

Audited Financial Statements



December 31, 2022 and 2021

Quigley & Miron

**Los Angeles Waterkeeper
Audited Financial Statements
Table of Contents
December 31, 2022 and 2021**

Page
Number

Independent Auditor’s Report	1
Audited Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

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Independent Auditor's Report

Board of Directors
Los Angeles Waterkeeper
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Los Angeles Waterkeeper (Organization), a nonprofit 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 cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 GAAS 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 GAAS, 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.

Los Angeles, California
August 3, 2023

A handwritten signature in cursive script that reads "Quigley & Miron". The signature is written in black ink and is positioned to the right of the date and location text.

**Los Angeles Waterkeeper
Statements of Financial Position
December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 908,983	\$ 831,292
Accounts receivable	151,486	
Contributions receivable	95,158	534,425
Prepaid expenses	21,029	59,013
	<u>1,176,656</u>	<u>1,424,730</u>
Total Current Assets		
Noncurrent assets		
Property and equipment, net— Note 3	13,173	
Deposits— Note 4	12,447	30,000
Operating lease right-of-use-asset— Note 4	460,711	
	<u>486,331</u>	<u>30,000</u>
Total Noncurrent Assets		
	<u>\$ 1,662,987</u>	<u>\$ 1,454,730</u>
 Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 141,622	\$ 184,473
Accrued vacation payable	36,889	42,990
Operating lease liability, current— Note 4	91,143	
	<u>269,654</u>	<u>227,463</u>
Total Current Liabilities		
Long-term liabilities		
Operating lease liability— Note 4	384,071	
	<u>384,071</u>	
Total Long-Term Liabilities		
 Net Assets		
Without donor restrictions	748,203	541,374
With donor restrictions— Note 5	261,059	685,893
	<u>1,009,262</u>	<u>1,227,267</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 1,662,987</u>	<u>\$ 1,454,730</u>

See notes to financial statements.

Los Angeles Waterkeeper
Statements of Activities
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions		
Support		
Contributions and grants	\$ 286,738	\$ 376,996
CARES Act grants—Note 6		130,260
Revenue		
Program revenue—case recovery	1,596,564	195,240
Special events		
Gross revenue	298,665	354,165
Less cost of direct benefits to donors	(75,147)	(71,192)
Special Events, Net	223,518	282,973
Interest income	1,269	773
Other revenue	15,917	2,208
Total Support and Revenue	2,124,006	988,450
Net assets released from restrictions	1,306,208	452,595
Total Support, Revenue, and Reclassifications	3,430,214	1,441,045
Expenses		
Program services		
Advocacy/litigation	2,278,316	689,456
Marine program	188,699	196,840
Watershed program	181,078	155,751
Education/outreach	274,035	135,690
Total Program Services	2,922,128	1,177,737
Management and general	139,610	164,781
Fundraising and development	161,647	186,832
Total Expenses	3,223,385	1,529,350
Change in Net Assets Without Donor Restrictions	206,829	(88,305)
With Donor Restrictions		
Contributions and grants	881,374	901,223
Net assets released from restrictions	(1,306,208)	(452,595)
Change in Net Assets With Donor Restrictions	(424,834)	448,628
Change in Net Assets	(218,005)	360,323
Net Assets at Beginning of Year	1,227,267	866,944
Net Assets at End of Year	\$ 1,009,262	\$ 1,227,267

See notes to financial statements.

