

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seacology
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Seacology (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, 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 from 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.

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 Seacology as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 16, Coronavirus Pandemic, the World Health Organization had declared COVID-19 as a public health emergency of international concern. Because of this, and local operational restrictions, the Corporation has not been able to conduct normal program activities since shelter-in-place orders were issued. Given the uncertainty of the situation, the duration of any business disruption and the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Doran & Associates

June 25, 2021

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 1,760,929	\$ 892,792
Current portion of contributions, grants, and accounts receivable, net of allowance for doubtful accounts (Note 3)	321,457	183,950
Prepaid expenses and deposits	77,214	110,740
Marketable equity securities / Investments (Note 4)	<u>7,359,580</u>	<u>6,768,837</u>
Total current assets	9,519,180	7,956,319
Contributions, grants and accounts receivable, net of current portion, allowance for doubtful accounts and present value discount (Note 3)	280,470	36,710
Equipment and leasehold improvements, net of accumulated depreciation of \$40,780 at 2020 and \$57,306 at 2019 (Notes 1 and 5)	<u>16,985</u>	<u>18,002</u>
Total assets	<u>\$ 9,816,635</u>	<u>\$ 8,011,031</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,459	\$ 23,119
Accrued vacation liability (Note 6)	<u>94,593</u>	<u>54,605</u>
Total liabilities	<u>96,052</u>	<u>77,724</u>
Net assets (Note 7):		
Net assets without donor restrictions:		
Undesignated	2,654,336	2,516,911
Board-designated:		
Dominican Republic Mangrove Initiative	50,000	-
COVID-19 reserve	268,185	-
Force for Good	1,250,842	1,025,835
Falealupo endowment (Note 8)	228,978	202,013
Quasi-endowment (Note 8)	<u>3,678,114</u>	<u>3,231,130</u>
Total net assets without donor restrictions	8,130,455	6,975,889
Net assets with donor restrictions	<u>1,590,128</u>	<u>957,418</u>
Total net assets	<u>9,720,583</u>	<u>7,933,307</u>
Total liabilities and net assets	<u>\$ 9,816,635</u>	<u>\$ 8,011,031</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Foundation grants	\$ 346,000	\$ 307,900	\$ 653,900
Donations and bequests	897,821	1,195,965	2,093,786
SBA Paycheck Protection Program grant (Note 9)	-	132,300	132,300
In-kind contributions (Note 1)	90,857	-	90,857
	<u>1,334,678</u>	<u>1,636,165</u>	<u>2,970,843</u>
Total public support			
Revenue:			
Investment income, net (Note 4)	1,095,275	-	1,095,275
Expedition income (loss), net of expenses of \$8,995	(8,995)	-	(8,995)
Event income (loss), net of expenses of \$129	(129)	-	(129)
Miscellaneous	1,816	-	1,816
	<u>1,087,967</u>	<u>-</u>	<u>1,087,967</u>
Total revenue			
Net assets released from restriction (Note 10)	<u>1,003,455</u>	<u>(1,003,455)</u>	<u>-</u>
Total support, revenue and transfers			
	<u>3,426,100</u>	<u>632,710</u>	<u>4,058,810</u>
EXPENSES AND LOSSES			
Program services	1,808,085	-	1,808,085
Management and general	146,790	-	146,790
Fundraising	316,659	-	316,659
	<u>2,271,534</u>	<u>-</u>	<u>2,271,534</u>
Total expenses and losses			
Change in net assets	1,154,566	632,710	1,787,276
Net assets, beginning of year	<u>6,975,889</u>	<u>957,418</u>	<u>7,933,307</u>
Net assets, end of year	<u>\$ 8,130,455</u>	<u>\$ 1,590,128</u>	<u>\$ 9,720,583</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Foundation grants	\$ 204,250	\$ 578,505	\$ 782,755
Donations and bequests	899,849	735,318	1,635,167
In-kind contributions (Note 1)	<u>410</u>	<u>-</u>	<u>410</u>
Total public support	<u>1,104,509</u>	<u>1,313,823</u>	<u>2,418,332</u>
Revenue:			
Investment income, net (Note 4)	1,087,178	-	1,087,178
Expedition income (loss), net of expenses of \$19,048	(19,048)	-	(19,048)
Event income (loss), net of expenses of \$4,514	(4,514)	-	(4,514)
Miscellaneous	<u>710</u>	<u>-</u>	<u>710</u>
Total revenue	<u>1,064,326</u>	<u>-</u>	<u>1,064,326</u>
Net assets released from restriction (Note 10)	<u>643,633</u>	<u>(643,633)</u>	<u>-</u>
Total support, revenue and transfers	<u>2,812,468</u>	<u>670,190</u>	<u>3,482,658</u>
EXPENSES AND LOSSES			
Program services	2,089,580	-	2,089,580
Management and general	140,930	-	140,930
Fundraising	<u>311,508</u>	<u>-</u>	<u>311,508</u>
Total expenses and losses	<u>2,542,018</u>	<u>-</u>	<u>2,542,018</u>
Change in net assets	270,450	670,190	940,640
Net assets, beginning of year	<u>6,705,439</u>	<u>287,228</u>	<u>6,992,667</u>
Net assets, end of year	<u>\$ 6,975,889</u>	<u>\$ 957,418</u>	<u>\$ 7,933,307</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program	Management and General	Fundraising	Total
Bookkeeping and accounting	\$ -	\$ 24,252	\$ -	\$ 24,252
Computer services	9,611	1,251	3,415	14,277
Consultants: Field representatives	155,264	-	-	155,264
Consultants: other	2,536	300	11,995	14,831
Depreciation expense	5,025	666	1,783	7,474
Dues, subscriptions and publications	1,701	245	596	2,542
Event expenses	-	-	129	129
Expedition expenses	7,196	-	1,799	8,995
Grant payments/project expenses	732,496	-	-	732,496
In-kind expenses	71,414	6,269	13,174	90,857
Insurance	4,890	3,793	1,717	10,400
Licenses and permits	-	417	-	417
Office supplies and maintenance	5,792	815	2,064	8,671
Postage and delivery	1,182	163	542	1,887
Printing	2,865	-	1,918	4,783
Property taxes	-	217	-	217
Public education	632	-	-	632
Rent and utilities	31,532	4,361	11,104	46,997
Salaries and employee benefits	743,649	98,514	263,848	1,106,011
Seacology Prize Expenses	15,707	-	-	15,707
Telephone	4,168	553	1,472	6,193
Travel and meetings	19,621	4,974	3,031	27,626
Total expenses by function	1,815,281	146,790	318,587	2,280,658
Less expenses included with revenues on the Statement of Activities:				
Event expenses	-	-	129	129
Expedition expenses	7,196	-	1,799	8,995
Total expenses included in the expenses section on the Statement of Activities	\$ 1,808,085	\$ 146,790	\$ 316,659	\$ 2,271,534
	<u>80%</u>	<u>6%</u>	<u>14%</u>	<u>100%</u>

