

CLEAN OCEAN ACTION, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

CLEAN OCEAN ACTION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Clean Ocean Action, Inc.
Long Branch, New Jersey

Opinion

We have audited the accompanying financial statements of Clean Ocean Action, Inc. (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 Clean Ocean Action, Inc. 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 Clean Ocean Action, Inc. 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 these 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 Clean Ocean Action, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

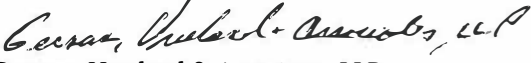
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 Clean Ocean Action, Inc.'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 Clean Ocean Action, Inc.'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.


German, Vreeland & Associates, LLP
Cedar Knolls, New Jersey
April 20, 2023

CLEAN OCEAN ACTION, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and equivalents	\$ 855,722	\$ 698,085
Grant receivable	65,418	46,862
Investments	1,164,000	648,000
Accrued interest	2,352	43
Prepaid expenses	4,140	3,940
Total current assets	2,091,632	1,396,930
 PROPERTY AND EQUIPMENT, NET	 932,627	 948,113
 TOTAL ASSETS	 \$ 3,024,259	 \$ 2,345,043

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,884	\$ 10,517
 NET ASSETS		
Without donor restrictions	2,606,375	1,934,427
Without donor restrictions - board designated	350,000	325,000
With donor restrictions	60,000	75,099
Total net assets	3,016,375	2,334,526
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,024,259	 \$ 2,345,043

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.
STATEMENTS OF ACTIVITIES
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	\$ 664,545	\$ -	\$ 664,545	\$ 582,945	\$ -	\$ 582,945
Grants	298,659	110,000	408,659	349,927	140,000	489,927
Bequests	355,729	-	355,729	29,165	-	29,165
Special events	32,361	-	32,361	5,480	-	5,480
Investment income	13,101	-	13,101	259	-	259
Net assets released from restrictions	125,099	(125,099)	-	137,968	(137,968)	-
Total support and revenue	<u>1,489,494</u>	<u>(15,099)</u>	<u>1,474,395</u>	<u>1,105,744</u>	<u>2,032</u>	<u>1,107,776</u>
EXPENSES						
Program services	668,192	-	668,192	641,447	-	641,447
Management and general	79,250	-	79,250	73,539	-	73,539
Fundraising	45,104	-	45,104	25,626	-	25,626
Total expenses	<u>792,546</u>	<u>-</u>	<u>792,546</u>	<u>740,612</u>	<u>-</u>	<u>740,612</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME	696,948	(15,099)	681,849	365,132	2,032	367,164
OTHER INCOME						
Forgiveness of PPP note	-	-	-	94,528	-	94,528
CHANGE IN NET ASSETS	696,948	(15,099)	681,849	459,660	2,032	461,692
NET ASSETS, Beginning of year	2,259,427	75,099	2,334,526	1,799,767	73,067	1,872,834
NET ASSETS, End of year	<u>\$ 2,956,375</u>	<u>\$ 60,000</u>	<u>\$ 3,016,375</u>	<u>\$ 2,259,427</u>	<u>\$ 75,099</u>	<u>\$ 2,334,526</u>

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2022

	2022			Total Expenses
	Program Services	Management and General	Fundraising	
Payroll	\$ 426,299	\$ 50,374	\$ 15,993	\$ 492,666
Payroll taxes	36,282	4,285	1,363	41,930
Employee benefits	26,419	3,120	992	30,531
Total payroll and benefits	<u>489,000</u>	<u>57,779</u>	<u>18,348</u>	<u>565,127</u>
Direct program expenses	54,152	-	-	54,152
Printing and publications	12,127	1,146	1,233	14,506
Supplies	24,405	2,306	2,482	29,193
Events	-	-	15,567	15,567
Professional fees	15,300	11,100	-	26,400
Postage and shipping	1,815	171	185	2,171
Travel	6,036	570	615	7,221
Maintenance and Cleaning	5,895	557	600	7,052
Utilities	2,570	243	261	3,074
Office expenses	14,153	1,337	1,440	16,930
Insurance	13,637	1,289	1,386	16,312
Telephone	2,589	245	262	3,096
Credit card fees	4,403	416	447	5,266
Training workshop	3,254	307	331	3,892
Payroll fees	3,512	334	386	4,232
Advertising	1,375	130	140	1,645
Dues and subscriptions	156	15	15	186
Depreciation	12,946	1,223	1,317	15,486
Miscellaneous	867	82	89	1,038
Total expenses	<u>\$ 668,192</u>	<u>\$ 79,250</u>	<u>\$ 45,104</u>	<u>\$ 792,546</u>