Los Angeles Waterkeeper
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services					Management and General	Fundraising and Development	Special Events	Total
	Advocacy/ Litigation	Marine Program	Watershed Program	Education/ Outreach	Total Program Services				
Expenses									
Salaries	\$ 393,809	\$ 101,800	\$ 117,791	\$ 67,448	\$ 680,848	\$ 86,198	\$ 64,017	\$	\$ 831,063
Payroll taxes	31,210	7,811	9,487	4,456	52,964	7,007	6,051		66,022
Employee benefits	24,008	13,559	5,887	2,934	46,388	12,034	5,436		63,858
Total Personnel Expenses	449,027	123,170	133,165	74,838	780,200	105,239	75,504		960,943
Accounting	17,717	4,662	5,363	3,184	30,926	3,866	3,108		37,900
Boat expenses		21,258			21,258	1,785			23,043
Case recovery	1,323,387		3,257		1,326,644				1,326,644
Communications	129	34	1,539	110,461	112,163	1,059	23		113,245
Cost of direct benefit to donors								75,147	75,147
Depreciation						223			223
Dues and subscriptions	3,674	676	509	279	5,138	439	382		5,959
Grants	325,332	63	73	45,043	370,511				370,511
Insurance	2,045	593	872	558	4,068	2,229	351		6,648
Other expenses	2,566	675	901	5,242	9,384	561	47,372		57,317
Payroll service fees	2,810	739	850	505	4,904	613	493		6,010
Professional fees	39,050	9,180	5,555	6,546	60,331	3,404	12,933		76,668
Rent and occupancy	58,895	11,828	13,436	7,976	92,135	10,216	7,786		110,137
Supplies and equipment	32,992	8,108	10,241	13,881	65,222	7,576	11,274		84,072
Travel and meetings	17,627	4,689	4,525	5,074	31,915	1,761	1,879		35,555
Workers compensation	3,065	3,024	792	448	7,329	639	542		8,510
Total Expenses by Function	2,278,316	188,699	181,078	274,035	2,922,128	139,610	161,647	75,147	3,298,532
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors								(75,147)	(75,147)
Total Expenses	\$ 2,278,316	\$ 188,699	\$ 181,078	\$ 274,035	\$ 2,922,128	\$ 139,610	\$ 161,647	\$	\$ 3,223,385

See notes to financial statements.

Los Angeles Waterkeeper
Statement of Functional Expenses
Year Ended December 31, 2021

Expenses	Program Services					Management and General	Fundraising and Development	Special Events	Total
	Advocacy/ Litigation	Marine Program	Watershed Program	Education/ Outreach	Total Program Services				
Salaries	\$ 204,340	\$ 115,999	\$ 111,089	\$ 83,814	\$ 515,242	\$ 106,789	\$ 121,658	\$	\$ 743,689
Payroll taxes	17,043	7,235	8,792	5,487	38,557	9,082	11,537		59,176
Employee benefits	5,834	9,977	4,770	4,006	24,587	9,261	3,314		37,162
Total Personnel Expenses	227,217	133,211	124,651	93,307	578,386	125,132	136,509		840,027
Accounting	15,670	4,722	5,366	4,308	30,066	4,722	8,141		42,929
Boat expenses		35,833			35,833				35,833
Case recovery	190,336		2,208		192,544				192,544
Communications	310	94	3,106	18,435	21,945	94	161		22,200
Cost of direct benefit to donors								71,192	71,192
Dues and subscriptions	3,399	237	269	215	4,120	237	409		4,766
Insurance	2,852	859	977	781	5,469	859	1,484		7,812
Grants	200,000			300	200,300				200,300
Other expenses	2,113	1,650	660	1,698	6,121	756	2,252		9,129
Payroll service fees						3,952			3,952
Professional fees	3,475	3,373	1,737	2,303	10,888	1,048	11,630		23,566
Rent and occupancy	25,333	7,634	8,675	6,940	48,582	7,634	13,186		69,402
Supplies and equipment	18,270	6,128	6,570	6,195	37,163	5,380	11,998		54,541
Travel and meetings	481	819	1,532	1,208	4,040	5,902	1,062		11,004
Workers compensation		2,280			2,280	9,065			11,345
Total Expenses by Function	689,456	196,840	155,751	135,690	1,177,737	164,781	186,832	71,192	1,600,542
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors								(71,192)	(71,192)
Total Expenses	\$ 689,456	\$ 196,840	\$ 155,751	\$ 135,690	\$ 1,177,737	\$ 164,781	\$ 186,832	\$	\$ 1,529,350

See notes to financial statements.

