

**CLEAN OCEAN ACTION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

CLEAN OCEAN ACTION, INC.  
FINANCIAL STATEMENTS  
December 31, 2019 and 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-11

# GERMAN, VREELAND & ASSOCIATES, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA  
DAVID A. HULSIZER, CPA  
VICTOR MAISANO, CPA  
KEVIN O'CONNOR, MBA, CPA  
RAJESH K. SETHI, CPA, MST

2 RIDGEDALE AVENUE - SUITE 300  
CEDAR KNOLLS, NJ 07927-1119  
(973) 605-2777  
FAX (973) 605-8064  
www.gvacpa.com

MARIA BATTERSHALL, CPA  
ROBERT W. DODDS, CPA\*  
KELLY MCBRIDE, CPA

RETIRED  
LOUIS T. GERMAN (1923 - 2013)  
CURT L. PALATSKY (1951 - 2018)  
GORDON A. VREELAND

### INDEPENDENT AUDITOR'S REPORT

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

#### *Report on the Financial Statements*

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's 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 audits 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 risks 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.

GERMAN, VREELAND & ASSOCIATES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

We believe that the audit evidence we have 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 Clean Ocean Action, Inc. as of December 31, 2019 and 2018, 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.

  
German, Vreeland & Associates, LLP  
Cedar Knolls, New Jersey  
May 13, 2020

CLEAN OCEAN ACTION, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and equivalents	\$ 623,202	\$ 1,481,828
Unconditional promises to give	5,500	1,000
Prepaid expenses	3,911	2,158
Total current assets	632,613	1,484,986
PROPERTY AND EQUIPMENT, NET	979,085	52,140
 TOTAL ASSETS	 \$ 1,611,698	 \$ 1,537,126

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ 479	\$ 650
Total current liabilities	479	650
NET ASSETS		
Without donor restrictions	1,251,219	846,476
Without donor restrictions - board designated	310,000	500,000
With donor restrictions	50,000	190,000
Total net assets	1,611,219	1,536,476
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,611,698	 \$ 1,537,126

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2019 and 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 631,976	\$ 50,000	\$ 681,976	\$ 587,400	\$ 150,000	\$ 737,400
Grants	98,250	-	98,250	109,720	40,000	149,720
Special events	30,639	-	30,639	35,779	-	35,779
Interest income	3,314	-	3,314	9,396	-	9,396
Net assets released from restrictions	190,000	(190,000)	-	30,000	(30,000)	-
Total support and revenue	<u>954,179</u>	<u>(140,000)</u>	<u>814,179</u>	<u>772,295</u>	<u>160,000</u>	<u>932,295</u>
<b>EXPENSES</b>						
Program services	631,204	-	631,204	603,361	-	603,361
Management and general	66,866	-	66,866	68,170	-	68,170
Fundraising	41,366	-	41,366	27,316	-	27,316
Total expenses	<u>739,436</u>	<u>-</u>	<u>739,436</u>	<u>698,847</u>	<u>-</u>	<u>698,847</u>
CHANGE IN NET ASSETS	214,743	(140,000)	74,743	73,448	160,000	233,448
NET ASSETS, Beginning of year	<u>1,346,476</u>	<u>190,000</u>	<u>1,536,476</u>	<u>1,273,028</u>	<u>30,000</u>	<u>1,303,028</u>
NET ASSETS, End of year	<u>\$ 1,561,219</u>	<u>\$ 50,000</u>	<u>\$ 1,611,219</u>	<u>\$ 1,346,476</u>	<u>\$ 190,000</u>	<u>\$ 1,536,476</u>

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2019

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 386,663	\$ 39,474	\$ 25,009	\$ 451,146
Payroll taxes	31,615	3,228	2,043	36,886
Employee benefits	18,725	1,912	1,210	21,847
Total payroll and benefits	<u>437,003</u>	<u>44,614</u>	<u>28,262</u>	<u>509,879</u>
Direct program expenses	49,196	-	-	49,196
Printing and publications	23,067	2,180	2,345	27,592
Supplies	8,716	824	886	10,426
Professional fees	16,383	10,096	-	26,479
Postage and shipping	7,032	664	715	8,411
Travel	10,637	1,005	1,082	12,724
Maintenance and Cleaning	3,724	352	378	4,454
Real Estate Taxes	15,014	1,419	1,527	17,960
Utilities	2,002	189	204	2,395
Office rental	14,474	1,368	1,472	17,314
Office expenses	2,104	199	214	2,517
Equipment rental	4,778	452	485	5,715
Insurance	14,680	1,387	1,493	17,560
Telephone	3,814	360	389	4,563
Credit card fees	3,185	301	324	3,810
Training workshop	4,278	404	435	5,117
Payroll fees	3,077	293	338	3,708
Advertising	212	20	21	253
Dues and subscriptions	450	42	46	538
Miscellaneous	905	85	92	1,082
Total expenses before depreciation	<u>624,731</u>	<u>66,254</u>	<u>40,708</u>	<u>731,693</u>
Depreciation	6,473	612	658	7,743
Total expenses	<u>\$ 631,204</u>	<u>\$ 66,866</u>	<u>\$ 41,366</u>	<u>\$ 739,436</u>

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 Years Ended December 31, 2018

