123	533,795
Total Assets	\$ 3,554,520	\$ 2,729,682
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 45,087	\$ 98,951
Accrued liabilities	72,625	66,018
Operating lease liabilities, current portion	89,311	86,331
Total Current Liabilities	207,023	251,300
Long-Term Liabilities		
Operating lease liabilities, net of current portion	455,165	188,964
Total Long-Term Liabilities	455,165	188,964
Total Liabilities	662,188	440,264
Net Assets		
Without donor restrictions	2,582,290	1,996,432
With donor restrictions	310,042	292,986
Total Net Assets	2,892,332	2,289,418
Total Liabilities and Net Assets	\$ 3,554,520	\$ 2,729,682

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

**Orange County Coastkeeper
Statements of Activities
Years Ended December 31, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contracts	\$ 362,398	\$ 661,772	\$ 1,024,170	\$ 193,204	\$ 811,814	\$ 1,005,018
Program revenue	1,725,085	-	1,725,085	1,071,490	-	1,071,490
Contributions	112,845	56,988	169,833	129,427	-	129,427
In-kind contributions	8,005	-	8,005	4,321	-	4,321
Special events	142,560	-	142,560	137,018	-	137,018
Net assets released from restrictions	701,704	(701,704)	-	814,785	(814,785)	-
Total Support and Revenue	<u>3,052,597</u>	<u>17,056</u>	<u>3,069,653</u>	<u>2,350,245</u>	<u>(2,971)</u>	<u>2,347,274</u>
Expenses						
Program services:						
Education	456,998	-	456,998	314,972	-	314,972
Advocacy	469,813	-	469,813	727,788	-	727,788
Restoration	78,186	-	78,186	108,180	-	108,180
Enforcement	750,115	-	750,115	888,801	-	888,801
Special projects	222,480	-	222,480	115,653	-	115,653
Total Program Services	<u>1,977,592</u>	<u>-</u>	<u>1,977,592</u>	<u>2,155,394</u>	<u>-</u>	<u>2,155,394</u>
Supporting services:						
Management and general	102,839	-	102,839	113,850	-	113,850
Fundraising	173,781	-	173,781	84,084	-	84,084
Total Supporting Services	<u>276,620</u>	<u>-</u>	<u>276,620</u>	<u>197,934</u>	<u>-</u>	<u>197,934</u>
Total Expenses	<u>2,254,212</u>	<u>-</u>	<u>2,254,212</u>	<u>2,353,328</u>	<u>-</u>	<u>2,353,328</u>
Nonoperating Revenue						
Investment income (loss), net	30,985	-	30,985	(369)	-	(369)
Loss on disposal of fixed assets	(272,081)	-	(272,081)	-	-	-
Other income	339	-	339	-	-	-
Total Nonoperating Revenue	<u>(240,757)</u>	<u>-</u>	<u>(240,757)</u>	<u>(369)</u>	<u>-</u>	<u>(369)</u>
Change in net assets	557,628	17,056	574,684	(3,452)	(2,971)	(6,423)
Net assets, beginning of year as previously reported	1,996,432	292,986	2,289,418	1,999,884	295,957	2,295,841
Prior period adjustment (Note 15)	28,230	-	28,230	-	-	-
Net assets, beginning of year as restated	<u>2,024,662</u>	<u>292,986</u>	<u>2,317,648</u>	<u>1,999,884</u>	<u>295,957</u>	<u>2,295,841</u>
Net assets, end of year	<u>\$ 2,582,290</u>	<u>\$ 310,042</u>	<u>\$ 2,892,332</u>	<u>\$ 1,996,432</u>	<u>\$ 292,986</u>	<u>\$ 2,289,418</u>

