

# Circular Action Alliance Oregon 2025 Financial Report:

Covering FY 2023–2024



Circular  
Action  
Alliance®

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## Summary of Startup Activities

During 2023 and 2024, Circular Action Alliance's (CAA) start-up activities related to four core focus areas:

1. Building the organization's shared services platform.
2. Participating in the Oregon rulemaking process.
3. Undertaking activities related to developing the Oregon program plan.
4. Activities associated with preparing for program implementation on July 1, 2025.

In 2023 and 2024, CAA engaged with consultants serving as subject matter experts (SMEs) to support the initial workstreams. In early 2024, CAA established shared services across the national organization, and by July 2024, it established the Oregon team, which has grown to prepare for implementation. With a highly skilled executive leadership team and 80+ staff with deep, hands-on EPR expertise, CAA has significant experience implementing and improving packaging EPR programs. In addition to having an approved plan in Oregon, CAA is the selected PRO in several U.S. states, including California, Colorado, Minnesota and Maryland.

### CAA Organizational Development

- Staffing up CAA to provide HR, Finance, Procurement, Legal, Communications, Producer Support, Program Planning and Operations, and other shared services.
- Set up our IT organization, including building respective tools (producer portal, service provider portal, Enterprise Resource Planning (ERP), and financial systems, amongst others).

### Rulemaking

- Participated in several technical workgroups throughout the rulemaking process to promulgate rule 1 and rule 2 implementing the Plastic Pollution and Recycling Modernization Act.
- Offered extensive public comment on draft rules.

### Program plan development

- Consulted with recycling service providers and local governments across the state.
- Developed three comprehensive program plan drafts, updating sections as data became available.
- Undertook the Oregon Recycling System Optimization Project (ORSOP) to inform system expansion funding and total program costs.
- Conducted extensive end market consultation.

### Program implementation

- Developed education and outreach (E&O) materials.



- Launched system expansion consultations with local governments and service providers.
- Began outreach to the first set of Producer Responsibility Organization (PRO) Recycling Centers providers.
- Secured space for the Oregon audit center, material consolidation and storage, and meeting space for the CAA team.
- Launched the funding agreement process.

On February 21, 2025, the Oregon Department of Environmental Quality (DEQ) approved CAA Oregon's program plan, making CAA Oregon the official PRO to administer Oregon's landmark EPR law, the Plastic Pollution and Recycling Modernization Act (RMA). A copy of the program plan can be found on DEQ's [website](#).

## Oregon Pre-Program Start-up Costs

	<u>12/31/2024</u>	<u>12/31/2023</u>
Direct <sup>1</sup>	\$ 150,000	\$ -
Salary and Wages <sup>2</sup>	373,712	-
Professional Fees		
Consulting <sup>3</sup>	2,649,425	671,814
Legal Fees <sup>4</sup>	234,492	25,049
Technical and Administrative Services <sup>5</sup>	<u>1,954,733</u>	<u>102,508</u>
Total Professional Fees	4,838,650	799,371
General and Administrative Expenses <sup>6</sup>	<u>42,757</u>	<u>-</u>
Total Expenditures	<u><u>\$ 5,405,119</u></u>	<u><u>\$ 799,371</u></u>

### Notes

1. DEQ Program Plan Review Fee.
2. Salary and Wages include the fully loaded people cost of all direct staff in the Oregon team.
3. Consulting includes external resources, including outside consulting companies brought in for various program implementation studies. These costs include, but are not limited to:
  - a. External subject matter experts to assist in rulemaking and program plan development.
  - b. ORSOP study.
4. Legal fees include outside counsel directly engaged for Oregon support.
5. Technical Services include support for:
  - a. Program plan development and overall project management.
  - b. E&O implementation plan, including market research and concept development.
  - c. Materials strategy development.
6. General and Admin expenses include travel, conferences and sponsorships in Oregon, office supplies and IT equipment.

# 2024 Audited Financial Statements

CIRCULAR ACTION ALLIANCE

FINANCIAL REPORT

December 31, 2024

## CPA Independent Auditor's Report



### Independent Auditors' Report

Board of Directors  
Circular Action Alliance  
Washington, D.C.

#### Opinion

We have audited the accompanying financial statements of Circular Action Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024 and 2023, 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 Circular Action Alliance as of December 31, 2024 and 2023, and the change 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 **Auditors' Responsibilities** for the Audit of the Financial Statements section of our report. We are required to be independent of Circular Action 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.

#### 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 Circular Action 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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### Auditors' 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 **Circular Action 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 **Circular Action 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.