	2018			
	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 372,957	\$ 42,385	\$ 14,537	\$ 429,879
Payroll taxes	30,307	3,493	1,132	34,932
Employee benefits	17,460	2,012	652	20,124
Total payroll and benefits	<u>420,724</u>	<u>47,890</u>	<u>16,321</u>	<u>484,935</u>
Direct program expenses	58,385	-	-	58,385
Printing and publications	27,812	2,628	2,828	33,268
Supplies	13,896	1,313	1,412	16,621
Professional fees	16,320	10,080	-	26,400
Postage and shipping	7,035	665	715	8,415
Travel	8,288	783	843	9,914
Office rental	14,053	1,328	1,429	16,810
Office expenses	4,966	469	505	5,940
Equipment rental	3,684	348	375	4,407
Insurance	9,179	867	934	10,980
Telephone	5,808	549	590	6,947
Credit card fees	5,162	488	524	6,174
Training workshop	3,190	301	325	3,816
Payroll fees	2,778	264	305	3,347
Advertising	326	31	33	390
Dues and subscriptions	493	47	49	589
Miscellaneous	1,262	119	128	1,509
Total expenses before depreciation	<u>603,361</u>	<u>68,170</u>	<u>27,316</u>	<u>698,847</u>
Depreciation	-	-	-	-
Total expenses	<u>\$ 603,361</u>	<u>\$ 68,170</u>	<u>\$ 27,316</u>	<u>\$ 698,847</u>

See accompanying notes to financial statements.



CLEAN OCEAN ACTION, INC  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 74,743	\$ 233,448
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,743	-
Donated stock	-	(9,769)
Change in operating assets and liabilities		
Unconditional promises to give	(4,500)	(1,000)
Prepaid expenses	(1,753)	978
Accrued interest	-	1,749
Accrued expenses	(171)	(653)
Collections restricted to purchase of property	-	(150,000)
Net cash provided by operating activities	76,062	74,753
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(1,380,000)
Proceeds from sale of investments	-	1,689,750
Purchase of property	(934,688)	(52,140)
Net cash (used in) provided by investing activities	(934,688)	257,610
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections restricted to purchase of property		150,000
Net cash provided by financing activities	-	150,000
 <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(858,626)	482,363
 <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	1,481,828	999,465
 <b>CASH AND CASH EQUIVALENTS, End of year</b>	\$ 623,202	\$ 1,481,828
 <b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes to financial statements.

CLEAN OCEAN ACTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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, public education, and citizen action to convince public officials to enact and enforce measures which will clean up and protect our ocean. 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, 2019 and 2018. 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 2016. 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.

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. As of December 31, 2019 and 2018 all promises to give are expected to be collected within one year.

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.

CLEAN OCEAN ACTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance. The Organization has approximately 12,000 volunteers per year.

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 – CONCENTRATION OF CREDIT RISK - The Organization maintains two bank accounts at the same bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE 3 – PROPERTY AND EQUIPMENT – Property, equipment, and accumulated depreciation at December 31, 2019 and 2018 were comprised of:

	<u>Years</u>	<u>2019</u>	<u>2018</u>
Land	-	\$ 367,400	\$ -
Building	40	619,428	52,140
Equipment	5	3,457	3,457
		<u>990,285</u>	<u>55,597</u>
Less: accumulated depreciation		(11,200)	(3,457)
Net property and equipment		<u>\$ 979,085</u>	<u>\$ 52,140</u>

CLEAN OCEAN ACTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 4 – 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. The Organization continued to sublease office space under a month-to-month lease agreement in Sandy Hook, New Jersey through the end of 2019. Lease expenses for the years ended December 31, 2019 and 2018 were \$17,314 and \$16,810, respectively.

NOTE 5 – MAJOR SOURCES OF PUBLIC SUPPORT - The Organization receives 100% of its annual income from public support (excluding interest). In 2019, public support from non-grant contributions totaled 61.5% (including fundraising programs), public support from corporate foundations totaled 20.0%, and public support from private foundations totaled 18.5%.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED - At December 31, 2019 and 2018, the Board designated \$300,000 of cash and equivalents as operating reserves. In addition, at December 31, 2019, the Board designated \$10,000 as reserves for building and office maintenance expenses.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS - At December 31, 2019 and 2018, net assets with donor restrictions were comprised of the following amounts:

	<u>2019</u>	<u>2018</u>
Restricted for acquisition of new facility	\$ -	\$ 150,000
Restricted by time and/or purpose	50,000	40,000
Total restricted net assets	<u>\$ 50,000</u>	<u>\$ 190,000</u>

NOTE 8 – 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. The Board has designated \$310,000 of funds without donor restrictions as operating reserves and building and maintenance reserves:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 623,202	\$ 1,481,828
Unconditional promises to give	5,500	1,000
Total financial assets	628,702	1,482,828
Contractual or donor-imposed restrictions	( 50,000)	(190,000)
Reserves	(310,000)	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 268,702</u>	<u>\$ 792,828</u>

CLEAN OCEAN ACTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 9 – RECENT ACCOUNTING PRONOUNCEMENTS – In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This pronouncement addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve the scope and the accounting guidance for contributions received and made. Under prior guidance it could be difficult to characterize grants and similar contracts with resource providers as either exchange transactions or contributions. The new guidance was issued to assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. ASU 2018-08 is effective for annual periods beginning after December 15, 2018.

In February 2016, FASB issued ASU 2016-02, (Topic 842): *Leases*, which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for not-for-profit organizations for fiscal years beginning after December 15, 2020, with early adoption permitted. The Organization is evaluating the impact the pronouncement may have on the financial statements.

NOTE 10 – SUBSEQUENT EVENTS – The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.