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

**Orange County Coastkeeper
Statement of Functional Expenses
Year Ended December 31, 2023**

	Program Services					Total Program Services	Supporting Services		Total
	Education	Advocacy	Restoration	Enforcement	Special Projects		Management and General	Fundraising	
Salaries and Related Expenses									
Salaries and wages	\$ 279,512	\$ 311,698	\$ 47,239	\$ 224,689	\$ 159,997	\$ 1,023,135	\$ 46,776	\$ 64,564	\$ 1,134,475
Payroll taxes	23,596	24,271	3,397	15,074	12,996	79,334	3,740	3,850	86,924
Employee benefits	19,642	27,064	5,255	16,666	6,298	74,925	9,656	357	84,938
Total Salaries and Related Expenses	322,750	363,033	55,891	256,429	179,291	1,177,394	60,172	68,771	1,306,337
Other Expenses									
Bank and merchant fees	5,142	718	152	590	518	7,120	1,822	4,693	13,635
Contracted services	17,028	19,233	60	425,511	-	461,832	-	62,000	523,832
Cost of direct benefits to donors	-	-	-	-	-	-	-	11,863	11,863
Depreciation and amortization	-	-	-	-	-	-	6,686	-	6,686
In-kind expenses	-	-	-	-	-	-	-	8,005	8,005
Insurance	2,351	4,265	1,123	-	-	7,739	5,868	-	13,607
Postage and delivery	91	13	5	27	25	161	401	156	718
Printing and publications	1,387	204	445	224	1,284	3,544	-	1,147	4,691
Professional fees	-	-	-	-	-	-	7,000	-	7,000
Rent expense	18,500	40,995	15,395	24,742	13,125	112,757	10,273	8,685	131,715
Small equipment	2,371	-	-	-	2,743	5,114	-	-	5,114
Supplies	76,597	26,085	3,944	35,169	21,025	162,820	9,515	7,824	180,159
Travel	-	2,786	140	3,981	413	7,320	-	-	7,320
Utilities	2,844	2,970	395	1,078	-	7,287	413	201	7,901
Vehicle expense	7,937	9,511	636	2,364	4,056	24,504	689	436	25,629
Total Other Expenses	134,248	106,780	22,295	493,686	43,189	800,198	42,667	105,010	947,875
Total Expenses	<u>\$ 456,998</u>	<u>\$ 469,813</u>	<u>\$ 78,186</u>	<u>\$ 750,115</u>	<u>\$ 222,480</u>	<u>\$ 1,977,592</u>	<u>\$ 102,839</u>	<u>\$ 173,781</u>	<u>\$ 2,254,212</u>

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

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

	Program Services					Total Program Services	Supporting Services		
	Education	Advocacy	Restoration	Enforcement	Special Projects		Management and General	Fundraising	Total
Salaries and Related Expenses									
Salaries and wages	\$ 216,946	\$ 305,452	\$ 41,810	\$ 326,022	\$ 72,994	\$ 963,224	\$ 41,684	\$ 47,719	\$ 1,052,627
Payroll taxes	18,061	24,134	3,468	23,630	3,523	72,816	3,061	3,494	79,371
Employee benefits	15,787	25,484	6,472	14,365	3,124	65,232	9,848	4,427	79,507
Total Salaries and Related Expenses	250,794	355,070	51,750	364,017	79,641	1,101,272	54,593	55,640	1,211,505
Other Expenses									
Bad debt expense	-	-	-	107,769	-	107,769	-	-	107,769
Bank and merchant fees	-	-	-	-	-	-	6,816	-	6,816
Contracted services	5,615	109,837	30,275	342,553	17,982	506,262	1,430	-	507,692
Cost of direct benefits to donors	-	-	-	-	-	-	-	13,464	13,464
Depreciation and amortization	26,623	29,388	9,558	15,178	-	80,747	29,559	4,366	114,672
Dues and subscriptions	-	-	-	-	-	-	2,253	-	2,253
Equipment rental	-	-	-	-	711	711	-	-	711
In-kind expenses	-	-	-	-	-	-	-	4,321	4,321
Insurance	275	6,519	1,025	-	-	7,819	-	-	7,819
Interest expense	2,965	6,854	2,229	3,539	-	15,587	1,941	1,018	18,546
Licenses and fees	-	-	-	-	-	-	1,219	-	1,219
Marketing and promotion	-	124,926	-	-	-	124,926	-	2,922	127,848
Office expense	1,120	515	821	714	378	3,548	3,330	1,599	8,477
Postage and delivery	137	513	18	143	59	870	-	166	1,036
Printing and publications	493	7,936	349	925	1,037	10,740	5	2	10,747
Professional fees	-	-	-	-	-	-	7,000	-	7,000
Rent expense	-	22,562	4,463	-	-	27,025	-	-	27,025
Supplies	22,363	49,883	4,628	45,063	14,898	136,835	4,669	-	141,504
Travel	-	4,924	1,790	4,733	-	11,447	-	-	11,447
Utilities	1,946	3,350	380	1,140	-	6,816	332	417	7,565
Vehicle expense	2,641	5,511	894	3,027	947	13,020	703	169	13,892
Total Other Expenses	64,178	372,718	56,430	524,784	36,012	1,054,122	59,257	28,444	1,141,823
Total Expenses	<u>\$ 314,972</u>	<u>\$ 727,788</u>	<u>\$ 108,180</u>	<u>\$ 888,801</u>	<u>\$ 115,653</u>	<u>\$ 2,155,394</u>	<u>\$ 113,850</u>	<u>\$ 84,084</u>	<u>\$ 2,353,328</u>

