

SAN FRANCISCO BAYKEEPER
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025



SAN FRANCISCO BAYKEEPER
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Baykeeper
Oakland, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of San Francisco Baykeeper ("Baykeeper") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statement 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 Baykeeper as of June 30, 2025, 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 audit 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 Baykeeper 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.

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 Baykeeper'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 Baykeeper'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 Baykeeper'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.

Harshmal & Company LLP

San Diego, California
December 12, 2025

FINANCIAL STATEMENTS

SAN FRANCISCO BAYKEEPER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,027,378
Certificates of deposit (CD's)	569,767
Undeposited funds	55,782
Investments	320,321
Receivables	90,621
Pledge receivable	100,000
Prepaid expenses and deposits	<u>396,872</u>
Total current assets	<u>3,560,741</u>

Noncurrent assets:

Receivables - net of current	85,552
Operating lease right-of-use assets, net	324,662
Property and equipment, net	<u>55,515</u>
Total noncurrent assets	<u>465,729</u>
Total assets	<u>4,026,470</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:

Accounts payable	103,022
Deferred revenue	366,702
Other liabilities	3,095
Accrued expenses, payroll, and vacation	411,236
Operating lease liabilities	<u>66,567</u>
Total current liabilities	<u>950,622</u>

Non-current liabilities:

Operating lease liabilities, net of current portion	<u>288,657</u>
Total non-current liabilities	<u>288,657</u>
Total liabilities	<u>1,239,279</u>

NET ASSETS

Without donor restrictions: undesignated	1,118,343
Without donor restrictions: board designated	1,179,210
With donor restrictions	<u>489,638</u>
Total net assets	<u>2,787,191</u>
Total liabilities and net assets	<u>\$ 4,026,470</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAYKEEPER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORTS AND REVENUE			
Supports			
Foundation	\$ 101,000	\$ 415,150	\$ 516,150
Corporation	129,513	24,000	153,513
Individual and public	2,015,722	129,600	2,145,322
Revenue			
Contributions of nonfinancial assets	1,098,254	-	1,098,254
Investment income, net	31,462	-	31,462
Settlement and other revenue	1,318,471	-	1,318,471
Net assets released from restrictions	<u>786,892</u>	<u>(786,892)</u>	<u>-</u>
Total supports and revenue	<u>5,481,314</u>	<u>(218,142)</u>	<u>5,263,172</u>
EXPENSES			
Program services	3,432,380	-	3,432,380
Administrative	231,325	-	231,325
Development	<u>552,382</u>	<u>-</u>	<u>552,382</u>
Total expenses	<u>4,216,087</u>	<u>-</u>	<u>4,216,087</u>
Change in net assets	1,265,227	(218,142)	1,047,085
Net assets, beginning of year	<u>1,032,326</u>	<u>707,780</u>	<u>1,740,106</u>
Net assets, end of year	<u>\$ 2,297,553</u>	<u>\$ 489,638</u>	<u>\$ 2,787,191</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAYKEEPER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and 401k	\$ 1,373,184	\$ 148,308	\$ 275,761	\$ 1,797,253
Payroll taxes	97,098	8,513	20,811	126,422
Employee benefits	<u>104,606</u>	<u>9,198</u>	<u>22,483</u>	<u>136,287</u>
Total compensation	<u>1,574,888</u>	<u>166,019</u>	<u>319,055</u>	<u>2,059,962</u>
Legal - environmental law enforcement	1,497,788	-	-	1,497,788
Other professional services	117,341	44,027	31,439	192,807
Occupancy	68,532	5,966	14,584	89,082
Boat operations	20,145	-	-	20,145
Information technology	40,553	2,698	33,646	76,897
Operating	43,962	2,326	28,415	74,703
Insurance	6,229	8,166	859	15,254
Promotion and publications	13,715	37	32,719	46,471
Equipment	1,309	117	285	1,711
Travel	19,223	1,152	4,130	24,505
Depreciation	28,695	817	1,997	31,509
Donated goods	<u>-</u>	<u>-</u>	<u>85,253</u>	<u>85,253</u>
Total expenses	<u>\$ 3,432,380</u>	<u>\$ 231,325</u>	<u>\$ 552,382</u>	<u>\$ 4,216,087</u>

The accompanying notes are an integral part of these financial statements.

