

PUGET SOUNDKEEPER ALLIANCE

Financial Statements
December 31, 2022 and 2021

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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, 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 Puget Soundkeeper Alliance as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Change in Accounting Principles

As discussed in Note 1 to the financial statements, Puget Soundkeeper Alliance adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

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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 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, 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 18, 2023

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 963,523	\$ 1,125,342
Contributions and grants receivable	70,749	163,160
Prepaid expenses and other assets	<u>51,546</u>	<u>55,318</u>
Total current assets	1,085,818	1,343,820
Contributions and Grants Receivable, less current portion	-	20,000
Right-of-Use Assets – Operating Lease	216,555	-
Deposit	<u>8,510</u>	<u>8,510</u>
Total assets	<u><u>\$ 1,310,883</u></u>	<u><u>\$ 1,372,330</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,073	\$ 57,665
Legal Fund liability	84,789	84,789
Accrued salaries and related	46,792	53,855
Operating lease liability	<u>92,416</u>	<u>-</u>
Total current liabilities	258,070	196,309
Operating Lease Liability, less current portion	127,228	-
Paycheck Protection Program Loan	<u>-</u>	<u>167,508</u>
Total liabilities	385,298	363,817
Net Assets		
Without donor restrictions		
Undesignated	386,990	349,773
Board-designated	<u>507,170</u>	<u>519,430</u>
Total net assets without donor restrictions	894,160	869,203
With donor restrictions	<u>31,425</u>	<u>139,310</u>
Total net assets	<u>925,585</u>	<u>1,008,513</u>
Total liabilities and net assets	<u><u>\$ 1,310,883</u></u>	<u><u>\$ 1,372,330</u></u>

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 943,364	\$ 146,925	\$ 1,090,289	\$ 796,099	\$ 301,567	\$ 1,097,666
In-kind contributions	11,250	-	11,250	32,431	-	32,431
Special event revenue	165,474	-	165,474	84,320	-	84,320
Special event – direct benefit to donor	(81,035)	-	(81,035)	(20,347)	-	(20,347)
Soundkeeper program revenue	65,505	-	65,505	66,469	-	66,469
Interest	448	-	448	229	-	229
Net assets released from restrictions	254,810	(254,810)	-	308,386	(308,386)	-
Total support and revenue	1,359,816	(107,885)	1,251,931	1,267,587	(6,819)	1,260,768
Expenses						
Program services	994,006	-	994,006	941,267	-	941,267
Management and general	88,270	-	88,270	86,650	-	86,650
Fundraising	252,583	-	252,583	217,684	-	217,684
Total expenses	1,334,859	-	1,334,859	1,245,601	-	1,245,601
Change in net assets	24,957	(107,885)	(82,928)	21,986	(6,819)	15,167
Net Assets, beginning of year	869,203	139,310	1,008,513	847,217	146,129	993,346
Net Assets, end of year	\$ 894,160	\$ 31,425	\$ 925,585	\$ 869,203	\$ 139,310	\$ 1,008,513

See accompanying notes to financial statements.

PUGET SOUNDKEEPER ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services				Management and General	Fundraising	Total
	Soundkeeper	Education and Outreach	Clean Water Program	Total			
Salaries and related	\$ 408,591	\$ 97,747	\$ 159,673	\$ 666,011	\$ 51,294	\$ 151,871	\$ 869,176
Professional fees – other	96,430	34,527	29,037	159,994	24,248	13,168	197,410
Occupancy	48,567	10,351	18,643	77,561	9,168	18,000	104,729
Events	-	-	-	-	-	81,035	81,035
Printing and publications	2,352	1,400	1,074	4,826	74	25,547	30,447
Other	5,881	2,860	3,321	12,062	1,710	12,597	26,369
Dues and conferences	10,845	2,960	2,896	16,701	1,037	8,120	25,858
Boat	10,210	1,700	12,933	24,843	-	-	24,843
Travel and meetings	4,492	2,352	2,793	9,637	57	3,750	13,444
Supplies	3,070	1,281	2,774	7,125	85	5,457	12,667
Communication and marketing	353	3,248	1,023	4,624	32	5,935	10,591
Postage and mailing	41	7	169	217	23	6,653	6,893
Equipment	2,360	510	926	3,796	342	894	5,032
Insurance	2,460	337	612	3,409	200	591	4,200
Professional fees – Legal Fund	3,200	-	-	3,200	-	-	3,200
Total expenses	598,852	159,280	235,874	994,006	88,270	333,618	1,415,894
Special event – direct benefit to donor	-	-	-	-	-	(81,035)	(81,035)
	<u>\$ 598,852</u>	<u>\$ 159,280</u>	<u>\$ 235,874</u>	<u>\$ 994,006</u>	<u>\$ 88,270</u>	<u>\$ 252,583</u>	<u>\$ 1,334,859</u>

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	Education and Outreach	Clean Water Program	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

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from donors and customers	\$ 1,266,171	\$ 1,020,084
Cash paid to employees and vendors	(1,428,438)	(1,135,806)
Interest received	448	229
	<u> </u>	<u> </u>
Net cash flows from operating activities	(161,819)	(115,493)
Cash Flows from Financing Activity		
Proceeds from Paycheck Protection Program loan	-	167,508
	<u> </u>	<u> </u>
Net change in cash and cash equivalents	(161,819)	52,015
Cash and Cash Equivalents, beginning of the year	<u>1,125,342</u>	<u>1,073,327</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 963,523</u></u>	<u><u>\$ 1,125,342</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 enhance the waters of Puget Sound for the communities and ecosystems of the entire watershed dependent on clean water and healthy habitat. Puget Soundkeeper accomplishes its mission, throughout the Puget Sound and the Washington State waters of the Salish Sea, with a mix of clean water advocacy, litigation, community engagement, and public education initiatives. Additionally, Puget Soundkeeper works basin-wide, state-wide, regionally, nationally, and internationally on issues, campaigns, and programs that affect Puget Sound.