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

**Orange County Coastkeeper
Statements of Cash Flows
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 574,684	\$ (6,423)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,686	32,406
Amortization of operating lease right-of-use asset	246,795	82,266
Loss on disposal of property and equipment	272,081	-
(Increase) decrease in operating assets:		
Contributions receivable	5,114	(106,139)
Prepaid expenses	-	508
Accrued revenue	(750,000)	-
Deposits	(638)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(53,864)	32,709
Accrued liabilities	6,607	15,513
Operating lease liabilities, net	(246,841)	(81,315)
Net cash provided (used) by operating activities	60,624	(30,475)
Net increase (decrease) in cash and cash equivalents	60,624	(30,475)
Cash and cash equivalents, beginning of year	1,844,413	1,874,888
Cash and cash equivalents, end of year	\$ 1,905,037	\$ 1,844,413
 Cash and cash equivalents consists of:		
Unrestricted cash and cash equivalents	\$ 1,594,995	\$ 1,551,427
Restricted cash and cash equivalents	310,042	292,986
	\$ 1,905,037	\$ 1,844,413
 Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ -	\$ 18,546
Income taxes paid	\$ -	\$ -
 Supplemental Disclosure of Noncash Investing and Financing Activities		
Operating lease right-of use-assets obtained in exchange for lease liabilities	\$ 544,476	\$ 329,061

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

Orange County Coastkeeper Notes to Financial Statements

NOTE 1 – ORGANIZATION

Orange County Coastkeeper (the “Organization”) is a California nonprofit public benefit organization that was formed in 1999 as described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code and is 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.

The Organization initiates and conducts Special Programs in addition to the four 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 Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The statements of financial position are presented in order of liquidity.

The Organization classifies revenue, other support, and expenses into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.
- *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include bank checking accounts used for operating purposes and highly liquid investments available for current use with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

Accounts Receivable

Accounts receivable is stated at the amount billed to companies for legal and compliance fees that the Organization incurs enforcing the Clean Water Act. Receivables are recorded at estimated fair value at the time of origination, and are reflected in the statements of financial position net of allowances for doubtful accounts. The allowance for doubtful accounts is determined by a monthly and annual review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted. The Organization did not have accounts receivable as of December 31, 2023 and 2022.

Contributions Receivable

Contributions receivable are unconditional promises received and are recorded when the promise to contribute is made. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. All contributions receivable for the years ended December 31, 2023 and 2022 are expected to be collected within one year. The Organization uses the allowance method to record uncollectible unconditional promises to give. The allowance is based on prior years’ experience and management’s analysis of specific promises made. There was no allowance for uncollectible promises to give at December 31, 2023 and 2022.

Orange County Coastkeeper Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Revenue

Accrued revenue consists of earned revenue that is recorded as an asset, since the performance obligations have occurred, but the amount has not been billed or invoiced. See Note 4.