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

SEACOLOGY
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STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended December 31, 2019

	Program	Management and General	Fundraising	Total
Bookkeeping and accounting	\$ -	\$ 27,166	\$ -	\$ 27,166
Computer services	8,262	1,101	2,992	12,355
Consultants: Field representatives	153,534	-	-	153,534
Consultants: other	4,552	940	31,840	37,332
Depreciation expense	101	14	37	152
Dues, subscriptions and publications	1,632	226	605	2,463
Event expenses	-	-	4,514	4,514
Expedition expenses	15,238	-	3,810	19,048
Grant payments/project expenses	1,060,942	-	-	1,060,942
In-kind expenses	271	26	113	410
Insurance	5,680	3,897	2,033	11,610
Licenses and permits	-	545	-	545
Office supplies and maintenance	6,016	830	2,170	9,016
Postage and delivery	1,314	261	759	2,334
Printing	2,077	27	1,229	3,333
Property taxes	-	222	-	222
Public education	6,403	-	-	6,403
Rent and utilities	31,956	4,387	11,527	47,870
Salaries and employee benefits	675,061	90,352	245,887	1,011,300
Seacology Prize Expenses	37,352	-	-	37,352
Telephone	2,850	375	1,044	4,269
Travel and meetings	91,577	10,561	11,272	113,410
Total expenses by function	2,104,818	140,930	319,832	2,565,580
Less expenses included with revenues on the Statement of Activities:				
Event expenses	-	-	4,514	4,514
Expedition expenses	15,238	-	3,810	19,048
Total expenses included in the expenses section on the Statement of Activities	\$ 2,089,580	\$ 140,930	\$ 311,508	\$ 2,542,018
	<u>82%</u>	<u>6%</u>	<u>12%</u>	<u>100%</u>