**SAN FRANCISCO BAYKEEPER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

Cash flows from operating activities:

Change in net assets	\$ 1,047,085
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	31,509
Investment income, net	(31,462)
Amortization of right-of-use assets	43,075
Change in operating assets:	
Undeposited funds	(52,786)
Receivables	(49,594)
Pledge receivable	246,478
Prepaid expenses and deposits	(139,749)
Right-of-use assets due to lease modification	(260,817)
Change in operating liabilities:	
Accounts payable	73,735
Deferred revenue	128,113
Other liabilities	(1,087)
Accrued expense, payroll, and vacation	167,662
Operating lease liabilities	<u>245,275</u>
Net cash provided by operating activities	<u>1,447,437</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(569,767)
Purchase of property and equipment	<u>(5,513)</u>
Net cash used in investing activities	<u>(575,280)</u>
Changes in cash and cash equivalents	872,157
Cash and cash equivalents, beginning of year	<u>1,155,221</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,027,378</u></u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - NATURE OF ORGANIZATION

San Francisco Baykeeper ("Baykeeper") investigates pollution, stops polluters, and advocates government agencies for stronger, enforceable policies that will create real protections for San Francisco Bay. Baykeeper, fights for healthy communities and wildlife in and around the Bay. Since 1989, we have secured 300 legal and policy wins to stop polluters and conducted over 17,000 hours of boat patrols to investigate pollution.

We have a staff of sixteen, a board of directors with a breadth of experience with the Bay, an expert advisory board, a team of volunteer boat skippers, and the only pollution patrol boat regularly monitoring and investigating polluters in the Bay.

Baykeeper incorporated as a nonprofit, public benefit corporation in California on January 23, 1987, as the San Francisco Bay-Delta Preservation Association, and became Baykeeper in May 1989, the fourth "Waterkeeper" organization in the country. For 37 years, standing up to constant threats, Baykeeper has been a fierce champion for San Francisco Bay. For more information, please visit us online at baykeeper.org.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

Baykeeper prepares its financial statements using accounting principles generally accepted in the United States of America (U.S. GAAP). Baykeeper records support when promised, revenue when earned, and expenses when incurring the related obligations.

B. Financial statement presentation

The financial statements of Baykeeper are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Baykeeper applies all relevant FASB pronouncements. Baykeeper implemented Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958, Baykeeper is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions, which are defined as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Baykeeper. Baykeeper's board may designate assets without restrictions for specific operational purposes from time to time. The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization, and any related debt.

Net Assets With Donor Restrictions: Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Baykeeper or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

C. Fair value

Baykeeper uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities in markets that Baykeeper has the ability to access.

Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs consist of unobservable inputs.

Baykeeper bases the fair value measurement level of an asset or liability within the fair value hierarchy on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Baykeeper values contributions initially at fair value when promised.

D. Cash, cash equivalents, and investments

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank, available within 90 days of demand. As of June 30, 2025, \$2,027,378 of cash and cash equivalents are reported on the statement of financial position.

Investments consist principally of units of a pooled investment fund (PIF) of a community foundation. Baykeeper records the PIF at its contract value. The contract value is the amount Baykeeper would realize upon the sale, transfer, exchange, or liquidation of the investment when transacted with the investment custodian. The contract value of the units of the PIF is Baykeeper's share of the fair value of the underlying investments, determined by the community foundation, net of certain custodial and administrative fees.

Baykeeper records interest, dividends, gains, losses, fees, and changes in contract value (unrealized appreciation and depreciation) as net investment income.