Substantively, Puget Soundkeeper's work ranges from climate change, energy resource management, and endangered species protection to stormwater control, elimination of plastic pollution, and environmental enforcement; its three primary programs are:

Soundkeeper – As an on-the-water advocacy organization, Soundkeeper works to directly enforce the Clean Water Act through actions ranging from water quality monitoring and legislative and administrative advocacy to taking polluters to court and enforcing the law. To date, over 200 legal actions have been filed through this program and millions of dollars have been spent by polluters to clean up their facilities and restore the communities and ecosystems degraded by their activities. Puget Soundkeeper is on the Sound and in its watershed on foot, by bike, on the water, and even in the air working to ensure the law is followed, our legal systems continuously improve, and our watersheds and communities are protected.

Education and Outreach – Puget Soundkeeper works to connect, inform, and activate communities across the Sound in common cause for clean water – online (through social media platforms and its own website), in person (through membership meet-up events and panel discussions, tabling events, presentations, and at community events), and with schools. Additionally, Puget Soundkeeper supports the next generation of clean water community advocates through an ambassador program, legislative training, and more.

Clean Water Program – Through its Clean Water Program, Puget Soundkeeper's team works directly with communities, visitors, and industries across the Sound through a host of volunteer events (including cleanups, festivals, and restoration projects), community science initiatives (including microplastic, water quality, and salmon survival projects), and trainings. Each year, Puget Soundkeeper engages with more than 10,000 community members on the water and waterfront, and with dozens of agencies, entities, partner organizations and businesses.

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.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2022</u>	<u>2021</u>
Operating reserve fund	\$ 303,809	\$ 303,374
Legal fund	<u>203,361</u>	<u>216,056</u>
	<u>\$ 507,170</u>	<u>\$ 519,430</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:

	<u>2022</u>	<u>2021</u>
Clean water program	\$ 31,425	\$ 27,150
Soundkeeper	<u>-</u>	<u>112,160</u>
	<u>\$ 31,425</u>	<u>\$ 139,310</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.

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, 2022 or 2021.

Receivables from one donor accounted for 30% of contributions and grants receivable at December 31, 2021. There were no concentrations of contributions and grants receivable at December 31, 2022.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

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 barrier or other measurable barrier and a right of return – are not recognized until the conditions on which they depend have been met. At December 31, 2022, Puget Soundkeeper had approximately \$83,000 in conditional contributions, of which it was notified during the year then ended. The promises were conditional upon Puget Soundkeeper incurring qualified costs related to specific programs run by Puget Soundkeeper.

During the year ended December 31, 2021, Puget Soundkeeper received a Paycheck Protection Program loan from the United States Small Business Administration of \$167,508. The conditions of this loan were met during the year ended December 31, 2022, and therefore, the loan amount was recognized to contribution and grant revenue.

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.

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, 2022 and 2021, Puget Soundkeeper received donated goods and services valued at \$11,250 and \$32,431, respectively. \$21,777 of the in-kind contributions received in the year ended December 31, 2021 consisted of rent abatement. 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, 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.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Recently Adopted Accounting Standards

FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with terms greater than one year. This new standard increases transparency and comparability among organizations. The most prominent change required by 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.

On January 1, 2022, Puget Soundkeeper adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on January 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

Puget Soundkeeper has elected to adopt the package of practical expedients available in the year of adoption.

Leases

Puget Soundkeeper determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent Puget Soundkeeper's right to use an underlying asset for the lease term, and lease liabilities represent Puget Soundkeeper's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Puget Soundkeeper will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Puget Soundkeeper has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial, and as such, a discount has not been recognized in these financial statements.

Puget Soundkeeper has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Subsequent Events

Management of Puget Soundkeeper has evaluated subsequent events through the date these financial statements were available to be issued, which was July 18, 2023.

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

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.

The following table reflects Puget Soundkeeper's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available for general expenditure 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 are considered to be available for current operations should the needs arise.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 963,523	\$ 1,125,342
Contributions and grants receivable	<u>70,749</u>	<u>183,160</u>
	1,034,272	1,308,502
Amounts not available to be used within one year:		
Net assets with board designations – legal fund	(203,361)	(216,056)
Net assets with donor restrictions (including noncurrent contributions and grants receivable)	<u>(31,425)</u>	<u>(139,310)</u>
	<u>\$ 830,911</u>	<u>\$ 1,092,446</u>

Note 3 – Operating Lease

Puget Soundkeeper has a noncancelable operating lease for the rental of its office space through April 30, 2025.

Puget Soundkeeper has recognized operating lease ROU assets representing the right to use the underlying assets and corresponding operating lease liabilities representing the payments required under the lease through maturity. Operating lease costs under these leases totaled \$92,809 and \$87,769 for the years ended December 31, 2022 and 2021, respectively, and are included within occupancy in the statements of functional expenses. Net operating cash flows for the renewed operating lease totaled \$89,720 during the year ended December 31, 2022.

A maturity analysis of annual cash flows for lease liabilities as of December 31, 2022, is as follows:

2023	\$ 92,416
2024	95,188
2025	<u>32,040</u>
	<u>\$ 219,644</u>

PUGET SOUNDKEEPER ALLIANCE

NOTES TO FINANCIAL STATEMENTS

The operating lease liability is presented in the statement of financial position as follows at December 31, 2022:

Operating lease liability (a current liability)	\$ 92,416
Operating lease liability, less current portion	<u>127,228</u>
	<u>\$ 219,644</u>