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

SEACOLOGY
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STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,787,276	\$ 940,640
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,474	152
Unrealized gain on investments	(851,882)	(930,134)
Realized gain on investments	(169,098)	(80,376)
Changes in assets and liabilities:		
Contributions, grants, and accounts receivable	(381,267)	(27,512)
Prepaid expenses and deposits	33,526	14,841
Accounts payable and accrued expenses	(21,660)	2,268
Accrued vacation liability	39,988	5,312
Total adjustments	<u>(1,342,919)</u>	<u>(1,015,449)</u>
Net cash provided (used) by operating activities	<u>444,357</u>	<u>(74,809)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of marketable equity securities	865,357	1,512,597
Purchases and reinvestments of marketable equity securities	(435,120)	(2,442,704)
Purchase of equipment and leasehold improvements	(6,457)	(18,002)
Net cash provided (used) by investing activities	<u>423,780</u>	<u>(948,109)</u>
Net increase (decrease) in cash and cash equivalents	868,137	(1,022,918)
Cash and cash equivalents, beginning of year	<u>892,792</u>	<u>1,915,710</u>
Cash and cash equivalents, end of year	<u>\$ 1,760,929</u>	<u>\$ 892,792</u>
Supplementary information:		
Non-cash transactions:		
Donated securities	<u>\$ 60,905</u>	<u>\$ 94,064</u>

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

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Seacology (hereafter, the Corporation) is a nonprofit public benefit corporation whose purpose is to protect the threatened species and habitats of the world's islands by working directly with local people to both conserve their natural resources and improve their quality of life. The Corporation's major sources of revenue are foundation grants, donations, and bequests.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for identified reserves and board-designated endowments (see Note 7).

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - For purposes of the statements of financial position, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Contributions - The Corporation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

As of December 31, 2020 and 2019, the Corporation had received no conditional promises to give.

Revenue Recognition - Revenue, other than from unconditional contributions, bequests, and grants, is recognized in the period in which service is provided.

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Equity Securities / Investments - Investments primarily include corporate stocks, mutual funds, and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based upon quoted market prices. Investments received by donation are recorded at the fair value at the date of donation.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the high level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and/or inputs from quoted prices for identical or similar assets or liabilities in non-major markets (e.g. corporate bonds). Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Corporation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Corporation's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

In-Kind Contributions - The Corporation receives the benefit of in-kind goods and services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by the organization if they had not been provided by contribution. These items have a fair market value using the market method of \$90,857 and \$410 for the years ended December 31, 2020 and 2019, respectively, as follows:

<u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
December 31, 2020:				
Advertising	\$ -	\$ 90,857	\$ -	\$ 90,857
December 31, 2019:				
Miscellaneous	\$ -	\$ 410	\$ -	\$ 410

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on measures of effort by function by employees, and computer services, dues, subscriptions and publications, insurance: other, office supplies and maintenance, rent and utilities, telephone, and depreciation, which are allocated based on salary allocations.

Equipment and Leasehold Improvements - The Corporation records equipment and leasehold improvements in excess of \$2,000 at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful life of 3 to 5 years.

Expedition Trust Account - As a licensed seller of travel for expeditions, the Corporation maintains a separate trust account used to hold participant deposits for travel. Use of these funds is restricted to pay travel service providers and other specific fees.

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

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 of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed (four years for California). Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Accounting Standards Update, ASU 2016-02, Leases - In February 2016, the FASB issued amendments to the way lessees record lease transactions. Upon implementation, lessees will be required to recognize at commencement the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2021, and early adoption is permitted. Management is currently evaluating the impact the amendments to this ASU will have on the financial statements of the Corporation.

Reclassifications - Certain balances at, and for the year ended December 31, 2019, were reclassified to conform with December 31, 2020, balances.

