

PUGET SOUNDKEEPER ALLIANCE

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Puget Soundkeeper Alliance
Seattle, Washington

Opinion

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, 2021 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 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, 2021 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

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

Prior Period Financial Statements

The financial statements of Puget Soundkeeper Alliance as of December 31, 2020 were audited by other auditors whose report dated July 20, 2021 expressed an unmodified opinion on those statements.

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 Puget Soundkeeper Alliance'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

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

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Puget Soundkeeper Alliance'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 Puget Soundkeeper Alliance'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.

Greenwood Ohlund

Seattle, Washington
July 20, 2022

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,125,342	\$ 1,073,327
Contributions and grants receivable	163,160	89,189
Prepaid expenses and other assets	55,318	44,199
Total current assets	1,343,820	1,206,715
Contributions and Grants Receivable, net of current portion	20,000	40,000
Deposit	8,510	8,510
Total assets	\$ 1,372,330	\$ 1,255,225
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 57,665	\$ 26,479
Legal Fund liability	84,789	-
Accrued salaries and related	53,855	61,000
Current portion of Paycheck Protection Program loan	-	95,782
Total current liabilities	196,309	183,261
Paycheck Protection Program Loan, net of current portion	167,508	78,618
Total liabilities	363,817	261,879
Net Assets		
Without donor restrictions		
Undesignated	349,773	260,312
Board-designated	519,430	586,905
Total net assets without donor restrictions	869,203	847,217
With donor restrictions	139,310	146,129
Total net assets	1,008,513	993,346
Total liabilities and net assets	\$ 1,372,330	\$ 1,255,225

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 796,099	\$ 301,567	\$ 1,097,666	\$ 636,711	\$ 337,431	\$ 974,142
In-kind contributions	32,431	-	32,431	136,051	-	136,051
Special event revenue	84,320	-	84,320	111,776	-	111,776
Special event - direct benefit to donor	(20,347)	-	(20,347)	(3,842)	-	(3,842)
Soundkeeper program revenue	66,469	-	66,469	157,664	-	157,664
Interest	229	-	229	599	-	599
Net assets released from restrictions	308,386	(308,386)	-	317,777	(317,777)	-
Total support and revenue	1,267,587	(6,819)	1,260,768	1,356,736	19,654	1,376,390
Expenses						
Program services	941,267	-	941,267	1,056,269	-	1,056,269
Management and general	86,650	-	86,650	97,116	-	97,116
Fundraising	217,684	-	217,684	298,285	-	298,285
Total expenses	1,245,601	-	1,245,601	1,451,670	-	1,451,670
Change in net assets	21,986	(6,819)	15,167	(94,934)	19,654	(75,280)
Net Assets, beginning of year	847,217	146,129	993,346	942,151	126,475	1,068,626
Net Assets, end of year	\$ 869,203	\$ 139,310	\$ 1,008,513	\$ 847,217	\$ 146,129	\$ 993,346

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services				Management and General	Fundraising	Total
	Soundkeeper	Outreach	Pollution Prevention	Total			
Salaries and related	\$ 312,059	\$ 55,651	\$ 150,613	\$ 518,323	\$ 44,655	\$ 123,915	\$ 686,893
Professional fees - other	86,261	26,036	33,618	145,915	25,857	26,722	198,494
Professional fees - Legal Fund	120,675	-	-	120,675	-	-	120,675
Occupancy	43,976	6,962	21,412	72,350	6,456	17,915	96,721
Boat	8,873	-	11,936	20,809	-	-	20,809
Events	-	-	-	-	-	20,347	20,347
Printing and publications	83	13	488	584	9	18,237	18,830
Supplies	9,323	854	7,556	17,733	55	959	18,747
Other	3,411	1,087	3,599	8,097	1,917	8,727	18,741
Postage and mailing	5,776	885	3,618	10,279	851	7,309	18,439
Dues and conferences	7,203	1,869	2,084	11,156	702	6,175	18,033
Travel and meetings	1,805	626	3,171	5,602	5,002	667	11,271
Communication and marketing	-	2,356	952	3,308	579	5,484	9,371
Equipment	2,374	487	1,160	4,021	350	972	5,343
Insurance	1,470	227	718	2,415	217	602	3,234
Total expenses	603,289	97,053	240,925	941,267	86,650	238,031	1,265,948
Special event - direct benefit to donor	-	-	-	-	-	(20,347)	(20,347)
	<u>\$ 603,289</u>	<u>\$ 97,053</u>	<u>\$ 240,925</u>	<u>\$ 941,267</u>	<u>\$ 86,650</u>	<u>\$ 217,684</u>	<u>\$ 1,245,601</u>

