

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seacology
Berkeley, California

Opinion

We have audited the accompanying financial statements of Seacology (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Seacology as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seacology and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audits 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 Seacology'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 Seacology'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 Seacology'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 audits.

Doran & Associates

July 19, 2022

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 1,643,561	\$ 1,760,929
Current portion of contributions, grants, and accounts receivable, net of allowance for doubtful accounts (Note 3)	157,250	321,457
Prepaid expenses and deposits	102,497	77,214
Marketable equity securities / Investments (Note 4)	<u>8,841,266</u>	<u>7,359,580</u>
Total current assets	10,744,574	9,519,180
Contributions, grants and accounts receivable, net of current portion, allowance for doubtful accounts and present value discount (Note 3)	218,095	280,470
Equipment and leasehold improvements, net of accumulated depreciation of \$48,933 at 2021 and \$40,780 at 2020 (Notes 1 and 5)	<u>8,832</u>	<u>16,985</u>
Total assets	<u>\$ 10,971,501</u>	<u>\$ 9,816,635</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 52,212	\$ 1,459
Accrued vacation liability (Note 6)	<u>90,954</u>	<u>94,593</u>
Total liabilities	<u>143,166</u>	<u>96,052</u>
Net assets (Note 7):		
Net assets without donor restrictions:		
Undesignated	3,039,792	2,654,336
Board-designated:		
Dominican Republic Mangrove Initiative	75,000	50,000
COVID-19 reserve	268,185	268,185
Force for Good	1,367,454	1,250,842
Falealupo endowment (Note 8)	257,326	228,978
Quasi-endowment (Note 8)	<u>3,999,022</u>	<u>3,678,114</u>
Total net assets without donor restrictions	9,006,779	8,130,455
Net assets with donor restrictions	<u>1,821,556</u>	<u>1,590,128</u>
Total net assets	<u>10,828,335</u>	<u>9,720,583</u>
Total liabilities and net assets	<u>\$ 10,971,501</u>	<u>\$ 9,816,635</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Foundation grants	\$ 306,001	\$ 488,000	\$ 794,001
Donations and bequests	1,258,065	680,433	1,938,498
In-kind contributions (Note 1)	<u>116,739</u>	<u>-</u>	<u>116,739</u>
Total public support	<u>1,680,805</u>	<u>1,168,433</u>	<u>2,849,238</u>
Revenue:			
Investment income, net (Note 4)	832,181	-	832,181
Expedition income (loss), net of expenses of \$9,903	(153)	-	(153)
Miscellaneous	<u>2,725</u>	<u>-</u>	<u>2,725</u>
Total revenue	<u>834,753</u>	<u>-</u>	<u>834,753</u>
Net assets released from restriction (Note 10)	<u>937,005</u>	<u>(937,005)</u>	<u>-</u>
Total support, revenue and transfers	<u>3,452,563</u>	<u>231,428</u>	<u>3,683,991</u>
EXPENSES AND LOSSES			
Program services	2,094,096	-	2,094,096
Management and general	144,048	-	144,048
Fundraising	<u>338,095</u>	<u>-</u>	<u>338,095</u>
Total expenses and losses	<u>2,576,239</u>	<u>-</u>	<u>2,576,239</u>
Change in net assets	876,324	231,428	1,107,752
Net assets, beginning of year	<u>8,130,455</u>	<u>1,590,128</u>	<u>9,720,583</u>
Net assets, end of year	<u>\$ 9,006,779</u>	<u>\$ 1,821,556</u>	<u>\$ 10,828,335</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, 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>
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>
Net assets released from restriction (Note 10)	<u>1,003,455</u>	<u>(1,003,455)</u>	<u>-</u>
	<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>
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
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STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program	Management and General	Fundraising	Total
Bookkeeping and accounting	\$ -	\$ 21,359	\$ -	\$ 21,359
Computer services	9,718	1,325	3,461	14,504
Consultants: Field representatives	159,962	-	-	159,962
Consultants: other	1,182	-	5,693	6,875
Depreciation expense	5,456	744	1,953	8,153
Dues, subscriptions and publications	1,577	215	560	2,352
Expedition expenses	9,903	-	-	9,903
Grant payments/project expenses	1,031,362	-	-	1,031,362
In-kind expenses	77,990	8,156	30,593	116,739
Insurance	5,257	3,972	1,860	11,089
Licenses and permits	-	402	-	402
Office supplies and maintenance	6,163	691	2,272	9,126
Postage and delivery	1,461	90	1,843	3,394
Printing	3,377	36	4,403	7,816
Property taxes	-	219	-	219
Public education	7,685	-	-	7,685
Rent and utilities	31,326	4,224	11,234	46,784
Salaries and employee benefits	731,407	99,726	261,762	1,092,895
Seacology Prize Expenses	12,532	-	-	12,532
Telephone	4,032	546	1,440	6,018
Travel and meetings	3,609	2,343	11,021	16,973
Total expenses by function	2,103,999	144,048	338,095	2,586,142
Less expenses included with revenues on the Statement of Activities:				
Expedition expenses	9,903	-	-	9,903
Total expenses included in the expenses section on the Statement of Activities	\$ 2,094,096	\$ 144,048	\$ 338,095	\$ 2,576,239
	<u>81%</u>	<u>6%</u>	<u>13%</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, 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
	80%	6%	14%	100%