Subsequent Events - Subsequent events have been evaluated through June 25, 2021, which is the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Seacology has \$2,507,000 in financial assets available for general expenditures within one year of the statement of financial position date. This amount consists of \$677,000 in cash and cash equivalents, \$557,000 in contributions receivable, and \$1,273,000 in operating investments. None of these assets are subject to donor restrictions, internal designations, or any contractual obligations. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 CONTRIBUTIONS, GRANTS, AND ACCOUNTS RECEIVABLE

The Corporation received pledges, grants, and other receivables for various purposes. The receivables are collectible as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current portion	\$ 328,707	\$ 187,200
Less: allowance for doubtful accounts	<u>(7,250)</u>	<u>(3,250)</u>
Net current portion	<u>321,457</u>	<u>183,950</u>
Long-term portion, year ending December 31:		
2021	N/A	30,000
2022	120,000	5,000
2023	120,000	5,000
2024	115,000	5,000
Less: allowance for doubtful accounts	(24,800)	(3,000)
Less: present value discount	<u>(49,730)</u>	<u>(5,290)</u>
Net long-term portion	<u>280,470</u>	<u>36,710</u>
 Total contributions, grants, and accounts receivable	 <u>\$ 601,927</u>	 <u>\$ 220,660</u>

The allowance for doubtful accounts is based on prior years' experience and management's analysis of specific commitments. Long-term commitments are recognized at fair value using present value techniques with a discount rate of 8%.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 4 MARKETABLE EQUITY SECURITIES / INVESTMENTS

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended December 31, 2020 and 2019:

<u>Description</u>	Fair Value Measurements Using			<u>Total</u>
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>December 31, 2020:</i>				
Corporate stocks / equities:				
Common stocks	\$ 5,657,343	\$ -	\$ -	\$ 5,657,343
Mutual funds	498,568	-	-	498,568
	6,155,911	-	-	6,155,911
Fixed income and preferreds:				
Corporate bonds	-	399,736	-	399,736
Preferred stocks	15,554	-	-	15,554
Mutual funds	788,379	-	-	788,379
	803,933	399,736	-	1,203,669
	\$ 6,959,844	\$ 399,736	\$ -	\$ 7,359,580
<i>December 31, 2019:</i>				
Corporate stocks / equities:				
Common stocks	\$ 4,483,595	\$ -	\$ -	\$ 4,483,595
ETFs - equity	35,805	-	-	35,805
Mutual funds	454,104	-	-	454,104
	4,973,504	-	-	4,973,504
Fixed income and preferreds:				
Corporate bonds	-	500,526	-	500,526
Preferred stocks	18,066	-	-	18,066
Mutual funds	763,980	-	-	763,980
ETFs - fixed	52,938	-	-	52,968
	834,984	500,526	-	1,335,510
Alternatives (REIT)	45,756	-	-	45,756
	\$ 5,854,244	\$ 500,526	\$ -	6,354,770
Certificates of deposit				414,067
				\$ 6,768,837

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 4 MARKETABLE EQUITY SECURITIES / INVESTMENTS (Continued)

The following summarizes the investment income, including interest earned on bank deposits, earned during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrealized gain on investments	\$ 851,882	\$ 930,134
Realized gain on investments	169,098	80,376
Interest and dividend income	133,769	131,060
Investment fees	<u>(59,474)</u>	<u>(54,392)</u>
	<u>\$ 1,095,275</u>	<u>\$ 1,087,178</u>

NOTE 5 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

<u>Equipment and leasehold improvements, at cost</u>	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2018	\$ 20,782	\$ 12,524	\$ 24,000	\$ 57,306
Additions	<u>-</u>	<u>-</u>	<u>18,002</u>	<u>18,002</u>
Balance, December 31, 2019	20,782	12,524	42,002	75,308
Additions	-	-	6,457	6,457
Disposals	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>(24,000)</u>
Balance, December 31, 2020	<u>20,782</u>	<u>12,524</u>	<u>24,459</u>	<u>57,765</u>
<u>Accumulated depreciation</u>				
Balance, December 31, 2018	20,782	12,372	24,000	57,154
Depreciation expense	<u>-</u>	<u>152</u>	<u>-</u>	<u>152</u>
Balance, December 31, 2019	20,782	12,524	24,000	57,306
Depreciation expense	-	-	7,474	7,474
Disposals	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>(24,000)</u>
Balance, December 31, 2020	<u>20,782</u>	<u>12,524</u>	<u>7,474</u>	<u>40,780</u>
Equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,985</u>	<u>\$ 16,985</u>

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For the years ended December 31, 2020 and 2019

NOTE 6 ACCRUED VACATION LIABILITY

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Corporation. A maximum of two year's allotment of vacation days can be accrued. Once an employee reaches the maximum, the employee no longer accrues vacation until the balance drops below the maximum. The value of accumulated vacation at December 31, 2020 and 2019, was \$94,593 and \$54,605, respectively.