Los Angeles Waterkeeper
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operations		
Change in net assets	\$ (218,005)	\$ 360,323
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	223	
Operating lease right-of-use asset	(460,711)	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(151,486)	163,221
(Increase) decrease in contributions receivable	439,267	(297,160)
(Increase) decrease in prepaid expenses	37,984	(8,243)
Decrease in deposits	17,553	
Increase (decrease) in accounts payable and accrued expenses	(42,851)	176,179
Increase (decrease) in accrued vacation payable	(6,101)	3,025
Increase in operating lease liability	475,214	
Cash Provided by Operating Activities	<u>91,087</u>	<u>397,345</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(13,396)	
Cash Used in Investing Activities	<u>(13,396)</u>	
Net Increase in Cash and Cash Equivalents	<u>77,691</u>	<u>397,345</u>
Cash and Cash Equivalents at Beginning of Year	<u>831,292</u>	<u>433,947</u>
Cash and Cash Equivalents at End of Year	<u>\$ 908,983</u>	<u>\$ 831,292</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Los Angeles Waterkeeper (Organization) is a California nonprofit public benefit organization dedicated to the protection and preservation of swimmable, fishable and drinkable waters of the inland and coastal regions throughout Los Angeles County. The Organization’s mission is to fight for the health of the region’s waterways, and for sustainable, equitable and climate-friendly water supplies. We envision the Los Angeles region as an international leader on integrated water management; a region that is water self-sufficient, where our waterways are safe, healthy and accessible to the public.

The Organization maintains a full-time staff of skilled environmental scientists, attorneys and educators, who preside over three major program areas: Pollution Prevention, Healthy Habitats, and Systems Change. These program campaigns conduct public education, advocacy, and outreach as follows:

Pollution Prevention—The **Pollution Prevention** program is committed to the elimination of ongoing pollution of the LA region’s coastal, inland, and ground waters. The program focuses on regulatory and legal enforcement around urban and stormwater runoff, including engaging communities and partners in these efforts, while also tracking other sources of pollution (sewage spills, industrial discharges) to ensure there is no backsliding of gains already made. A hallmark effort of this program includes the **Community Water Watch** which offers sampling training to volunteers living in industrial communities that face high pollution burdens across LA County. The water quality analysis results support the Organization’s Advocacy efforts and partner community organizations’ environmental justice work. In 2022, the organization settled 12 Industrial Stormwater cases resulting in substantive halting of pollution to local waterways. In addition, the Organization responded to major oil and sewage spills in the region, acting as an advocate and watchdog for the public interest by holding agencies accountable.

Healthy Habitats—The **Healthy Habitats** program works to achieve ecosystem health and resiliency for all the region’s waters so they can support the communities and wildlife that depend on them. The Organization does this through its Marine and Watershed programs, which seek to revitalize our coastal and riparian habitats through research, fieldwork, engagement with diverse communities, broad-based coalition building, and regulatory and legal enforcement and advocacy. We continued advocating for a healthy and resilient **LA River** through legal action, prevailing on a lawsuit to halt development on the lower portion of the river. We also led efforts to have the LA River listed as one of America’s most endangered rivers which brought much needed media attention to the region.

Healthy Habitats Marine Program—The heart of the Healthy Habitats: Marine Program is the **Marine Protected Area Watch** (MPA Watch). With MPA Watch, the Organization conducts coastal water monitoring trips providing on-the-water learning opportunities for volunteers. This community-science survey experience often includes witnessing sea life, interactions with cargo barges, trash flows, and illegal fishing, which serve as experiential reminders of how dramatically human behavior influences the planet. In 2022, LA Waterkeeper conducted over 60 MPA Watch trips, bringing 574 volunteers and community members along for the experience. LA Waterkeeper also engages the public through beach and river cleanups and at community fairs, schools, and eco conferences.

Systems Change—The **Systems Change** program works to ensure local, low-carbon, and affordable water supplies and water-friendly land use & energy policies by holding our elected and agency officials accountable, promoting a 4R (Reduce, Reuse, Recycle and Restore) approach to water systems, and partnering with likeminded groups promoting water-friendly land-use, transportation, and energy policies. A hallmark accomplishment of this program was securing \$130 million for wastewater recycling in the state budget as well as launching an initiative to reshape the Metropolitan Water District into an agency that will lead the way on water conservation and recycling. We continued to lead efforts of the Safe Clean Water Program and approved millions of dollars for regional and municipal stormwater capture projects.

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. It is the policy of the Organization to record donor-restricted contributions received and expended in the same reporting period as support without restrictions.