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 1,107,752</u>	<u>\$ 1,787,276</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,153	7,474
Unrealized gain on investments	(11,391)	(851,882)
Realized gain on investments	(754,311)	(169,098)
Changes in assets and liabilities:		
Contributions, grants, and accounts receivable	226,582	(381,267)
Prepaid expenses and deposits	(25,283)	33,526
Accounts payable and accrued expenses	50,753	(21,660)
Accrued vacation liability	(3,639)	39,988
Total adjustments	<u>(509,136)</u>	<u>(1,342,919)</u>
Net cash provided by operating activities	<u>598,616</u>	<u>444,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of marketable equity securities	1,702,907	865,357
Purchases and reinvestments of marketable equity securities	(2,418,891)	(435,120)
Purchase of equipment and leasehold improvements	-	(6,457)
Net cash (used) provided by investing activities	<u>(715,984)</u>	<u>423,780</u>
Net (decrease) increase in cash and cash equivalents	(117,368)	868,137
Cash and cash equivalents, beginning of year	<u>1,760,929</u>	<u>892,792</u>
Cash and cash equivalents, end of year	<u>\$ 1,643,561</u>	<u>\$ 1,760,929</u>
Supplementary information:		
Non-cash transactions:		
Donated securities	<u>\$ 121,384</u>	<u>\$ 60,905</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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, 2021, the Corporation had received several conditional grants and pledges, including (a) a 3-year grant totaling \$300,000 conditional upon measurable deliverables; (b) \$100,000 per year for the next 7 to 10 years, conditional upon donor investment returns; and (c) a bequest conditional upon the liquidation of the estate and other factors. As of December 31, 2020, the Corporation had received no conditional promises to give.

Revenue and Revenue Recognition - 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 right of return - are not recognized until the conditions on which they depend have been met.

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, 2021 and 2020

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 \$116,739 and \$90,857 for the years ended December 31, 2021 and 2020, 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, 2021:				
Advertising	\$ -	\$ 115,684	\$ -	\$ 115,684
Goods	-	1,055	-	1,055
	\$ -	\$ 116,739	\$ -	\$ 116,739
December 31, 2020:				
Advertising	\$ -	\$ 90,857	\$ -	\$ 90,857

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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 2014-09, Revenue from Contracts with Customers (Topic 606) - In May 2014, the FASB provided a new five-step process for the analysis of contracts with customers and the recognition of revenue resulting from those contracts. Among other steps is the identification of performance obligations under the contracts and the allocation of a transaction price to those performance obligations. The amendment does not affect contributions or investment income. The Corporation has elected the practical expedient with regard to the application of this new standard. The new standard was effective for fiscal years beginning after December 15, 2019, and did not have an impact on the Corporation's reporting of earned revenue.

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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

Accounting Standards Update, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* - In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard is effective for fiscal years beginning after June 15, 2021, and could have an impact on the Corporation's reporting of contributed nonfinancial assets.

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.

Subsequent Events - Subsequent events have been evaluated through July 19, 2022, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Seacology has \$3,054,961 in financial assets available for general expenditures within one year of the statement of financial position date. This amount consists of \$821,781 in cash and cash equivalents, \$165,000 in contributions receivable, and \$2,068,180 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.

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Current portion	\$ 165,000	\$ 328,707
Less: allowance for doubtful accounts	(7,750)	(7,250)
Net current portion	157,250	321,457
Long-term portion, year ending December 31:		
2022	N/A	120,000
2023	130,000	120,000
2024	125,000	115,000
2025	10,000	-
Less: allowance for doubtful accounts	(17,350)	(24,800)
Less: present value discount	(29,555)	(49,730)
Net long-term portion	218,095	280,470
 Total contributions, grants, and accounts receivable	 \$ 375,345	 \$ 601,927

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%.