Fair Value Measurements

The Organization carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Examples of such assets are actively traded stocks, bonds, and mutual funds. This Level of data is given priority over Level 2 and 3 data in establishing fair market value.
- Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly. An example of such an asset is an investment that is not traded actively and therefore no quoted price is available, but other similar investments have traded recently, or other data such as interest or yield rates are available that allows for a valuation of the asset. This Level of data is given priority over Level 3 data in establishing a fair market value.
- Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data. In this situation, unobservable data may be used to make the best fair value determination possible.

Property and Equipment

Property and equipment used in the operations of the Organization are stated at cost or, if donated, at the fair value at the date of contribution. All donated assets are reported as unrestricted support unless donors' stipulations specify how the assets must be used. The Organization reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies with donor restricted net assets to without donor restricted net assets at that time. Property and equipment with a cost of at least \$2,500 and a useful life of three years or more is capitalized. Depreciation on both purchased and donated items is recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Coastkeeper Garden	20 years
Vehicles	5-7 years
Machinery and equipment	3-5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that increase the fixed asset values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Orange County Coastkeeper Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Expenditures for fixed assets that are purchased with government funds are expensed when acquired because the grantor retains title to such assets.

Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by depreciation taken prior to the sale. Gains and losses are recognized in the statements of activities and changes in net assets upon disposal of property and equipment. See Note 5.

Impairment of Long-lived Assets

The Organization reviews its investment in long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2023 and 2022, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

Deposits

Deposits are amounts paid on lease agreements that are expected to be refunded at the end of the lease term unless renewed.

Compensated Absences

The Organization's employees earn paid-time-off (PTO) based on the amount of time worked annually. Unused PTO for full-time employees is cumulative from year to year and can be accrued. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

Leases

The Organization leases office space under an operating lease. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying balance sheets. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

Orange County Coastkeeper Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Organization has elected to use the risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

Revenue Recognition

Grants and Contracts

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. Revenue from grants that are nonreciprocal are treated like contributions. These funds are deemed conditional as they are subject to specific measurable barriers such as procurement and reporting requirements and specific cost requirements prior to being eligible for reimbursement. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction.

For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied.

Program Revenue

Program revenue consists of funds earned from litigation, compliance monitoring funds, and beach cleanups. See Note 10.

Funds earned from litigation and compliance monitoring are earned as the work is being performed and is recorded once a final amount is determinable to be paid by the defendant to the Organization. Revenue is recognized for beach cleanups as the cleanups are taking place.

Orange County Coastkeeper

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Program Revenue (continued)

Amounts received prior to revenue recognition are recorded as deferred revenue. Amounts expected to be recognized as revenue within the 12 months following the statement of financial position date are classified as deferred revenue within current liabilities in the accompanying statements of financial position. Amounts not expected to be recognized as revenue within the 12 months following the statement of financial position date are classified as deferred revenue—noncurrent. Amounts recognized as revenue, but not yet received or invoiced are generally recognized as contract assets in the Other current assets line item in the statements of financial position. The Organization did not have any deferred revenue for the years ended December 31, 2023 and 2022.

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional promises to give (contributions receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Amounts received that are restricted for future periods or by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction.

In-Kind Contributions

In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Organization needed to purchase from an outside source. The fair market value is determined through active markets of identical or similar items. For the years ended December 31, 2023 and 2022, in-kind contributions were \$8,005 and \$4,321, respectively. See Note 13.

Orange County Coastkeeper

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Event Revenue

Revenue from special events includes sponsorships, ticket sales, and donations. Sponsorship and ticket sales are recognized in the period in which the event occurs. See Note 12.

Contributed Services

Several volunteers have donated significant amounts of time and services to the Organization's program operations and to its fundraising campaigns. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under U.S. GAAP.

Investment Income

The Organization invests cash with a national brokerage firm that manages the Organization's portfolio, which consists of money market funds and certificates of deposits. 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 have original maturities of three months or less and are considered cash equivalents. Investment income (loss) for the years ended December 31, 2023 and 2022, consisted of interest income and unrealized losses for \$30,985 and -\$369 respectively.