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2021

	2021			Total Expenses
	Program Services	Management and General	Fundraising	
Payroll	\$ 394,664	\$ 47,063	\$ 14,144	\$ 455,871
Payroll taxes	32,751	3,904	1,177	37,832
Employee benefits	22,284	2,656	798	25,738
Total payroll and benefits	<u>449,699</u>	<u>53,623</u>	<u>16,119</u>	<u>519,441</u>
Direct program expenses	83,185	-	-	83,185
Printing and publications	13,314	1,258	1,354	15,926
Supplies	18,063	1,707	1,837	21,607
Professional fees	15,300	11,100	-	26,400
Postage and shipping	4,623	437	469	5,529
Travel	4,272	404	435	5,111
Maintenance and Cleaning	7,568	715	770	9,053
Utilities	2,054	194	208	2,456
Office expenses	4,108	388	418	4,914
Insurance	13,445	1,271	1,366	16,082
Telephone	1,429	135	145	1,709
Credit card fees	3,901	369	397	4,667
Training workshop	1,691	160	171	2,022
Payroll fees	3,158	301	346	3,805
Advertising	638	60	65	763
Dues and subscriptions	585	55	60	700
Depreciation	12,946	1,223	1,317	15,486
Miscellaneous	1,468	139	149	1,756
Total expenses	<u>\$ 641,447</u>	<u>\$ 73,539</u>	<u>\$ 25,626</u>	<u>\$ 740,612</u>

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.
STATEMENTS OF CASH FLOWS
December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 681,849	\$ 461,692
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,486	15,486
Donation of stock	-	(2,633)
Forgiveness of PPP note	-	(94,528)
Realized and unrealized (gains) losses	-	5
Change in operating assets and liabilities		
Grant receivable	(18,556)	(46,862)
Accrued interest	(2,309)	-
Prepaid expenses	(200)	(180)
Accrued expenses	(2,633)	9,987
Net cash provided by operating activities	673,637	342,967
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,799,000	92,633
Purchase of investments	(3,315,000)	(648,000)
Net cash (used in) investing activities	(516,000)	(555,367)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,637	(212,400)
 CASH AND CASH EQUIVALENTS, Beginning of year	698,085	910,485
 CASH AND CASH EQUIVALENTS, End of year	\$ 855,722	\$ 698,085
 SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$ -	\$ -
 During 2021 a Paycheck Protection Program Loan of \$94,528 was forgiven.		

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clean Ocean Action, Inc. (the “Organization”) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization – The Organization is a not-for-profit organization that works to improve the degraded water quality of the waters off the New Jersey and New York coast. The Organization identifies the sources of pollution and mounts an attack on each source by using research, education and citizen action to improve and protect the coast from pollution, plastics, industrialization, and climate change. The Organization is supported primarily through donor contributions and grants.

Tax Status and Incorporation – The Organization was incorporated under Title 15 of the revised statutes of the State of New Jersey as a not-for-profit corporation. The corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal income taxes. The Organization has no uncertain tax positions at December 31, 2022 and 2021. Generally, in accordance with the statutes of limitations, the Organization is no longer subject to examinations by the Internal Revenue Service for returns filed prior to 2019. In addition, there were no interest or penalties related to income taxes included in the financial statements.

Financial Statement Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors; net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Revenue and Support Recognition – The Organization recognizes contributions as support when they are received or unconditionally pledged and records contributions as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified and reported in the statements of activities as net assets released from restrictions. However, the receipt of restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the statements of activities.

Cash and Cash Equivalents – Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grant receivable – Grant receivable is recorded at its net realizable value, which approximates fair value. Management considers the full amount of the grant receivable to be collectible within one year. Accordingly, no allowance for a doubtful account is required.

CLEAN OCEAN ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Fixed Assets and Depreciation – Items capitalized as fixed assets are carried at cost. Expenditures for additions and improvements that add to or extend the lives of assets are capitalized. Depreciation is provided for fixed assets over their estimated useful lives using the straight-line method. The Organization continually evaluates whether current events or circumstances require adjustments to the carrying value or estimated useful lives of fixed assets.

Valuation of Long-Lived Assets – In accordance with the accounting pronouncements related to accounting for the impairment or disposal of long-lived assets, the Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Donated Services – No amounts have been reflected in the financial statements for donated services as the services did not meet the criteria for recognition. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance. The Organization has approximately 10,000 volunteers.

Functional Expenses – Expenses are charged to each program based on direct expenditures that are incurred. Any program expenditures not directly chargeable are allocated based on management’s estimates.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures included in the financial statements. Accordingly, actual results could differ from those estimates.

Advertising – The Organization expenses advertising costs as incurred.

