

PUGET SOUNDKEEPER ALLIANCE

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FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Puget Soundkeeper Alliance  
Seattle, Washington

We have audited the accompanying financial statements of Puget Soundkeeper Alliance (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

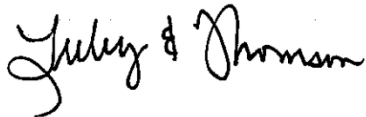
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Puget Soundkeeper Alliance as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Luby & Thomson". The signature is written in a cursive, flowing style.

Luby and Thomson, PLLC  
Certified Public Accountants  
Seattle, WA  
September 17, 2018

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 791,620	\$ 950,799
Receivables	101,983	20,388
Prepaid expenses	26,238	14,299
Total current assets	<u>919,841</u>	<u>985,486</u>
Property and equipment, net	16,459	20,699
Rent deposit	6,458	6,458
TOTAL ASSETS	<u>\$ 942,758</u>	<u>\$ 1,012,643</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,985	\$ 25,484
Accrued expenses	59,915	49,148
Deferred rent	8,995	12,849
Total current liabilities	<u>71,895</u>	<u>87,481</u>
NET ASSETS		
Unrestricted		
Undesignated	186,009	303,059
Board designated	463,304	460,748
	<u>649,313</u>	<u>763,807</u>
Temporarily restricted	221,550	161,355
Total net assets	<u>870,863</u>	<u>925,162</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 942,758</u>	<u>\$ 1,012,643</u>

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF ACTIVITIES AND NET ASSETS  
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 580,860	\$ 366,493	\$ 947,353
In-kind contributions	36,309	-	36,309
Earth Share of Washington contributions	5,075	-	5,075
Special events, net	163,580	-	163,580
Program fees	93,468	-	93,468
Interest income and other	742	-	742
	<u>880,034</u>	<u>366,493</u>	<u>1,246,527</u>
Net assets releases:			
Satisfaction of program restriction	<u>306,298</u>	<u>(306,298)</u>	<u>-</u>
 Total support and revenue	 <u>1,186,332</u>	 <u>60,195</u>	 <u>1,246,527</u>
<b>EXPENSES</b>			
Program services	1,056,571	-	1,056,571
Management and general	47,786	-	47,786
Fundraising and development	196,469	-	196,469
Total expense	<u>1,300,826</u>	<u>-</u>	<u>1,300,826</u>
 CHANGE IN NET ASSETS	 (114,494)	 60,195	 (54,299)
<b>NET ASSETS</b>			
Beginning of the year	763,807	161,355	925,162
End of the year	<u>\$ 649,313</u>	<u>\$ 221,550</u>	<u>\$ 870,863</u>

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF ACTIVITIES AND NET ASSETS  
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 606,540	\$ 269,901	\$ 876,441
In-kind contributions	34,843	-	34,843
Earth Share of Washington contributions	5,607	-	5,607
Special events, net	136,495	-	136,495
Program fees	134,476	-	134,476
Interest income and other	369	-	369
	<u>918,330</u>	<u>269,901</u>	<u>1,188,231</u>
Net assets releases:			
Satisfaction of program restriction	<u>306,807</u>	<u>(306,807)</u>	<u>-</u>
	<u>1,225,137</u>	<u>(36,906)</u>	<u>1,188,231</u>
<b>EXPENSES</b>			
Program services	812,440	-	812,440
Management and general	40,331	-	40,331
Fundraising and development	181,160	-	181,160
Total expense	<u>1,033,931</u>	<u>-</u>	<u>1,033,931</u>
<b>CHANGE IN NET ASSETS</b>	191,206	(36,906)	154,300
<b>NET ASSETS</b>			
Beginning of the year	<u>572,601</u>	<u>198,261</u>	<u>770,862</u>
End of the year	<u>\$ 763,807</u>	<u>\$ 161,355</u>	<u>\$ 925,162</u>