The PIF of the community foundation is subject to an agreement dated August 25, 1992 and amended October 26, 2023. The Board of Directors for Baykeeper may request distributions from the PIF to be approved by the Board of Trustees of the community foundation. In addition, the PIF is subject to the powers of the Board of Trustees of the community foundation, including the power to modify any restriction or condition of the PIF in the event such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the needs of the community served by the community foundation.

E. Grants and contributions receivable

Grants and contributions receivables consist principally of unconditional promises to give due from corporations and nonprofit organizations. Baykeeper initially records grants and contributions receivable at fair value. All grants and contributions receivable are due within the year ending June 30, 2026.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

F. Receivables

Receivables consist principally of amounts due from governmental and corporate entities related to compliance activities. Baykeeper initially records receivables at fair value. Baykeeper estimates the initial fair value of receivables as the estimated present value of expected future cash flows, taking into consideration risk-free interest rates and expected collection timing and risks. These are Level 2 and Level 3 inputs. Baykeeper records a discount representing the difference between the future cash flows promised by the defendant and the estimated present value of the expected future cash flows. Baykeeper accretes the discount, using the interest method and based on actual collections, to interest income. Further, receivables include other income.

G. Allowance for uncollectible receivables

Baykeeper uses the allowance method to estimate any uncollectible receivables. Under this method, Baykeeper reviews all receivables and estimates an allowance based on aging, debtor history, and other information. As of June 30, 2025, management estimated that any allowance for uncollectible receivables was immaterial.

H. Property and equipment

Property and equipment consist of furniture, office, computer, boat, and laboratory equipment, and leasehold improvements. Baykeeper records property and equipment at cost or initially at fair value for contributed items. Baykeeper bases the initial fair value of contributed property and equipment on comparable sales of identical or similar items in markets available to Baykeeper, which is a Level 2 input. Baykeeper expenses property and equipment with a cost or fair value under \$1,000 and the costs of maintenance and repairs that do not improve or extend the lives of the property and equipment. Baykeeper computes depreciation using the straight-line method over the estimated useful lives as below:

<u>Assets</u>	<u>Useful life of assets</u>
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Computer Software and websites	4 years
Boat	5-7 years
Leasehold improvements	4-5 years

I. Prepaid expenses - litigation

Baykeeper contracts with various attorneys, under Attorney Retention and Co-Counseling or similar Agreements (Retainer), to assist Baykeeper in compelling governmental agencies and corporations to comply with various laws and regulations that protect the health of San Francisco Bay and its habitats (Litigation). Generally, contracted Litigation attorneys work on a contingency fee basis; i.e., the contracted Litigation attorneys only receive legal fees based on successful Litigation resulting, in a settlement or Court ruling that includes payments for legal fees.

When represented by outside counsel on a contingency fee basis, Baykeeper agrees to be responsible for expert, consultant, and other Litigation costs that are necessary to carry out the Litigation. Additionally, Baykeeper may pursue Litigation internally without contracting with outside counsel. In both circumstances, Baykeeper capitalizes all direct costs of Litigation, except staff salaries. Baykeeper expenses capitalized Litigation costs upon resolution of the case and record any related recovery as revenue.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

I. Prepaid expenses - litigation - Cont'd

Successful Litigation against governmental agencies and corporations (Defendant) under federal and state environmental laws usually results in Settlement Agreements, Consent Decrees, or similar arrangements (Settlement). Settlements generally require the Defendant to take corrective actions at their own expense; perform or contribute to an environmental mitigation project (not conducted by Baykeeper); and reimburse Baykeeper for the direct costs of bringing the Litigation, including legal fees (internal and external). Baykeeper records revenue for Settlement funds received that reimburse Baykeeper for the direct costs of bringing the Litigation.

In addition, Defendants generally agree to provide funds to enable Baykeeper to monitor Compliance by Defendant with the Settlement (Compliance). Compliance awards represent a negotiated estimate by Baykeeper and Defendant of any remaining Litigation and Settlement costs and the future costs Baykeeper will incur to monitor Compliance. Baykeeper recognizes revenue from Compliance awards during the compliance period.