NOTE 2 – INVESTMENTS

The Organization has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The Organization values such assets using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent possible that such markets are not available, the Organization values such assets using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization develops measurement criteria based on the best information available (Level 3). The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, along with the basis for the determination of fair value:

	<u>Total</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>	<u>Unobservable Measurement Criteria (Level 3)</u>
<u>2022</u>				
Certificates of deposit	\$ 1,164,000	\$ -	\$ 1,164,000	\$ -
<u>2021</u>				
Certificates of deposit	\$ 648,000	\$ -	\$ 648,000	\$ -

CLEAN OCEAN ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 – PROPERTY AND EQUIPMENT

Property, equipment, and accumulated depreciation at December 31, 2022 and 2021 were comprised of:

	<u>Years</u>	<u>2022</u>	<u>2021</u>
Land	-	\$ 367,400	\$ 367,400
Building	40	619,428	619,428
Equipment	5	3,457	3,457
		<u>990,285</u>	<u>990,285</u>
Less: accumulated depreciation		<u>(57,658)</u>	<u>(42,172)</u>
Net property and equipment		<u>\$ 932,627</u>	<u>\$ 948,113</u>

NOTE 4 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

At December 31, 2022 and 2021, the Board designated \$300,000 of cash and equivalents as operating reserves. In addition, at December 31, 2022 and 2021, the Board designated \$50,000 and \$25,000, respectively, as reserves for construction and maintenance related to the building and property of the Organization.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, net assets with donor restrictions were comprised of the following amounts:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose		
Delaware Marine Debris	\$ -	\$ 1,023
Student Environmental Advocates and Leaders (SEAL)	-	4,076
Total	<u>-</u>	<u>5,099</u>
Subject to occurrence of passage of time		
General operations	60,000	70,000
Total net assets with donor restrictions	<u>\$ 60,000</u>	<u>\$ 75,099</u>

NOTE 6 – OCCUPANCY

On February 12, 2019, the Organization purchased a facility (building and land) for office space at 49 Avenel Boulevard, Long Branch, New Jersey. The contract purchase price was \$980,000. All funds for the purchase price came from the Organization and no financing was required. During 2018 the Organization incurred acquisition costs of \$52,140 which included a deposit of \$50,000 with the seller for the purchase of the facility. Additional closing costs in 2019 were \$4,688. The Organization relocated into the facility during 2019.

CLEAN OCEAN ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Organization maintained cash balances on deposit with financial institutions which from time to time may be in excess of insurable limits. The condition is mitigated by having funds deposited with high quality financial institutions and management reviews cash balances on a continual basis. The Organization does not believe that it is exposed to any significant credit risk on its cash and cash equivalents.

NOTE 8 – CONTINGENCY

The Organization was awarded a grant from the State of New Jersey. Entitlement to the resources is conditional upon compliance with the terms and conditions of the grant agreement and applicable regulations. The grant may be subject to a compliance audit by the grantor.

NOTE 9 – 2022 MAJOR SOURCES OF PUBLIC SUPPORT

The Organization received 95% of its annual income from public support. In 2022, non-grant contributions totaled 55%, corporations totaled 18%, and private foundations totaled 22%. The remaining 5% of the 2022 annual income was a grant awarded by the NJ Department of Environmental Protection to track down and eliminate water pollution.

NOTE 10 – NOTE PAYABLE PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the Organization was granted a loan from a bank in the amount of \$94,528, pursuant to the Paycheck Protection Program (the “PPP”) under the CARES Act, which was enacted March 27, 2020. The loan, which is in the form of a note dated April 23, 2020, matures on April 23, 2022 and bears interest at a rate of 1.00% per annum. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations (qualifying expenses). The Organization used the entire loan amount for qualifying expenses. Under the terms of the PPP, the loan may be forgiven if it is used for qualifying expenses as described in the CARES Act. The Organization applied for forgiveness and was approved for forgiveness on February 16, 2021.

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the FASB issued ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities For Contributed Non Financial Assets* (Topic 958). This ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

CLEAN OCEAN ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. At December 31, 2022 and 2021, the Board has designated \$350,000 and \$325,000, respectively, of funds without donor restrictions as operating reserves and construction and maintenance reserves:

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 855,722	\$ 698,085
Grant receivable	65,418	46,862
Investments	1,164,000	648,000
Accrued interest	2,352	43
Total financial assets	2,087,492	1,392,990
Contractual or donor-imposed restrictions	(60,000)	(75,099)
Reserves	(350,000)	(325,000)
Financial assets available to meet cash needs for general expenditures withing one year	\$ 1,677,492	\$ 992,891

NOTE 13 – RECLASSIFICATIONS

Certain amounts included in the 2021 financial statements were reclassified to make them comparable to 2022.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.