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services				Management and General	Fundraising	Total
	Soundkeeper	Outreach	Pollution Prevention	Total			
Salaries and related	\$ 306,483	\$ 181,178	\$ 148,503	\$ 636,164	\$ 55,368	\$ 174,216	\$ 865,748
Professional fees - other	108,686	23,574	23,365	155,625	24,260	25,847	205,732
Consulting services (in-kind)	44,252	26,159	21,441	91,852	7,994	25,154	125,000
Occupancy	31,249	19,027	15,142	65,418	5,654	17,763	88,835
Printing and publications	282	7,606	2,461	10,349	49	20,662	31,060
Boat	7,611	-	17,441	25,052	-	-	25,052
Dues and conferences	5,474	5,894	2,058	13,426	757	10,750	24,933
Professional fees - Legal Fund	24,844	-	-	24,844	-	-	24,844
Other	2,570	1,359	882	4,811	1,874	7,150	13,835
Postage and mailing	3,459	2,007	1,882	7,348	618	5,118	13,084
Communication and marketing	37	2,057	968	3,062	-	8,962	12,024
Supplies	3,957	540	2,709	7,206	66	1,048	8,320
Travel and meetings	2,767	1,206	1,642	5,615	-	117	5,732
Equipment	1,632	949	777	3,358	290	912	4,560
Events	-	-	-	-	-	3,842	3,842
Insurance	1,031	609	499	2,139	186	586	2,911
Total expenses	544,334	272,165	239,770	1,056,269	97,116	302,127	1,455,512
Special event - direct benefit to donor	-	-	-	-	-	(3,842)	(3,842)
	<u>\$ 544,334</u>	<u>\$ 272,165</u>	<u>\$ 239,770</u>	<u>\$ 1,056,269</u>	<u>\$ 97,116</u>	<u>\$ 298,285</u>	<u>\$ 1,451,670</u>

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from donors and customers	\$ 1,020,084	\$ 1,219,477
Cash paid to employees and vendors	(1,135,806)	(1,342,656)
Interest received	<u>229</u>	<u>599</u>
Net cash flows from operating activities	(115,493)	(122,580)
Cash Flows from Financing Activity		
Proceeds from Paycheck Protection Program loan	<u>167,508</u>	<u>174,400</u>
Net change in cash and cash equivalents	52,015	51,820
Cash and Cash Equivalents, beginning of the year	<u>1,073,327</u>	<u>1,021,507</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 1,125,342</u></u>	<u><u>\$ 1,073,327</u></u>

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Puget Soundkeeper Alliance (Puget Soundkeeper) was established in 1984 in the State of Washington. Puget Soundkeeper's mission is to protect and preserve the waters of Puget Sound by stopping the discharge of pollution into its waters. Puget Soundkeeper accomplishes its mission through monitoring and enforcement of the Clean Water Act, stewardship and education, advocacy, and civic engagement. Puget Soundkeeper primarily works within the waters of Puget Sound and the Washington State waters of the Salish Sea. Coalition work also includes clean water, healthy habitat, and marine ecosystem protection efforts outside of the Sound where that work – either across the Pacific Northwest or nationally – intersects with efforts within the Sound.