NOTE 7 NET ASSETS

Net assets without donor restrictions:

The Corporation has net assets that are not subject to donor imposed restrictions. The balance of net assets without donor restriction at December 31, 2020 and 2019, was \$8,130,455 and \$6,975,889, respectively. Included in that amount are net assets that have been designated by the Board of Directors to be used as follows:

	<u>2020</u>	<u>2019</u>
Dominican Republic Mangrove Initiative	\$ 50,000	\$ -
COVID-19 reserve fund, to be held until June 7, 2022	268,185	-
Force for Good - Established in 1996 to fund projects to help protect fragile island environments for indigenous people	1,250,842	1,025,835
Falealupo endowment - Established in 1997 to fund the repair and upkeep of the Falealupo school which was the very first Seacology project, and the Falealupo canopy aerial walkway. These two projects were in exchange for protection of 30,000 acre rain forest in perpetuity (see Note 8)	228,978	202,013
Quasi-endowment - Established in 2003 to fund the long-term sustainability of Seacology (see Note 8)	<u>3,678,114</u>	<u>3,231,130</u>
	<u>\$ 5,476,119</u>	<u>\$ 4,458,978</u>

Net assets with donor restrictions:

These are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Net assets with donor restrictions at December 31, 2020 and 2019, are designated for the following uses:

	<u>2020</u>	<u>2019</u>
Island Conservation projects	\$ 775,341	\$ 100,203
Time-restricted	381,552	333,309
Pacific Islands projects	65,015	85,446
Marine Conservation with International Significance	450,000	450,000
Less: allowance for uncollectible receivable and present value discount on restricted grants	<u>(81,780)</u>	<u>(11,540)</u>
	<u>\$ 1,590,128</u>	<u>\$ 957,418</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 8 ENDOWMENT

The Corporation's endowment consists of three investment accounts established for a variety of purposes. Its endowment consists of Board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law - The Board of Directors of the Corporation has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of:

<u>Description:</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2020:</u>			
Board-designated endowment funds:			
Falealupo endowment	\$ 228,978	\$ -	\$ 228,978
Quasi-endowment	<u>3,678,114</u>	<u>-</u>	<u>3,678,114</u>
Total funds	<u>\$ 3,907,092</u>	<u>\$ -</u>	<u>\$ 3,907,092</u>

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For the years ended December 31, 2020 and 2019

NOTE 8 ENDOWMENT (Continued)

<u>Description:</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2019:</u>			
Board-designated endowment funds:			
Falealupo endowment	\$ 202,013	\$ -	\$ 202,013
Quasi-endowment	<u>3,231,130</u>	<u>-</u>	<u>3,231,130</u>
Total funds	<u>\$ 3,433,143</u>	<u>\$ -</u>	<u>\$ 3,433,143</u>

Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	<u>\$ 2,931,246</u>	<u>\$ -</u>	<u>\$ 2,931,246</u>
Investment return:			
Interest and dividends	71,837	-	71,837
Unrealized gain/loss	571,775	-	571,775
Service charges	<u>(28,690)</u>	<u>-</u>	<u>(28,690)</u>
Total investment return	<u>614,922</u>	<u>-</u>	<u>614,922</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Distribution	<u>(113,025)</u>	<u>-</u>	<u>(113,025)</u>
Endowment net assets, December 31, 2019	<u>3,433,143</u>	<u>-</u>	<u>3,433,143</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 8 ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2020 and 2019 (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Investment return:			
Interest and dividends	76,074	-	76,074
Unrealized gain/loss	537,571	-	537,571
Service charges	(31,028)	-	(31,028)
Total investment return	582,617	-	582,617
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Distribution	(108,668)	-	(108,668)
Endowment net assets, December 31, 2020	\$ 3,907,092	\$ -	\$ 3,907,092

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no funds with deficiencies as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters

For Falealupo Endowment and other endowment funds, the Corporation's objective is to earn a long-term real return, net of investment expenses, of at least 5% per annum pending market conditions. "Real return" means the time-weighted total return on the investment portfolio in excess of inflation as measured by the Consumer Price Index ("CPI"). Liquidity and capital preservation (price protection) are the Corporation's essential investment considerations at this time.