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017

	Program Services				Support Services			
	Sound- keeper	Outreach	Pollution Prevention	Total	Management & General	Fundraising & Development	Total	Total
Salaries and related	\$ 447,649	\$ 111,302	\$ 190,460	\$ 749,411	\$ 35,622	\$ 131,215	\$ 166,837	\$ 916,248
Professional services	43,938	9,463	7,741	61,142	6,717	16,108	22,825	83,967
Occupancy	32,805	9,475	14,299	56,579	2,609	10,090	12,699	69,278
Legal fund	82,871	-	-	82,871	-	-	-	82,871
Printing and publications	875	2,022	1,260	4,157	91	11,991	12,082	16,239
Supplies	1,552	4,906	9,026	15,484	74	3,925	3,999	19,483
Travel, mileage and parking	10,377	2,084	3,869	16,330	281	809	1,090	17,420
Boat	18,871	-	11,117	29,988	-	-	-	29,988
Equipment	4,170	1,889	1,726	7,785	323	1,189	1,512	9,297
Insurance	1,532	431	702	2,665	122	449	571	3,236
Other	761	3,215	4,835	8,811	1,113	11,957	13,070	21,881
Advertising and marketing	-	1,495	618	2,113	-	725	725	2,838
Postage and mailing	2,251	1,082	1,518	4,851	189	3,070	3,259	8,110
Dues and conferences	7,450	1,653	1,814	10,917	479	4,334	4,813	15,730
Depreciation	2,071	515	881	3,467	166	607	773	4,240
	<u>\$ 657,173</u>	<u>\$ 149,532</u>	<u>\$ 249,866</u>	<u>\$ 1,056,571</u>	<u>\$ 47,786</u>	<u>\$ 196,469</u>	<u>\$ 244,255</u>	<u>\$ 1,300,826</u>

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016

	Program Services				Support Services			Total
	Sound-keeper	Outreach	Pollution Prevention	Total	Management & General	Fundraising & Development	Total	
Salaries and related	\$ 319,819	\$ 86,383	\$ 177,490	\$ 583,692	\$ 29,346	\$ 114,405	\$ 143,751	\$ 727,443
Professional services	38,209	4,412	9,138	51,759	6,440	18,433	24,873	76,632
Occupancy	28,673	9,956	15,913	54,542	2,631	10,257	12,888	67,430
Legal fund	12,841	-	-	12,841	-	-	-	12,841
Printing and publications	1,303	1,646	9,971	12,920	130	11,818	11,948	24,868
Supplies	986	5,555	5,661	12,202	138	4,574	4,712	16,914
Travel, mileage and parking	9,187	1,072	3,376	13,635	50	2,458	2,508	16,143
Boat	19,795	-	11,925	31,720	-	-	-	31,720
Equipment	5,702	2,326	2,226	10,254	323	1,261	1,584	11,838
Insurance	1,300	351	822	2,473	119	465	584	3,057
Other	816	91	3,835	4,742	677	11,999	12,676	17,418
Advertising and marketing	-	8,059	-	8,059	-	250	250	8,309
Postage and mailing	1,785	841	1,182	3,808	160	888	1,048	4,856
Dues and conferences	3,763	1,328	2,322	7,413	197	3,885	4,082	11,495
Depreciation	1,304	352	724	2,380	120	467	587	2,967
	<u>\$ 445,483</u>	<u>\$ 122,372</u>	<u>\$ 244,585</u>	<u>\$ 812,440</u>	<u>\$ 40,331</u>	<u>\$ 181,160</u>	<u>\$ 221,491</u>	<u>\$ 1,033,931</u>

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Change in net assets	\$ (54,299)	154,300
Add (deduct) operating items not affecting cash:		
Depreciation expense	4,240	2,967
(Increase) decrease in accounts receivable	(81,595)	27,278
(Increase) decrease in prepaid expenses	(11,939)	754
(Increase) decrease in deposits	-	-
Increase (decrease) in accounts payable	(22,499)	17,461
Increase (decrease) in accrued expenses	10,767	(1,092)
Increase (decrease) in rent deduction	<u>(3,854)</u>	<u>(3,855)</u>
Net cash provided by operating activities	<u>(159,179)</u>	<u>197,813</u>
Cash flows from investing activities		
Purchase of equipment and improvements	<u>-</u>	<u>(6,830)</u>
Net increase (decrease) in cash	(159,179)	190,983
Cash, at beginning of year	<u>950,799</u>	<u>759,816</u>
Cash, at end of year	<u>\$ 791,620</u>	<u>\$ 950,799</u>

SUPPLEMENTAL DISCLOSURE

Cash paid for:

Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 1. ORGANIZATION**

**Nature of Activities**

Puget Soundkeeper Alliance (PSA) was established in 1984 in the State of Washington. The goal of PSA is to protect and preserve the Puget Sound by stopping the discharge of pollution into its waters. PSA accomplishes this goal by monitoring industrial and municipal compliance with the Clean Water Act on the water, in the courtroom and in the state and federal permitting offices. PSA also works with the business and recreational boater communities to stop pollution through education and incentive programs like Clean Marina.

Revenue is primarily derived from grants, public and private contributions and special events.

PSA's three major programs are:

Soundkeeper - PSA reviews Nation Pollution Discharge Permits, checks for compliance, and files citizen's lawsuits when not in compliance. PSA works to regulate storm water pollution and patrols and monitors the waters of Puget Sound in order to detect, document and report sources of illegal pollution. PSA works to secure improved policies and regulations that benefit the health of the Puget Sound.