Income Taxes

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. As of December 31, 2023 and 2022, management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

The Organization's returns are subject to potential examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. Any interest or penalties assessed to the Organization are recorded in other expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Orange County Coastkeeper Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with more than one program or supporting service have been allocated among the programs and supporting services benefited based on a percentage of direct salaries method. The percentage of direct salaries method assigns time spent by employees on each program or support service to obtain overall percentages spent on each organizational activity.

Overhead expenses and supporting departments are allocated based on headcount percentages for each program and supporting department. Depreciation and facility costs are allocated based on square footage of the space used by each department.

Marketing and Promotion

The Organization expenses marketing and promotion costs as they are incurred. These costs are incurred to promote fundraising events and its programs. Marketing and promotion costs for the years ended December 31, 2023 and 2022, were \$0 and \$127,847, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues, expenses and changes in net assets during the reporting period. While management believes that these estimates are adequate as of December 31, 2023 and 2022, it is possible that actual results could differ from those estimates, and the difference could be material to the financial statements.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Orange County Coastkeeper Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

The standard had a material impact to Organization's statement of financial position as of December 31, 2022, but did not have a material impact on the Organization's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of December 31, 2022.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*. ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Organization to use forward-looking information to better formulate its credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted.

At the beginning of the first quarter of 2023, the Organization adopted ASU 2016-13. The Organization adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Organization's financial statements.

Reclassifications

Certain amounts in the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 presentation. Such reclassifications have no material effect on reported change in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditure, that is, without donor or other restrictions limiting their use, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,905,037	\$ 1,844,413
Contributions receivable	346,360	351,168
Financial assets available within one year	2,251,397	2,195,581
Less: Donor-imposed restrictions		
Restricted by donors for Education	(241,857)	(178,683)
Restricted by donors for Advocacy	(25,506)	(57,407)
Restricted by donors for Restoration	(42,679)	(56,896)
Total financial assets available for general use	<u>\$ 1,941,355</u>	<u>\$ 1,902,595</u>

Orange County Coastkeeper Notes to Financial Statements

NOTE 3 – LIQUIDITY AND AVAILABILITY (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 – ACCRUED REVENUE

The Organization has accrued a material amount of revenue, which consists of fees and costs of an ongoing case with Corona Clay Company ("Corona Clay"). Corona Clay processes clay products in Corona, California, at an industrial facility overlooking the Temescal Creek. Those industrial activities create "storm water discharge," which Corona Clay may release under a General Permit from the California State Water Resources Board. The permit requires Corona Clay to maintain a Storm Water Pollution Prevention Plan ("SWPPP") ensuring that discharges don't exceed specified pollutant levels.

The Organization filed an action in 2018 alleging Corona Clay violated the conditions of the General Permit and discharged polluted storm water into Temescal Creek, which then flowed into the Pacific Ocean, via the Santa Ana River. The court found Corona Clay had committed 664 daily violations of the SWPPP. For the year ended December 31, 2023, management has estimated that \$750,000 of fees and costs have been accrued on the case. Since there is no timeline on when the fees and costs will be collected, management has classified Accrued Revenue as a non-current asset on the Statement of Financial Position.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2023	2022
Coastkeeper garden	\$ -	\$ 526,605
Vehicles	72,170	72,170
Machinery and equipment	1,491	1,491
	73,661	600,266
Accumulated depreciation	(73,064)	(320,678)
Property and equipment, net	\$ 597	\$ 279,588

Depreciation expense for the years ended December 31, 2023 and 2022 was \$6,686 and \$32,406, respectively.

For the year ended December 31, 2023, the Organization disposed of the Coastkeeper garden. In 2009, the Organization began construction of a 2.5 acre "drought tolerant demonstration garden" located on the campus of Santiago Canyon Community College (the "College") in the City of Orange. To complete the garden, the Organization was provided a grant from California State Parks. In the grant contract, it was stipulated that the Organization maintain and keep the garden open to the public for twenty years, making the commitment of the garden through 2029.