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease is required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. Considering the previous operating leases were for terms less than one year, the Organization has adopted ASU No. 2016-02 for the year ended December 31, 2022 using a prospective approach, and has adjusted the presentation of the financial statements accordingly.

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 the Organization’s education and outreach program campaigns to protect and preserve the waters of Los Angeles County. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; no such activities occurred during the years ended December 31, 2022 and 2021.

Income Taxes—The Internal Revenue Service (IRS) has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Organization is exempt from California state income taxes from the Franchise Tax Board.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2022 and 2021. Generally, the Organization’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on premises generated through the course of daily activities and cash on deposit with banks as well as money market funds or short-term investments held at financial institutions, with original maturities of three months or less from the date of purchase.

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, and receivables.

The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business. The Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. The Organization’s management has assessed the credit risk associated with its cash deposits held at December 31, 2022 and 2021 and believes it is not exposed to any significant credit risk with its cash and cash equivalents, however, due to the current risk and uncertainties affecting financial institutions (see Note 8), the related impact cannot be reasonably estimated at this time.

Accounts receivable at December 31, 2022 are due from organizations well-known to the Organization, with favorable past payment histories. Management of the Organization has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary. Contributions receivable consist of balances from individuals, local foundations and corporations. The Organization has determined that no allowance for potential losses due to uncollectible receivables was necessary at December 31, 2022 and 2021.

Property and Equipment—Purchased property and equipment are recorded at cost, and donated assets are recorded at the estimated fair value on the date of receipt. The Organization depreciates its property and equipment using the straight-line-method over the following estimated useful lives:

Boat	5 years
Furniture and equipment	5 years
Website	3 years

Repairs and maintenance costs are expensed as incurred. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used and gifts of cash or other assets that must be used to acquire and maintain long-lived assets are reported as restricted support. Absent explicit donor stipulations, the Organization reports expirations of donor restrictions when such long-lived assets are placed in service.

Contributions—Contributions are reported as support in the period received and as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities. Contributions whose restrictions are met in the same year as the contribution is made are initially classified as net assets without donor restrictions.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue Recognition—The Organization’s revenue recognition policies are as follows:

Program revenue—case recovery—Revenues from case recoveries are recognized upon the settlement of litigation for individual cases. Revenues earned but not yet received are recognized as accounts receivable on the statement of financial position.

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Special events—The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. The Organization values benefits, primarily the meals and entertainment, at the actual cost.

Interest income—Interest income is recognized when received and is reported under revenue in the statement of activities.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Personnel expenses, accounting, boat expenses, communications, dues and subscriptions, insurance, other expenses, payroll service fees, professional fees, rent and occupancy, supplies and equipment, travel and meetings, and workers compensation are allocated on the basis of estimates of time and effort. Depreciation is charged directly to management and general.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain amounts in 2021 have been reclassified to conform with the 2022 financial statement presentation.

Note 2—Availability and Liquidity

The Organization’s goal is generally to maintain financial assets to meet six to nine months of core operating expenses (approximately \$100,000 per month). As part of its liquidity plan, excess cash is invested in money market accounts and savings accounts. The bank in which the Organization’s checking account is maintained also provides interest on a monthly basis.

The following represents the Organization’s financial assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 743,082	\$ 679,824
Accounts receivable	151,486	
Contributions receivable	95,158	534,425
	<u>989,726</u>	<u>1,214,249</u>
Current Availability of Financial Assets	<u>\$ 989,726</u>	<u>\$ 1,214,249</u>

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 3—Property and Equipment, Net

The major classes of property and equipment, net at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Boat	\$ 64,780	\$ 64,780
Website	25,000	25,000
Office Furniture	13,396	
	<u>103,176</u>	<u>89,780</u>
Total Property and Equipment	103,176	89,780
Less accumulated depreciation and amortization	(90,003)	(89,780)
	<u>(90,003)</u>	<u>(89,780)</u>
Net	<u>\$ 13,173</u>	<u>\$</u>

Depreciation expense totaled \$223 for the year ended December 31, 2022.

Note 4—Commitments and Contingencies

In the normal course of operations, the Organization is subject to certain loss contingencies, such as litigation. In management's opinion, the liability, if any, for such contingencies will not have a material effect on the Organization's financial position.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, management deems the contingency remote since, by accepting the gift and its terms, it is acknowledging the requirements of the grantor at the time of receipt.