Puget Soundkeeper helps establish strong policies, permits, and regulations at the local, state, and federal level that protect waterways, including from harmful pollutants like stormwater runoff, industrial discharges, oil spills, and plastic. Puget Soundkeeper has been a vital voice in designating Puget Sound a No Discharge Zone and has advocated for the establishment and improvement of the dozens of sewage treatment facilities around the Sound and set national precedence for municipal and industrial stormwater treatment, toxics regulation, single-use plastic pollution reduction, and low-impact development requirements that help keep our waters clean and preserve and restore species in Puget Sound.

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

Puget Soundkeeper's primary programs include:

Soundkeeper – As an on-the-water advocacy organization, Soundkeeper works to directly support local, state, and federal agencies in enforcing the Clean Water Act; this includes reviewing the data collected under National Pollutant Discharge Elimination System permits as well as monitoring the waters of Puget Sound by boat, kayak, foot, bike, and aircraft to detect, document, and report sources of illegal pollution. When Puget Soundkeeper finds pollution, it utilizes the public interest litigation provision of the federal Clean Water Act to bring polluting industries into compliance with federal and state laws that protect community rights to drinkable, swimmable, and fishable waters. To date, Puget Soundkeeper has filed over 200 legal actions. Funds from legal settlements are awarded to regional environmental projects that help restore water quality and mitigate water pollution in communities most affected by illegal pollution discharges and degraded ecosystems. Puget Soundkeeper has directed over \$7.4 million toward clean water projects in the region. Beyond pollution enforcement litigation, the Soundkeeper program works to improve the state of the Sound's waterways and watersheds through administrative advocacy, permit and regulation review, coalition-led activism, and agency engagement. Through this program, Soundkeeper works to address historic environmental inequities, support tribal clean water efforts, and fight for community-wide solutions to all our environmental challenges.

Outreach – In addition to a robust online presence (on its own website and on social media platforms) Puget Soundkeeper regularly produces printed materials for outreach and education, attends public events to engage directly with communities around the Sound, works with local schools, and supports partner organizations with clean water materials, information, and advocacy updates. The target audience includes students, volunteers, members, agency personnel, foundations, and the public, including recreational boaters.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Pollution Prevention – Puget Soundkeeper’s Pollution Prevention programs engage Puget Sound communities, businesses, and visitors in reducing harmful pollution and cleaning up litter and marine debris along and in Puget Sound waterways. Every year, Puget Soundkeeper involves over 2,000 volunteers in stewardship projects, educates more than 10,000 community members on water quality issues, and partners with dozens of agencies, businesses, school groups, and organizations in water quality protection projects. To date, Puget Soundkeeper has removed more than 158,000 pounds of marine debris with the help of 25,000 volunteers.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Statement Presentation

Puget Soundkeeper reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Board of Directors has designated net assets without donor restrictions for the following purposes at December 31:

	2021	2020
Operating reserve fund	\$ 303,374	\$ 303,157
Legal fund	216,056	283,748
	<u>\$ 519,430</u>	<u>\$ 586,905</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions and/or grants restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met.

Net assets with donor restrictions consist of the following at December 31:

	2021	2020
Soundkeeper	\$ 112,160	\$ 129,129
Pollution prevention	27,150	17,000
	<u>\$ 139,310</u>	<u>\$ 146,129</u>

Cash and Cash Equivalents

Puget Soundkeeper considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents exceed federally insured limits.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Contributions and Grants Receivable

Contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value. Contributions and grants receivable expected to be collected in one year or more are recognized at fair value (at the date of donation) and are measured at the present value of their expected cash flow. In arriving at fair value, management considers a discount of the contributions and grants receivable using an estimated risk-adjusted discount rate and an allowance for doubtful accounts.

Amortization of any discount is included in contribution and grant revenue. Management reviews the collectability of contributions and grants receivable on a periodic basis and writes off receivables deemed uncollectible. No discount or allowance for uncollectible accounts was considered necessary at December 31, 2021 or 2020.