Orange County Coastkeeper Notes to Financial Statements

NOTE 5 – PROPERTY AND EQUIPMENT (continued)

The College suffered a lawsuit for the Americans with Disabilities Act issues throughout the campus. With this lawsuit against the College, the garden transitioned from being perceived as a popular asset to an exposure to liability, as the garden was a natural space, without concrete walkways or railing or paved parking.

The garden was closed during the pandemic and when the garden was set to reopen in 2022, the College mandated that the garden not open and be permanently shut down. This was communicated to California State Parks and legislation was needed to formally authorize a modification of the grant contract. See Note 16.

With the closure of the garden and in its current state, not fit for operation, the garden is impaired and has been written down to no value for the year ended December 31, 2023. The cost of the garden of \$526,605 along with the accumulated depreciation of \$254,524 were removed from the books and a loss of disposal was recorded for \$272,081.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

	2023	2022
Accrued vacation	\$ 72,625	\$ 66,018
	\$ 72,625	\$ 66,018

NOTE 7 – RETIREMENT PLAN

403(b) Deferred Compensation Plan

The Organization offers eligible employees the opportunity for participation in a 403(b) retirement plan (the “Plan”). The effective date of the Plan was January 1, 2023. Employees may contribute to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Organization contributes a matching contribution equal to 3% of compensation. Participants are fully vested in their own contributions. Employees are vested in the employer contributions as follows:

Years of Service	% Vested
Less than 1 year	0%
1 year or more	100%

For the year ended December 31, 2023, the Organization contributed approximately \$21,345 to the Plan.

Orange County Coastkeeper Notes to Financial Statements

NOTE 8 – LEASES

Operating Leases

For the years ended December 31, 2023 and 2022, the Organization reported lease liabilities in accordance with ASU Topic 842 – Leases. The lease agreement does not include any material residual value guarantees or restrictive covenants.

Future minimum lease payments under non-cancellable leases are as follows for the year ended December 31, 2023:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 109,112
2025	114,568
2026	120,296
2027	126,311
2028	132,626
Total minimum lease payments	602,913
Less: imputed interest	(58,437)
Present value of minimum lease payments	544,476
Current portion	(89,311)
Long-term portion	\$ 455,165

Additional information related to leases for the year ended December 31, 2023 is as follows:

Operating lease cost	\$ 109,823
Short-term lease cost	\$ 7,500
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 114,855
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 544,476
Weighted-average remaining lease term	5.00 years
Weighted-average discount rate	3.93 %

Total expenses for all leases for the years ended December 31, 2023 and 2022 totaled \$131,715 and \$27,205, respectively.

Orange County Coastkeeper Notes to Financial Statements

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by the donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at December 31:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Advocacy	\$ 25,506	\$ 57,407
Education	241,857	178,683
Restoration	42,679	56,896
Total Subject to Expenditure for Specified Purpose	310,042	292,986
Total Net Assets With Donor Restrictions	\$ 310,042	\$ 292,986

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2023	2022
Purpose Restrictions Accomplished:		
Advocacy	\$ 120,270	\$ 400,582
Education	504,953	287,436
Restoration	76,481	126,767
Total Purpose Restrictions Accomplished	701,704	814,785
Total Net Assets Released From Restrictions	\$ 701,704	\$ 814,785

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants and Contracts

Certain services of the Organization are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Organization will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current grants, or the inability to obtain future grants, could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Litigation

The Organization maintains a legal department with staff attorneys to identify primarily industrial polluters and collect evidence, and under the federal Clean Water Act, the Organization files legal challenges in federal court. In each case, the remedies the Organization seeks are engineering solutions the defendant agrees to install to clean up the polluting facility. Each case consent decree is reviewed by the Federal Department of Justice to ensure the environment is served.

Orange County Coastkeeper Notes to Financial Statements

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Litigation (continued)

Typical expenses in the cases are water monitoring (collecting evidence), water analysis by state-certified laboratories, consulting engineers, outside counsel in addition to our in-house counsel, and monitoring the defendant’s facility three to five years after the consent decree is entered to ensure all that was agreed to is installed, completed, and working as planned.