*Dembo Jones, P.C.*

*North Bethesda, Maryland  
April 23, 2025*

Dembo Jones, P.C.



## Statement of Financial Position

**CIRCULAR ACTION ALLIANCE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,847,707	\$ 12,835,203
Investments	16,330,803	-
Accounts receivable, net allowance for credit losses of \$0	21,950,000	3,100,000
Prepaid expenses	<u>532,153</u>	<u>51,167</u>
Total current assets	<u>41,660,663</u>	<u>15,986,370</u>
<b>Noncurrent Assets</b>		
Fixed assets not in service	<u>3,168,963</u>	<u>-</u>
Total Assets	<u>\$ 44,829,626</u>	<u>\$ 15,986,370</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,895,905	\$ 1,633,071
Current deferred revenue	<u>2,580,000</u>	<u>-</u>
Total current liabilities	<u>5,475,905</u>	<u>1,633,071</u>
<b>Noncurrent Liabilities</b>		
Long-term deferred revenue	<u>68,370,000</u>	<u>23,650,000</u>
Total liabilities	<u>73,845,905</u>	<u>25,283,071</u>
<b>Net Assets</b>		
Without donor restrictions	<u>(29,016,279)</u>	<u>(9,296,701)</u>
Total liabilities and net assets	<u>\$ 44,829,626</u>	<u>\$ 15,986,370</u>

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

## Statement of Activities

**CIRCULAR ACTION ALLIANCE**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenue</b>		
Contributions	\$ -	\$ -
Other income:		
Investment income	<u>537,186</u>	<u>-</u>
Total revenue	<u>537,186</u>	<u>-</u>
<b>Expenses</b>		
Program services	<u>10,146,673</u>	<u>5,271,175</u>
Supporting services		
Management and general	8,286,431	2,210,971
Fundraising	<u>1,823,661</u>	<u>1,382,260</u>
Total supporting services	<u>10,110,091</u>	<u>3,593,231</u>
Total expenses	<u>20,256,764</u>	<u>8,864,405</u>
<b>Change in net assets</b>	(19,719,578)	(8,864,405)
<b>Net assets, beginning of period</b>	<u>(9,296,701)</u>	<u>(432,296)</u>
<b>Net assets, end of period</b>	<u>\$ (29,016,279)</u>	<u>\$ (9,296,701)</u>

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

## Statement of Functional Expenses

**CIRCULAR ACTION ALLIANCE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2024**

	Program Services	Management and General	Fundraising	Total
Consulting	\$ 7,276,019	\$ 3,805,818	\$ 866,067	\$ 11,947,905
Salaries and wages	753,630	1,848,592	206,830	2,809,052
Technical and administrative services	1,734,408	117,791	439,217	2,291,416
Legal fees	-	1,077,578	-	1,077,578
Office expenses	173,724	743,435	6,610	923,768
Travel	72,699	98,012	17,710	188,420
Other employee benefits	47,448	122,285	12,291	182,025
Payroll taxes	65,237	100,136	16,139	181,512
Communications consulting	8,010	-	137,880	145,890
Accounting fees	-	122,189	-	122,189
Other expenses	640	100,830	18,971	120,441
Advertising and promotion	475	20,782	93,546	114,802
Technology/IT fees	759	91,706	1,916	94,382
Conferences, conventions, and meetings	13,624	22,799	6,484	42,907
Other contracted services	-	6,100	-	6,100
Insurance	-	5,688	-	5,688
Occupancy	-	2,691	-	2,691
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,146,673</u>	<u>\$ 8,286,431</u>	<u>\$ 1,823,661</u>	<u>\$ 20,256,764</u>

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

**CIRCULAR ACTION ALLIANCE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2023**

	Program Services	Management and General	Fundraising	Total
Consulting	\$ 3,620,636	\$ 1,511,025	\$ 755,513	\$ 5,887,175
Technology/IT fees	624,724	340,758	170,379	1,135,861
Legal fees	385,986	210,538	105,269	701,792
Technological and administrative services	606,825	-	-	606,825
Communications consulting	-	-	349,189	349,189
Accounting fees	-	111,884	-	111,884
Advertising and promotion	26,000	-	-	26,000
Other expenses	-	18,300	-	18,300
Insurance	-	14,646	-	14,646
Travel	7,003	3,820	1,910	12,733
Total	<u>\$ 5,271,175</u>	<u>\$ 2,210,971</u>	<u>\$ 1,382,260</u>	<u>\$ 8,864,405</u>