J. Advances - litigation

Foundations advanced Baykeeper funds to pursue and pay some costs of certain litigation. Outstanding advances do not bear interest, and there is no fixed maturity date. Upon successful litigation resulting in an award to Baykeeper that covers the costs of litigation, Baykeeper will repay the foundations. If litigation is unsuccessful or does not result in an award that covers the costs of litigation, then the foundations will forgive unpaid advances. Management believes that it is at least possible that it will succeed with litigation. Accordingly, Baykeeper treats the outstanding advances as deferred revenue until litigation partially funded by the foundations proves to be unsuccessful or will not result in an award that covers the costs of litigation, at which time Baykeeper will reclassify the outstanding advances as contribution support.

K. Net assets

Net assets without donor restrictions are not subject to donor-imposed restrictions but may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Net assets with donor restrictions are subject to donor-imposed restrictions. Baykeeper reclassifies net assets with donor restrictions to net assets without donor restrictions when it fulfills donor-imposed restrictions through actions Baykeeper takes or the passage of time.

L. Contributed services

Attorneys, paralegals, and others contribute substantial professional services to Baykeeper. For FY 2025, the total value of these services, including \$988,570 in legal and \$24,432 in non-legal services, is recorded at \$1,013,002. Baykeeper determines the fair value of attorney fees by following judicial precedent to compare a proposed rate with the prevailing rate in the region for similar work performed by attorneys of comparable skill, experience, and reputation, considering the novelty and complexity of the issues. In addition, Baykeeper uses the "Laffey Matrix" as a guide for calculating attorney rates.

The D.C. Circuit Court approved the Laffey Matrix to provide objective guidance in assessing appropriate hourly rates depending on attorney experience. Baykeeper adjusts the Laffey Matrix by straight-lining the multi-year step increases annually and by the regional difference between attorney rates in the Washington, DC, and San Francisco metropolitan areas. Finally, Baykeeper compares rates of other San Francisco attorneys who specialize in environmental litigation. The U.S. District Court for the Northern District of California, in *Baykeeper v. West Bay Sanitary District 2011 U.S. Dist. LEXIS 138093*, upheld this process and approved the rates of Baykeeper staff attorneys and outside counsel. This process involves principally Level 2 inputs.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

L. Contributed services - Cont'd

Baykeeper records contributed attorney services, including contingent fees, separately for each case in the year in which the services are performed. In the year that a particular case settles, Baykeeper records contributed attorney services net of allocable costs recovered with a Settlement. Baykeeper bases the fair value of attorney services on the process described above. Baykeeper records contributed non-attorney professional services when receiving the benefit of those services. Baykeeper bases the fair value of non-attorney professional services on the cost of similar services from comparable purchases, which is a Level 2 input. Baykeeper only reports contributions of in-kind professional services when Baykeeper needs expertise or education not available to Baykeeper and Baykeeper would have paid for the professional services if donors had not contributed them. Volunteers contribute their time assisting Baykeeper in carrying out its activities. Although the value of volunteer contributions is substantial to the activities of Baykeeper, Baykeeper does not recognize their value because they do not meet the criteria for recognition in accordance with U.S. GAAP.

M. Allocation of functional expenses

Baykeeper summarizes the costs of providing its program and supporting services on a functional basis. Baykeeper allocates direct costs to the activity that benefits. Baykeeper allocates compensation costs based on employee time spent in each activity and related costs (e.g., employee benefits and payroll taxes) based on the allocation of compensation costs. Baykeeper allocates other indirect costs based on employee estimates.

N. Leases

Effective July 1, 2022, Baykeeper adopted Accounting Standards Codification 842, Leases ("ASC 842"). We determine if an arrangement contains a lease at inception based on whether or not Baykeeper has the right to control the asset during the contract period and other facts and circumstances.