Though the Organization’s budget and related financial planning is based on a calendar year, legal cases are not. There are many variables that determine when a case will close and funds are distributed. In most legal cases, expenses will be incurred prior to revenue recognition, since revenue is not determinable until a consent decree is issued by the court.

NOTE 11 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization’s business could be significant and have a material impact on its financial position and operating results and could have a potential future impact on its business and financial statements.

NOTE 12 – SPECIAL EVENTS

The Organization conducts special events in order to assist in program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for program operations.

For the year ending December 31, 2023, special events revenue and expenses were as follows:

	Toast the Coast	Total
Fundraising event proceeds	\$ 150,565	\$ 150,565
Costs of direct benefits to donors	(19,868)	(19,868)
	\$ 130,697	\$ 130,697

For the year ending December 31, 2022, special events revenue and expenses were as follows:

	Toast the Coast	Total
Fundraising event proceeds	\$ 141,339	\$ 141,339
Costs of direct benefits to donors	(17,785)	(17,785)
	\$ 123,554	\$ 123,554

Orange County Coastkeeper Notes to Financial Statements

NOTE 13 – DONATED GOODS AND SERVICES

Donated goods and services (Level 2 inputs) consisted of the following as of December 31, 2023:

<u>Nonfinancial Assets</u>	<u>Revenue Recognized</u>	<u>Program/ Activity Utilization</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Supplies (Silent Auction- Fundraising Event)	\$ 8,005	Fundraising	None	Market cost of similar goods
	<u>\$ 8,005</u>			

Donated goods and services (Level 2 inputs) consisted of the following as of December 31, 2022:

<u>Nonfinancial Assets</u>	<u>Revenue Recognized</u>	<u>Program/ Activity Utilization</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Supplies (Silent Auction- Fundraising Event)	\$ 4,321	Fundraising	None	Market cost of similar goods
	<u>\$ 4,321</u>			

NOTE 14 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash and equivalents with major financial institutions. At times, such amounts may exceed Federal Depository Insurance Corporation (“FDIC”) limits. FDIC protection is \$250,000 per depositor, per insured bank, for each account ownership category. The Organization has uninsured cash balances for the years ended December 31, 2023 and 2022 of \$924,562 and \$647,948, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization received \$490,000 of support from three grantors and \$508,000 of support from two grantors, which amounts to approximately 36% and 40% of total support received for the years ended December 31, 2023 and 2022, respectively.

The Organization received \$675,000 of program revenue from two defendants and \$714,000 of program revenue from three defendants, which amounts to approximately 39% and 67% of total program revenue received for the years ended December 31, 2023 and 2022, respectively.

Orange County Coastkeeper Notes to Financial Statements

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Certain errors in previously issued financial statements were discovered and corrected in 2023 which resulted in an increase in the balance of net assets without donor restrictions.

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2022, as previously reported	\$ 1,996,432	\$ 292,986	\$ 2,289,418
Adjustment for understatement in right-of-use assets ⁽¹⁾	28,230	-	28,230
Balance, December 31, 2022, as corrected	<u>\$ 2,024,662</u>	<u>\$ 292,986</u>	<u>\$ 2,317,648</u>

⁽¹⁾ The previous lease agreement for office space was incorrectly classified as a finance lease instead of an operating lease. The finance lease calculation recognized expenses at a higher amount than if it were recognized as an operating lease, which caused right-of-use assets to be understated.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 26, 2024, the date which the accompanying financial statements were available to be issued. The following subsequent events have occurred since December 31, 2023:

Legislation AB 1806 was introduced with the language that California State Parks modify the grant contract with the Organization regarding the twenty-year commitment of the Coastkeeper garden. In March 2024, the Organization was notified by California State Parks that a letter was being written by their legal department withdrawing the Organization from the grant contract with no fault of the Organization. Legislation would no longer be necessary and the letter of withdrawal was executed in March 2024.

Management is not aware of any other subsequent events that would require recognition or disclosure in the financial statements.