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

## Statement of Cash Flows

**CIRCULAR ACTION ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (19,719,578)	\$ (8,864,405)
Increase in assets:		
Accounts receivable	(18,850,000)	(2,350,000)
Prepaid expenses	(480,986)	(51,167)
Increase in liabilities:		
Accounts payable and accrued expenses	1,262,834	1,200,775
Deferred revenue	47,300,000	22,900,000
Net cash provided by operating activities	<u>9,512,270</u>	<u>12,835,203</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(16,330,803)	-
Purchase of property and equipment	(3,168,963)	-
Net cash used in investing activities	<u>(19,499,766)</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<u>(9,987,496)</u>	<u>12,835,203</u>
<b>Cash, beginning of period</b>	<u>12,835,203</u>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ 2,847,707</u>	<u>\$ 12,835,203</u>

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

## Notes to Financial Statements

### CIRCULAR ACTION ALLIANCE NOTES TO FINANCIAL STATEMENTS December 31, 2024 and 2023

#### **Note 1. Nature of Operations**

Circular Action Alliance (the Organization or CAA) is a national 501(c)3 organization that has been set up on behalf of producers as a Producer Responsibility Organization (PRO) to implement EPR laws for paper and packaging. The Organization is currently building compliance programs across multiple states to fulfil the obligations of these EPR laws prior to implementation.

The Organization was formed by leading companies from the food, beverage, consumer goods, and retail industries in response to the passage of EPR laws in California, Colorado, Maine, and Oregon. These companies are united in their vision to create a circular economy for paper and packaging across the United States.

#### **Note 2. Summary of Significant Accounting Policies**

##### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

##### *Use of Estimates*

The preparation of 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 reported amounts and disclosures. Actual results could differ from those estimates.

##### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, CAA considers checking and money market accounts with banks or other financial institutions to be cash equivalents.

##### *Accounts Receivable*

Accounts receivables are presented at the gross amount due to the Organization. The Organization periodically reviews the status of all accounts receivables balances for collectability, and each receivable balance is assessed based on the Organization's knowledge of the customer, relationship with the customer, and age of the receivable balances. Accounts receivable balance as of January 1, 2023 was \$750,000.



**CIRCULAR ACTION ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

**Note 2. Summary of Significant Accounting Policies (continued)**

*Allowance for Credit Losses (ACL)*

The ACL is management's estimate of the current expected credit losses in the accounts receivable balance, at the statement of financial position date. While portions of the allowance are attributed to specific financial asset classes, the entire ACL is available to absorb credit losses of the Company. The ACL process involves procedures to appropriately consider the unique risk characteristics of the financial asset classes. ACL amounts are influenced by a variety of factors, including changes in portfolio credit quality and general economic conditions. General economic conditions are forecasted using economic variables which will create volatility as those variables change over time. CAA has concluded that no ACL balance is necessary for the years ended December 31, 2024 and 2023.

*Investments*

Investments are recorded at fair value as determined by quoted market prices. Gains or losses are recognized upon sale or disposal. Unrealized gains and losses, due to market fluctuations during the year, are recognized at year-end. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Money market funds and certificates of deposit are carried at fair value.

*Property and Equipment*

Property and equipment consists of IT assets, such as computers, software, and development costs, which are stated at cost. CAA follows the practice of capitalizing all expenditures for property and equipment in excess of \$ 5,000. Depreciation is provided on a straight-line basis over their estimated useful lives of five years. There was no depreciation expense for the years ended December 31, 2024 and 2023.

*Deferred Revenue*

Revenue received in advance for producer fees is shown as deferred revenue in the accompanying statement of financial position.

*Functional Allocation of Expenses*

The costs of providing various programs and administrative services have been summarized on a functional basis in the statement of functional expenses. Expenses that are related to a specific program or supporting function are charged directly to the appropriate program or supporting function. Expenses attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. These expenses are allocated based on budgeted and actual allocation of personnel time, and direct cost of expenses incurred pertaining to specific program mission objectives.

**CIRCULAR ACTION ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024 and 2023**

**Note 2. Summary of Significant Accounting Policies (continued)**

*Subsequent Events*

In preparing its financial statements, Circular Action Alliance has evaluated events and transactions for potential recognition or disclosure through April 23, 2025, which is the date the financial statements were available to be issued.