When the Corporation's total capital assets reach a level at which a portion may be considered a true "endowment", the Corporation expects that the total investment objective for such endowment will be a long-term return in excess of CPI + 5%.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

The Corporation seeks to achieve the return objective through diversification across multiple asset classes and, when appropriate, active security selection.

When the Corporation's total capital assets reach a level at which a portion may be considered a true "endowment", the Corporation's strategy will be to invest a portion of the endowment in "alternative" investments in restricted securities with little or no liquidity and significant capital risk.

The Investment Committee is responsible for reviewing and modifying as necessary the Investment Policy Statement, including the endowment.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Quasi-endowment held for operating purposes fund shall make an annual distribution to the Corporation general account for annual operating purposes in an amount to be determined by the Board, between 0% and 6% of the market value of the endowment fund on the preceding December 31. Such distribution shall be made no later than March 31 of each year. The annual distribution amount shall be initially set at 0% until the endowment fund reaches a balance of \$5,000,000, at which time the annual distribution amount will be set at 4% of the moving average of the last three years' total market value of the endowment fund on each December 31. An increase of the 6% maximum limit may be changed by the Board only with a dual vote per the procedures set forth below for extraordinary distributions from the endowment account. The annual distribution amount should be set by the Board within a range normally considered prudent.

A separate quasi-endowment fund was established in 2016 to contribute to the Corporation's long-term viability. Each year, some of these separate quasi-endowment funds will be withdrawn and deposited into the general operating account to be used for projects and operations, other than the Sri Lanka Mangrove protection program. In 2016, the amount withdrawn was \$100,000, with future withdrawals to increase by CPI.

Quasi-endowment Extraordinary Distributions: In order to withdraw and distribute funds from the Quasi-endowment to the general operating account in excess of the annual distribution amount established by the Board, the proposed withdrawal must be communicated to the Board members and the vote of at least 75% of the acting Board members, not just a quorum of those present, must approve the withdrawal by two separate votes at least 30 days apart. Such notice shall be given in person, or by written or electronic communication as provided in the By-Laws for the giving of notices.

Amounts earned on investment returns for the Quasi-endowment Fund are released from restriction and appropriated as earned.

Distributions from the Falealupo Endowment may be made from both investment principal and income. Amounts earned on investment returns for the Falealupo Endowment are appropriated as earned. Distributions from the Falealupo Endowment are made on a case-by-case basis.

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NOTE 9 SBA PAYCHECK PROTECTION PROGRAM

On April 24, 2020, the Corporation entered into an unsecured note payable to the CRF Small Business Loan Company, LLC, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act's "Paycheck Protection Program" which was guaranteed by the U.S. Small Business Administration. The loan was for \$132,300, scheduled to mature on April 24, 2022, and bore interest at the fixed rate of 1% per annum. Payments of principal and interest were deferred for six months, then were to be made in eighteen equal payments until maturity. Under the terms of the program, some or all of the loan may be forgiven if funds are used during the covered period for costs identified in the CARES Act: payroll costs, covered rent obligations, and covered utility payments. On November 5, 2020, the full amount was forgiven and \$132,300 was recognized as grant income.

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2020 and 2019, the following net assets with donor restrictions were used for their restricted purposes, and they were released to net assets without donor restrictions:

	2020	2019
Island Conservation projects	\$ 421,417	\$ 363,493
Seacology Prize event underwriting	15,707	30,038
Pacific Island projects	70,431	47,433
Time-restricted	363,550	202,409
PPP grant terms	132,300	-
Save an Acre	50	260
	\$ 1,003,455	\$ 643,633

NOTE 11 LEASE

The Corporation leases its offices in Berkeley, California, under a lease maturing September 30, 2022. Minimum monthly rent ranges from \$3,264 to \$3,767. Rent expense for the lease for the years ended December 31, 2020 and 2019, was \$44,116 and \$43,960, respectively.