Outreach – PSA has developed and maintains a redesigned web page and printed materials for outreach and education. The target audience is students, agency personnel, foundations and the general public, including recreational boaters.

Pollution Prevention – PSA prevents pollution by working with businesses, boaters and residents to reduce harmful pollution and clean up litter and marine debris along Puget Sound waterways.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by PSA are as follows:

**Basis of Accounting and Presentation**

The financial statements of PSA have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2017 or 2016.

PUGET SOUNDKEEPER ALLIANCE

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, PSA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents consist of checking, savings and money market accounts. At times bank balances may exceed the federally insured limit. PSA has not experienced any losses related to this risk in the past. Management believes that any potential losses related to this risk are not significant.

**Receivables**

Receivables consist primarily of grants and donations receivable and contracts receivable. All account balances are due in less than one year. No allowance for uncollectible balances has been established by management based upon PSA's historical experience in the collection of balances due.

**Property and Equipment**

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of three to ten years. PSA capitalizes assets that have a useful life greater than one year and a value greater than \$5,000.

**Revenue Recognition**

Contributions and grants are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted assets and reported in the statement of activities as net assets released from restrictions.

**In-Kind Contributions**

Donations of supplies, facilities and services are recorded as contribution support at the estimated fair value at the date of donation. During the years ended December 31, 2017 and 2016, PSA received donated goods and services valued at \$36,309 and \$34,843, respectively. In-kind goods and services were used in programs, management and general, and fundraising.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Board Designated Net Assets**

The Board of Directors has designated a legal fund and a reserve to be used in the future, as needed. The funds for these designated purposes are included in cash and cash equivalents.

**Estimates**

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Income Tax Status**

PSA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. PSA qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization has determined there are no uncertain tax positions for the years ended December 31, 2017 and 2016, and the accompanying financial statements contain no interest or penalties with respect to federal income taxes. The Organization's federal income tax returns remain open for examination to the extent prescribed by the Internal Revenue Code.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Boat	\$ 10,920	\$ 10,920
Office furniture	1,145	1,145
Office equipment	17,764	17,764
Tenant improvements	7,953	7,953
	<u>37,782</u>	<u>37,782</u>
Less accumulated depreciation	<u>(21,323)</u>	<u>(17,083)</u>
	<u>\$ 16,459</u>	<u>\$ 20,699</u>

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 4. BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Reserve fund	\$ 354,008	\$ 353,167
Legal fund	109,296	107,581
	<u>\$ 463,304</u>	<u>\$ 460,748</u>

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Soundkeeper	\$ 116,330	\$ 78,252
Pollution Prevention	23,100	7,500
ORG Capacity Building	16,420	10,603
Time Restricted	65,000	65,000
Other	700	-
	<u>\$ 221,550</u>	<u>\$ 161,355</u>

**NOTE 6. SPECIAL EVENTS**

Special events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Third Party Fundraising	\$ 24,540	\$ 23,270
Salute Auction	205,568	187,232
	230,108	210,502
Less cost of direct donor benefit	(66,528)	(74,007)
	<u>\$ 163,580</u>	<u>\$ 136,495</u>

**NOTE 7. RETIREMENT PLANNING AND PROFIT SHARING**

In 2006, PSA established a 403(b) employee retirement plan (the Plan) covering all employees who work at least 20 hours per week or are willing to contribute at least \$200 per year to the Plan. The employer contribution to the Plan is elective. There were no employer contributions to the Plan in 2017 or 2016.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 8. OPERATING LEASES**

PSA had a noncancelable operating lease for the rental of its office space effective January 1, 2015 through April 30, 2020. Rental expense was \$61,578 and \$59,673 for the years ended December 31, 2017 and 2016, respectively.

The Organization entered into a new lease obligation in January 2016 for a copier. The lease expires in February 2021. The monthly rent on the lease is \$419. Rental expense under this lease was \$5,124 and \$4,344 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments under these leases are as follows for the years ending December 31:

2018	\$ 72,416
2019	74,437
2020	28,853
2021	837
	<u>\$ 176,543</u>

**NOTE 9. CONCENTRATIONS**

During the years ended December 31, 2017 and 2016, 10% and 23% of total revenue was received from one donor.

Additionally, the Organization received significant contributions due to a business raising funds for the benefit of the Organization via a corporate campaign with the participation of several local businesses. During the years ended December 31, 2017 and 2016, 17% and 15% of total revenue was received from individuals and businesses contributing through this program.

**NOTE 10. SUBSEQUENT EVENTS**

PSA has evaluated subsequent events through the date these financial statements were available to be issued on September 17, 2018.