**Note 3. Income Taxes**

Circular Action Alliance is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under these provisions, no tax is imposed on any income related to the Organization's tax-exempt purpose.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2024 and 2023. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**The Organization's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.**

**Note 4. Management's Strategic Plan**

Circular Action Alliance was incorporated December 21, 2022. As a result of the limited extent of operations since incorporation, the Organization has a net loss of \$ 19,719,578 and \$ 8,864,405 for the years ended December 31, 2024 and 2023, respectively. CAA also has negative net assets of \$ 29,016,279 as of December 31, 2024. These factors create uncertainty about the Organization's ability to continue as a going concern. The net loss is expected as the Organization's revenue starts in the second half of 2025 and the Organization is currently in the start-up phase to build out the plans, systems, and organization to implement the EPR laws.

Management of the Organization has evaluated these conditions and determined the following actions and circumstances would alleviate this uncertainty:

- As of December 31, 2024, five states (California, Colorado, Maine, Minnesota, and Oregon) had passed Extended Producer Responsibility (EPR) laws, with effective dates of these laws beginning in 2025. More states are expected to pass these laws in the future.
- In the states with EPR laws, the law requires the formation of Producer Responsibility Organizations (PRO). As the recognized PRO is these states, the Organization is required to exist by state law.



**CIRCULAR ACTION ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

**Note 4. Management's Strategic Plan (continued)**

- Circular Action Alliance's 20 founding members consist of major, long-standing companies, many of which are Fortune 500 Companies. These companies have pledged to provide funds for the Organization's start-up costs, until the Organization is self-sustaining.
- CAA will begin invoicing Oregon for EPR fees in July 2025, with an expected total of over \$ 200 million in the first year.
- In June 2024, a motion to move forward with three-year financing loan agreements with each founding member as the financing mechanism of choice for CAA from 2025 through 2027 was approved. This will result in committed loan proceeds of at least \$ 134,500,000 over the next three years. These agreements were finalized, approved, and signed as of December 31, 2024. As of April 2025, \$ 58,350,000 of proceeds has been collected by CAA.

Depending on future start-up costs, the Organization may experience further negative results in 2025. However, as described above, management has a reasonable expectation that the Organization has a solid plan to continue in operational existence over a reasonable period of time.

**Note 5. Concentrations**

For the year ended December 31, 2024, approximately 42% of total expenses, or \$ 8,545,607, was paid to one company for assistance with the PRO setup process and approximately 10% of total expenses, or \$ 2,062,846, was paid to one company for technological and administrative services with the PRO setup process. For the year ended December 31, 2023, approximately 48% of total expenses, or \$ 4,210,871, was paid to one company for assistance with the PRO setup process and approximately 12% of total expenses, or \$ 1,064,405, was paid to one company for technological and administrative services with the PRO setup process.

**Note 6. Liquidity and Availability**

The following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2024</u>	<u>2023</u>
Cash	\$ 2,847,707	\$ 12,835,203
Investments	16,330,803	-
Accounts receivable	<u>21,950,000</u>	<u>3,100,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,128,510</u>	<u>\$ 15,935,203</u>

The Organization manages its liquid position by receiving financing from its Founding Members.

**CIRCULAR ACTION ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

**Note 7. Related Party Transactions**

Throughout 2023 and partially in 2024, The Recycling Partnership (TRP) receives all cash and pays all cash disbursements on behalf of the Organization.

The Organization is now receiving and disbursing funds independently and not through TRP.

**Note 8. Concentrations of Credit Risk**

CAA also maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation. CAA has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that CAA is not exposed to any significant credit risk with respect to its cash balances.

**Note 9. Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

*Level 1*

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CAA has the ability to access.

*Level 2*

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- 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 to the valuation methodology are unobservable and significant to the fair value measurement.

**CIRCULAR ACTION ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

**Note 9. Fair Value Measurements (continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Money Market Funds:*

Valued at the daily closing price as reported by the fund. The fund is registered with the SEC and is required to publish the daily net asset value (NAV) and to transact at that price. The fund seeks to maintain a stable net asset value ("NAV") of \$1.00 per share.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CAA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, CAA's assets measured at fair value on a recurring basis as of December 31, 2024. CAA had no investments as of December 31, 2023.

**Assets at Fair Value as of December 31, 2024**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 16,330,803	\$ -	\$ -	\$ 16,330,803
Total	<u>\$ 16,330,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,330,803</u>

All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

The following summarizes the investment return. It is classified with investment income in the statements of activities for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest on money market funds	\$ 330,803	\$ -
Interest on checking accounts	<u>206,383</u>	<u>-</u>
Total net investment return	<u>\$ 537,186</u>	<u>\$ -</u>

**CIRCULAR ACTION ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024 and 2023**

**Note 10. Retirement Plan**

CAA contributes a Qualified Nondiscriminatory Contribution equal to 6% of total compensation. During the years ended December 31, 2024 and 2023, CAA contributed \$ 53,206 and \$ 0, respectively, to the plan.