The estimated future minimum payments for the long-term lease are as follows:

Year ending	
<u>December 31,</u>	
2021	\$ 44,539
2022	33,903
	\$ 78,442

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 12 TAX SHELTERED ANNUITY

The Corporation established a 403(b) deferred income plan at TIAA for all employees who have completed four months of service with the Corporation. Voluntary contributions are made by employees who choose to participate to the extent permissible by law. Additionally, the Corporation contributes an amount equal to 15% of employee salaries for eligible staff. During the years ended December 31, 2020 and 2019, the Corporation made contributions totaling \$117,246 and \$111,299, respectively, to the plan.

NOTE 13 JOINT COSTS

The Corporation achieves some of its programmatic goals in newsletter mailings, its website, and expeditions that include requests for contributions. In 2020 and 2019, the costs of these activities include \$30,666 and \$32,566, respectively, of joint costs that are not directly attributable to the program, fundraising, or management and general component of the activities. The joint costs incurred in 2020 and 2019 were allocated as follows:

<u>Description:</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>2020:</u>				
Consultants	\$ 5,500	\$ -	\$ 5,500	\$ 11,000
Expedition expenses	7,196	-	1,799	8,995
Postage and delivery	682	52	225	959
Printing and reproduction	2,864	-	318	3,182
Travel	<u>3,706</u>	<u>81</u>	<u>2,743</u>	<u>6,530</u>
	<u>\$ 19,948</u>	<u>\$ 133</u>	<u>\$ 10,585</u>	<u>\$ 30,666</u>
 <u>2019:</u>				
Expedition expenses	\$ 15,238	\$ -	\$ 3,810	\$ 19,048
Postage and delivery	728	94	351	1,173
Printing and reproduction	2,077	27	249	2,353
Travel	<u>8,373</u>	<u>-</u>	<u>1,619</u>	<u>9,992</u>
	<u>\$ 26,416</u>	<u>\$ 121</u>	<u>\$ 6,029</u>	<u>\$ 32,566</u>

NOTE 14 LICENSE AGREEMENTS

The Corporation has entered into exclusive non-transferable License Agreements with Seacology Germany, Seacology Japan, and Seacology UK. These agreements allow the licensees to carry on the Seacology concept into Germany, Japan, Austria, Switzerland, and Great Britain and the United Kingdom, so that more projects can be launched on developing islands throughout the world. The Corporation is the sole owner of the Seacology name, service, and trademarks associated directly with particular, unique and evolving conservation policies, concepts and practices, the Seacology brand, and extending to the manner and style with which Seacology, Inc. conducts its affairs.

Licensees agree that all work they undertake will be consistent with the concept, and licensees will not pursue any course of conduct or policy that the Corporation believes to be inconsistent with same.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 14 LICENSE AGREEMENTS (Continued)

Under the License Agreements, the Corporation presents the Licensees with projects on islands throughout the world (primarily islands in developing nations). As a representative organization, licensees can only fund “Seacology projects” which are identified, developed, structured and offered to them by the Corporation. These License Agreements may be terminated at any time upon 30 days written notice.

During the years ended December 31, 2020 and 2019, the Corporation received the following pledges and contributions from licensees to fund specific projects:

	<u>2020</u>	<u>2019</u>
Seacology Japan	<u>\$ -</u>	<u>\$ 18,500</u>

No amounts were receivable from licensees at December 31, 2020 and 2019.

NOTE 15 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation’s exposure to impact from these events.

Four funders provided grants and donations totaling \$1,180,732, which is 29% of total income in 2020. One of the funders represented 37% of contributions, grants, and accounts receivable at December 31, 2020. Three funders provided grants and donations totaling \$819,212, which is 24% of total income in 2019.

As of December 31, 2020, the Corporation had exceeded the federally insured cash limit of \$250,000 on its several depository accounts. At December 31, 2020, the Corporation had approximately \$1,160,000 on deposit in excess of federally insured limits.

NOTE 16 CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The impact to the Corporation’s operations includes restrictions on employees’ and grantee project partners’ ability to work, and reductions or cancellation of program activities. The economic pressures during the shelter-in-place may result in increased operating expenses, fluctuations in investments values, and potential reductions in the Corporation’s ability to fundraise, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.