In October 2014, the Organization entered into an office lease agreement with a company affiliated with a board member and paid a \$30,000 rent deposit, which is included in deposits in the statement of financial position at December 31, 2021. The lease term ended on June 30, 2020 and since transitioned to a month-to-month lease through August 2022. The Organization incurred rent expense totaling \$58,822 and \$69,403 for the years ended December 31, 2022 and 2021, respectively, under this lease agreement.

The Organization signed a new operating lease for office space effective September 1, 2022, for a term of 61 months with an unrelated party. The new lease required a deposit of \$12,177, which is included in deposits in the statement of financial position at December 31, 2022. With the adoption of ASU 2016-02, an operating lease right-of-use asset and an operating lease liability were recorded related to this operating lease using the lease term and monthly rental amounts, and a discount rate of 2.95%, amounting to \$492,223 at December 31, 2022. At December 31, 2022, the operating lease right-of-use asset and the related liability amounted to \$460,711 and \$475,214, respectively.

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 4—Commitments and Contingencies—Continued

Future minimum annual rental commitments by year for operating leases with maturities greater than one year from December 31, 2022, are as follows:

<u>Year Ending December 31,</u>		
2023	\$	91,143
2024		112,543
2025		115,920
2026		119,397
2027		70,723
		<hr/>
	Gross Rental Payments	509,726
Less effect of discounting		(34,512)
		<hr/>
	Operating Lease Liability	<u>\$ 475,214</u>

Office lease expense related to the right-of-use operating lease was \$34,752 during the year ended December 31, 2022.

Note 5—Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Accelerate Resilience L.A.	\$ 45,089	\$ 101,768
Dashboard Earth	32,312	
L.A. River Cleanup	30,000	
Metropolitan Water District	25,000	
Stormwater Outreach	18,500	
Healthy Habitats	15,000	
WHAM Coalition		49,700
	<hr/>	<hr/>
Total Subject to Purpose Restrictions	165,901	151,468
Subject to time restrictions:		
General operations	38,908	250,925
Metropolitan Water District	25,000	
Fellowship	13,750	
Making Waves	10,000	
Healthy Habitats	7,500	
Accelerate Resilience L.A.		33,500
WHAM Coalition		250,000
	<hr/>	<hr/>
Total Subject to Time Restrictions	95,158	534,425
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 261,059</u>	<u>\$ 685,893</u>

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 5—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
WHAM Coalition	\$ 588,950	\$ 200,300
Dashboard Earth	64,624	
L.A. River Cleanup	31,500	
Safe, Clean Water Program	15,030	
Healthy Habitats	15,000	
Satisfaction of time restrictions:		
General operations	250,925	237,265
WHAM Coalition	250,000	
Accelerate Resilience L.A.	90,179	15,030
Total Net Assets Released from Donor Restrictions	<u>\$ 1,306,208</u>	<u>\$ 452,595</u>

Note 6—CARES Act Grants

On February 18, 2021, the Organization received a \$130,260 grant through the Paycheck Protection Program (PPP) from the U.S. Small Business Administration (SBA) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The grant was designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 8) to keep their workers on the payroll. At December 31, 2021, the Organization recognized a total of \$130,260 in PPP grant revenue based on qualifying expenditures incurred, with no outstanding balance at year-end.

Note 7—Employee Benefit Plan

The Organization has a defined contribution retirement plan covering substantially all of its employees. The Board annually determines the amount to be contributed to the plan. Participants are fully vested after five years of service. The Organization made no contributions to the plan during the year ended December 31, 2021. Contributions to the plan during the year ended December 31, 2022 totaled \$13,144.

Note 8—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization has continued to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Los Angeles Waterkeeper
Notes to Financial Statements—Continued

Note 8—Risks and Uncertainties—Continued

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As of the date of this report, and as disclosed in Note 1, management does not believe the Organization is exposed to any significant financial risk as a result of this crisis.

Note 9—Subsequent Events

Management evaluated all activities of the Organization through August 3, 2023, which is the date the financial statements were available to be issued, and it was concluded that, other than the banking crisis described in Note 8, no other subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.