**Note 11. Deferred Revenue**

CAA maintains PRO Assistance Agreements with founding members in order to support startup costs incurred. These agreements are recorded as deferred revenue on the statement of financial position, and represents amounts paid in advance for future services. Deferred revenue balances at December 31, 2024, December 31, 2023, and January 1, 2023 were \$ 70,950,000, \$ 23,650,000, and \$ 750,000, respectively.



## 2023 CPA Independent Auditor's Report

*\*Note: 2023 financials are included in 2024 statement*



### Independent Auditors' Report

Board of Directors  
Circular Action Alliance  
Washington, D.C.

#### Opinion

We have audited the accompanying financial statements of Circular Action Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2023, 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 Circular Action Alliance as of December 31, 2023, and its net assets and its cash flows for the year ended December 31, 2023, 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 **Auditors' Responsibilities** for the Audit of the Financial Statements section of our report. We are required to be independent of Circular Action Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 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 Circular Action 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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### Auditors' 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 **Circular Action 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 **Circular Action 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.

*Dembo Jones, P.C.*

*North Bethesda, Maryland  
July 19, 2024*

Dembo Jones, P.C.

## Cost Allocation & Shared Services Overview

CAA has a robust company financial policy in place to ensure that costs are accurately captured and attributed to the states in which they are incurred. As CAA is a national organization, it has several costs that are managed at a national level and several that are managed directly at the state level.

Direct costs at the state level include fully loaded cost of the people in the state teams. It also includes all costs incurred directly in support of the program development and operations for the state. This includes consulting costs where external consultants spend time directly on Oregon projects. It includes costs of Oregon-specific studies (e.g., E&O development, ORSOP, Materials Strategy and others).

Direct costs are paid separately by each state on actual usage and are excluded from the shared cost allocations.

Indirect costs include the costs managed at the national level – including Finance, HR, Procurement, IT, Legal, Producer Services and others. These costs support operations across all states and drive synergies to be managed at the national level. All indirect costs are charged at a set allocation factor to each state.

### Shared Services Allocations

- Shared service costs are allocated to service recipient subsidiaries based on the service recipient subsidiaries' percentage of the overall share of state program costs across all entities.
- CAA is currently basing the overall percentage share based on 2027 program size estimates.
- Shared services costs include, but are not limited to, personnel staff, contractors, consultants, systems implementation costs, external communications, consumer education, etc.

The shared services model and company formal allocation policy are overseen by CAA (the parent entity) Finance team annually in accordance with the Shared Services Agreement signed between the parent and each state subsidiary. CAA's policy is to ensure indirect costs are allocated fairly and efficiently across all the states in which it operates. CAA's Guiding Principles are Consistency, Transparency, Compliance and Fairness.

The allocation policy is reviewed periodically and adjusted as needed, with final approval from the CFO.





## Financial Accounting Structure

CAA's accounting system is set up to deliver the data and reports needed for internal management and external financial reporting. CAA had independent audits conducted for 2023 and 2024 financials, and the auditors found no deficiency in CAA's accounting system and/or policies.


- Prior to 2025, CAA operated with a limited financial system. Every effort was made to split direct and indirect costs appropriately to ensure state-specific costs were being captured reasonably. These costs are outlined in the 2023 and 2024 start-up cost section of this report.
- In 2025, CAA implemented Workday Financials and set up an Oregon LLC to manage the Oregon costs and program implementation. The 2025 and onward financial statements will include fully loaded costs (both direct and indirect) in the Oregon LLC and will be published as part of the annual reports.
  - Our Workday Chart of Accounts (COA) is a comprehensive list of general ledger accounts that categorize financial transactions with similar spend characteristics.
  - All financial transactions are categorized, reviewed and approved via a Purchase Order (PO) process, including initiation, review and three-way match approvals. These include direct and indirect costs.
  - Each account within the COA is mapped to appropriate financial statement lines, based on Generally Accepted Accounting Principles (GAAP) criteria for assets, liabilities, net assets, revenue and expense.
  - Each expense on the PO is appropriately categorized in line with the identified needs of the state program spend areas (e.g., E&O vs Transportation Reimbursement vs System Expansion)


CAA remains confident in its ability to generate GAAP compliant financial statements that will provide transparency to the Oregon LLC's cost elements as outlined in the program plans.









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