Baykeeper leases office space, which is accounted for as an operating lease. The current lease term goes through March 31, 2030. Lease arrangements with an initial term of 12 months or less are considered short-term leases and are not recorded on the balance sheet. Baykeeper recognizes lease expenses for these leases on a straight-line basis over the term of the lease.

Operating leases are included in operating lease right-of-use assets, operating lease liabilities, Current portion of operating lease liabilities, and operating lease liabilities, net of current portion on Baykeeper's statement of financial position. Operating lease right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Baykeeper has no financing leases.

Baykeeper uses 5 year treasury rate on the commencement date for determining the present value of lease payments. Baykeeper considers the likelihood of exercising options to extend or terminate the lease when determining the lease term.

O. Income taxes

Baykeeper is a qualified organization exempt from federal income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires Baykeeper management to evaluate tax positions taken by Baykeeper and recognize a tax liability (or asset) if Baykeeper has taken an uncertain position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service.

Baykeeper is not aware of any uncertain tax positions as of June 30, 2025.

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

P. Risks and concentrations

Cash and cash equivalents held at financial institutions exceeded federal deposit insurance limits various times during the year ended June 30, 2025.

Investments are subject to credit and market risks. Baykeeper manages risk to its investments by periodically reviewing investments for compliance with the investment policy and investment return for comparability to the general market and specific investment class returns.

As of June 30, 2025, the PIF held by the community foundation totaled 100% of total investments.

During the year ended June 30, 2025, Baykeeper received donated legal services from the law firms Aqua Terra Aeris (ATA) Law Group of \$613,893, which is approximately 48% of the total donated services revenue and Sycamore Law of \$301,783, which is approximately 24% of the total donated services revenue.

Q. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

We consider all cash and high liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents.

The following table provides a reconciliations of cash, cash equivalents, and restricted cash reporting within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

Bank	\$ 685,799
Certificate of deposits - cash portion	806,286
Insured cash sweeps	511,545
Cryptocurrency - cash balance	23,548
Petty cash and other	<u>200</u>
Total	<u>\$ 2,027,378</u>

As of June 30, 2025, \$699,991 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$511,545 was covered by FDIC insured cash sweeps. The remaining balance of \$815,842 was uninsured and uncollateralized.

NOTE 4 - CERTIFICATES OF DEPOSIT

As of June 30, 2025, the Baykeeper holds certificates of deposit (CDs) with the following details:

Bank of America (Maturing on November 14, 2025)	\$ 109,914
Fidelity Bank (Maturing on November 14, 2025)	109,894
Five Star Bank (Maturing on November 19, 2025)	109,913
Mercantile Bank (Maturing on December 29, 2025)	120,023
Sunflower Bank (Maturing on December 29, 2025)	<u>120,023</u>
Total	<u>\$ 569,767</u>

The Certificates of Deposits (CDs) carry interest rates ranging from 4.10% to 4.35% per annum. As of June 30, 2025, the fair value of CDs was \$569,767. The certificates of deposit are non-negotiable and are carried at amortized cost. Because the certificates of deposit are not measured at fair value on a recurring or nonrecurring basis, it is excluded from the fair value hierarchy disclosures required by ASC 820, Fair Value Measurement.

**SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 - INVESTMENTS

As of June 30, 2025, investments consist of the following:

Marin Community Foundation Fund	\$ <u>320,321</u>
Total investments	\$ <u><u>320,321</u></u>

During the year ended June 30, 2025, net investment income was as follows:

Dividends and interest	\$ 3,772
Investment expenses and fees	(2,454)
Unrealized gain (loss)	<u>30,144</u>
Investment income, net	\$ <u><u>31,462</u></u>

NOTE 6 - PLEDGE RECEIVABLE

As of June 30, 2025, pledge receivable consists of the following:

Foundations	\$ <u>100,000</u>
Total pledge receivable	\$ <u><u>100,000</u></u>

NOTE 7 - RECEIVABLES

As of June 30, 2025, receivables consists of the following:

City of Richmond settlement	\$ 45,000
City of San Jose settlement	10,000
TriCED-Litigation Recovery settlement	15,000
Newby settlement	21,000
UC Berkeley	97
Pick-N-Pull Auto Dismantlers	56,000
Morgan Advanced Ceramics, Inc.	18,000
NOAA-MERHAB - other income	<u>18,524</u>
Receivables, gross	183,621
Less: discount to present value for receivable	<u>(7,448)</u>
Receivables, net	176,173
Receivables - long term	<u>85,552</u>
Receivables - current	\$ <u><u>90,621</u></u>

As of June 30, 2025, receivables is due during the following periods:

Less than one year	\$ 90,621
Between one and five years	\$ 85,552

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 - PROPERTY AND EQUIPMENT

As of June 30, 2025, property and equipment consists of the following:

Furniture	\$ 1,574
Office equipment	1,768
Computer equipment	37,932
Software	63,976
Boat and laboratory equipment	152,910
Leasehold improvements	<u>43,005</u>
Property and equipment, at cost	301,165
Less: accumulated depreciation	<u>(245,650)</u>
Property and equipment, net	<u>\$ 55,515</u>

Depreciation and amortization expense for the years ended June 30, 2025 was \$31,509.

NOTE 9 - OPERATING LEASE RIGHT-OF-USE ASSETS

Baykeeper's operating lease right-of-use assets are being amortized over their estimated useful lives as follows:

	<u>July 01, 2024</u>	<u>Adjustments/ Addition / (Deletion)</u>	<u>June 30, 2025</u>
Operating lease right-of-use assets	\$ 354,295	\$ 13,442	\$ 367,737
Less: accumulated amortization	<u>(247,375)</u>	<u>204,300</u>	<u>(43,075)</u>
Total	<u>\$ 106,920</u>	<u>\$ 217,742</u>	<u>\$ 324,662</u>

Amortization expense for the year ended June 30, 2025, was \$43,075.

The lease agreement has been modified on November 11, 2024. The lease term has been extended through March 2030, and the modification amount has been reflected in the adjustment.

NOTE 10 - DEFERRED REVENUE

As of June 30, 2025, deferred revenue consists of the following:

Unearned compliance revenue	\$ 164,702
Revolving litigation funds	<u>202,000</u>
Total deferred revenue	<u>\$ 366,702</u>

SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 - NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions as of June 30, 2025, are comprised of the following:

	<u>2025</u>
Undesignated	\$ 1,118,343
Board designated	<u>1,179,210</u>
Total net assets without donor restrictions	<u>\$ 2,297,553</u>

The Board of Directors has adopted a Net Assets and Reserves Policy to provide guidance on the establishment, management, and use of reserves in a manner that supports the financial health and stability of the organization including to cushion against unexpected financial challenges, enable strategic investments, and ensure the continuity of our programs and services. As of June 30, 2025, the undesignated balances of \$1,118,343 represent 5 months of expenses for general operating reserves. The board designated net assets of \$1,179,210 include a revolving legal reserve and other programmatic funds.

Board Designated Net Assets Without Donor Restrictions

During the year ended June 30, 2025, the changes in board designated net assets without donor restrictions are as follows:

	<u>July 01, 2024</u>	<u>Addition</u>	<u>Board usage</u>	<u>June 30, 2025</u>
Anonymous	\$ -	\$ 1,000,000	\$ (107,790)	\$ 892,210
Litigation funds	<u>-</u>	<u>287,000</u>	<u>-</u>	<u>287,000</u>
Total	<u>\$ -</u>	<u>\$ 1,287,000</u>	<u>\$ (107,790)</u>	<u>\$ 1,179,210</u>

Net Assets with Donor Restrictions

During the year ended June 30, 2025, the changes in net assets with donor restrictions are as follows:

	<u>Restriction type</u>	<u>July 01, 2024</u>	<u>Reclassification</u>	<u>Addition</u>	<u>Released from restrictions</u>	<u>June 30, 2025</u>
Foundations	Purpose	\$ 488,510	\$ (251,863)	\$ 415,150	\$ (495,193)	\$ 156,604
Foundations	Time	204,270	-	-	-	204,270
Corporations	Purpose	-	-	24,000	(24,000)	-
Individual and public	Purpose	<u>15,000</u>	<u>251,863</u>	<u>129,600</u>	<u>(267,699)</u>	<u>128,764</u>
Total		<u>\$ 707,780</u>	<u>\$ -</u>	<u>\$ 568,750</u>	<u>\$ (786,892)</u>	<u>\$ 489,638</u>

NOTE 12 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

During the year ended June 30, 2025, Baykeeper utilized and allocated \$1,098,254 of contributions of nonfinancial assets which included contributed services from attorneys and contributed goods from fundraising events.

Contributed services	
Inkind services legal	\$ 988,570
Inkind services non-legal	24,432
Contributed goods	
Inkind goods	<u>85,252</u>
Total in-kind contribution	<u>\$ 1,098,254</u>

**SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 13 - RETIREMENT PLAN

Baykeeper sponsors a defined contribution salary deferral plan under IRC section 401(k) for its eligible employees. Eligible employees may contribute up to 100% of their eligible compensation to the plan, subject to limits imposed under the IRC. The plan allows, but does not require, Baykeeper to contribute. During the year ended June 30, 2025, Baykeeper contributed to eligible employees, based on 5% of their eligible compensation, amounts totaling \$72,160.

NOTE 14 - LEASES

The tables below present information regarding Baykeeper's lease assets and liabilities.

Amounts reported in the statement of financial position as of June 30, 2025, were as follows:

	2025
<u>Assets</u>	
Operating lease right-of-use assets	\$ 324,662
Total lease assets	\$ 324,662
<u>Liabilities</u>	
<u>Short-term</u>	
Operating lease liabilities	\$ 66,567
<u>Long-term</u>	
Operating lease liabilities	288,657
Total lease liabilities	\$ 355,224

The components of lease expense for the year ended June 30, 2025 were as follows:

Operating lease costs	\$ 92,463
Total lease cost	\$ 92,463

Other information related to leases as of June 30, 2025 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flow from operating leases	\$ 63,113
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Weighted average remaining lease term:

Operating leases	4.75 years
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Weighted average discount rate:

Operating leases	2.82%
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(1) Included in lease expenses in the statement of activities.

**SAN FRANCISCO BAYKEEPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 - LEASES - (CONT'D)

Maturities of lease liabilities under noncancellable operating leases as of June 30, 2025 are as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2026	\$ 75,735
2027	78,007
2028	80,347
2029	82,758
2030	<u>63,722</u>
Total	380,569
Less: amount representing interest	<u>(25,345)</u>
Present value of lease liabilities	<u><u>\$ 355,224</u></u>

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2025, financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, reconcile as follows:

Financial assets:

Cash and cash equivalents	\$ 2,027,378
Certificate of deposits	569,767
Undeposited funds	55,782
Investments	320,321
Pledge receivable	100,000
Receivables - current	<u>90,621</u>
Total financial assets	3,163,869
Amounts unavailable for general expenditures within one year	
Less: net assets with donor restrictions	<u>(489,638)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,674,231</u></u>

The legal fund is not tied to any particular financial assets. Baykeeper liquidity management involves annual and quarterly cash projections and expenditure management based on those projections. Baykeeper invests cash in excess of daily requirements in interest-bearing bank accounts and has certain investments in a pooled investment fund available, with approval of the Board of Directors, to cover any shortfalls.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2025, the date these financial statements were available for issuance. Management concluded that no material subsequent events have occurred since June 30, 2025, which would require recognition or disclosure in the financial statements.