Noncurrent contributions and grants receivable at December 31, 2021 are expected to be collected during the year ended December 31, 2023.

Receivables from one donor accounted for 30% and 46% of contributions and grants receivable at December 31, 2021 and 2020, respectively.

Contribution and Grant Revenue Recognition

Puget Soundkeeper recognizes contribution and grant revenue (including those received at special events) with or without donor restrictions when the unconditional gift is received or pledged.

Conditional promises to give – that is, those with a measurable performance or barrier and a right of return – are not recognized until the conditions on which they depend have been met. Puget Soundkeeper had approximately \$40,000 in conditional contributions, of which it was notified during the year ended December 31, 2021. The promises were conditional upon Puget Soundkeeper achieving certain goals related to specific programs run by Puget Soundkeeper.

During the year ended December 31, 2020, Puget Soundkeeper received a Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) of \$174,400. The conditions of this loan were met during the year ended December 31, 2021 and, therefore, the loan amount was recognized to contribution and grant revenue.

During the year ended December 31, 2021, Puget Soundkeeper received an additional PPP loan from the SBA of \$167,508. At December 31, 2021, Puget Soundkeeper had not yet received forgiveness for the loan, therefore, Puget Soundkeeper has recognized this loan as a liability on the statement of financial position. Subsequent to December 31, 2021, Puget Soundkeeper received notification that the loan had been forgiven in full.

Soundkeeper Program Revenue

Soundkeeper program revenue consists of legal settlements received under the Soundkeeper program. Program fee revenue is recognized when a settlement is awarded and the amount is determined by the court.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, Puget Soundkeeper received donated goods and services valued at \$32,431 and \$136,051, respectively. \$21,777 of the in-kind contributions received in the year ended December 31, 2021 consisted of rent abatement. \$125,000 of the in-kind contributions received in the year ended December 31, 2020 related to pro-bono consulting work for capacity building support for enhanced organizational reporting and communications. In-kind goods and services were used in programs, management and general, and fundraising.

Volunteers have made significant contributions of time to Puget Soundkeeper's program, fundraising, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services under accounting principles generally accepted in the United States of America, and, accordingly, is not reflected in the accompanying financial statements.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Salaries and related, professional fees, consulting services, occupancy, and other are allocated based on estimates of time and effort.

Federal Income Tax

Puget Soundkeeper is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

Management of Puget Soundkeeper has evaluated subsequent events through the date these financial statements were available to be issued, which was July 20, 2022.

Note 2 – Liquidity and Availability of Resources

Puget Soundkeeper strives to maintain liquid financial assets sufficient to cover three to six months of general expenditures. Financial assets in excess of daily cash requirements are held in cash and cash equivalents. Management closely monitors revenues, and Puget Soundkeeper's activities, expenditures and board designations can be modified based on the level of support received each year.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

The following table reflects Puget Soundkeeper's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of board designations for specific purposes or donor restrictions. Board designated net assets for operating reserves has not been reduced below as these are available for current operations should the needs arise.

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,125,342	\$ 1,073,327
Contributions and grants receivable	183,160	129,189
	<u>1,308,502</u>	<u>1,202,516</u>
Amounts Not Available to be Used Within One Year:		
Net assets with board designations - legal fund	(216,056)	(283,748)
Net assets with donor restrictions (including noncurrent contributions and grants receivable)	<u>(139,310)</u>	<u>(146,129)</u>
	<u>\$ 1,092,446</u>	<u>\$ 918,768</u>

Note 3 – Operating Lease

Puget Soundkeeper has a noncancelable operating lease for the rental of its office space through April 30, 2025. Rental expense was \$87,769 and \$79,481 for the years ended December 31, 2021 and 2020, respectively.

Future minimum payments under the signed lease are as follows for the years ending December 31:

2022	\$ 89,720
2023	92,416
2024	95,188
2025	<u>32,040</u>
	<u>\$ 309,364</u>