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, 2021 and 2020:

<u>Description</u>	Fair Value Measurements Using			<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>	
<i>December 31, 2021:</i>				
Corporate stocks / equities:				
Common stocks	\$ 6,123,387	\$ -	\$ -	\$ 6,123,387
ETFs - equity	22,008	-	-	22,008
Mutual funds	565,983	-	-	565,983
	6,711,378	-	-	6,711,378
Fixed income and preferreds:				
Corporate bonds	-	1,005,135	-	1,005,135
Preferred stocks	9,068	-	-	9,068
Mutual funds	1,115,685	-	-	1,115,685
	1,124,753	1,005,135	-	2,129,888
	\$ 7,836,131	\$ 1,005,135	\$ -	\$ 8,841,266

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 4 MARKETABLE EQUITY SECURITIES / INVESTMENTS (Continued)

<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>	
<i>December 31, 2020:</i>				
Corporate stocks / equities:				
Common stocks	\$ 5,657,343	\$ -	\$ -	\$ 5,657,343
Mutual funds	<u>498,568</u>	<u>-</u>	<u>-</u>	<u>498,568</u>
	<u>6,155,911</u>	<u>-</u>	<u>-</u>	<u>6,155,911</u>
Fixed income and preferreds:				
Corporate bonds	-	399,736	-	399,736
Preferred stocks	15,554	-	-	15,554
Mutual funds	<u>788,379</u>	<u>-</u>	<u>-</u>	<u>788,379</u>
	<u>803,933</u>	<u>399,736</u>	<u>-</u>	<u>1,203,669</u>
	<u>\$ 6,959,844</u>	<u>\$ 399,736</u>	<u>\$ -</u>	<u>\$ 7,359,580</u>

The following summarizes the investment income, including interest earned on bank deposits, earned during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrealized gain on investments	\$ 11,391	\$ 851,882
Realized gain on investments	754,311	169,098
Interest and dividend income	141,199	133,769
Investment fees	<u>(74,720)</u>	<u>(59,474)</u>
	<u>\$ 832,181</u>	<u>\$ 1,095,275</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, 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	20,782	12,524	24,459	57,765
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2021	<u>20,782</u>	<u>12,524</u>	<u>24,459</u>	<u>57,765</u>

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NOTE 5 EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Continued)

	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Other</u>	<u>Total</u>
<u>Accumulated depreciation</u>				
Balance, December 31, 2019	20,782	12,524	24,000	57,306
Depreciation expense	-	-	7,474	7,474
Disposals	-	-	(24,000)	(24,000)
Balance, December 31, 2020	20,782	12,524	7,474	40,780
Depreciation expense	-	-	8,153	8,153
Balance, December 31, 2021	20,782	12,524	15,627	48,933
Equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,832</u>	<u>\$ 8,832</u>

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, 2021 and 2020, was \$90,954 and \$94,593, 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, 2021 and 2020, was \$9,006,779 and \$8,130,455, respectively. Included in that amount are net assets that have been designated by the Board of Directors to be used as follows:

	<u>2021</u>	<u>2020</u>
Dominican Republic Mangrove Initiative	\$ 75,000	\$ 50,000
COVID-19 reserve fund, to be held until June 7, 2022	268,185	268,185
Force for Good - Established in 1996 to fund projects to help protect fragile island environments for indigenous people	1,367,454	1,250,842
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)	257,326	228,978
Quasi-endowment - Established in 2003 to fund the long-term sustainability of Seacology (see Note 8)	3,999,022	3,678,114
	<u>\$ 5,966,987</u>	<u>\$ 5,476,119</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7 NET ASSETS (Continued)

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, 2021 and 2020, are designated for the following uses:

	<u>2021</u>	<u>2020</u>
Island Conservation projects	\$ 1,499,567	\$ 775,341
Time-restricted	262,619	381,552
Pacific Islands projects	114,025	65,015
Marine Conservation with International Significance	-	450,000
Less: allowance for uncollectible receivable and present value discount on restricted grants	<u>(54,655)</u>	<u>(81,780)</u>
	<u>\$ 1,821,556</u>	<u>\$ 1,590,128</u>

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

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 8 ENDOWMENT (Continued)

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, 2021:</u>			
Board-designated endowment funds:			
Falealupo endowment	\$ 257,326	\$ -	\$ 257,326
Quasi-endowment	<u>3,999,022</u>	<u>-</u>	<u>3,999,022</u>
Total funds	<u>\$ 4,256,348</u>	<u>\$ -</u>	<u>\$ 4,256,348</u>

<u>Description:</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>

Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	<u>\$ 3,433,143</u>	<u>\$ -</u>	<u>\$ 3,433,143</u>
Investment return:			
Interest and dividends	76,074	-	76,074
Unrealized gain/loss	537,571	-	537,571
Service charges	<u>(31,028)</u>	<u>-</u>	<u>(31,028)</u>
Total investment return	<u>582,617</u>	<u>-</u>	<u>582,617</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Distribution	<u>(108,668)</u>	<u>-</u>	<u>(108,668)</u>
Endowment net assets, December 31, 2020	<u>3,907,092</u>	<u>-</u>	<u>3,907,092</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 8 ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2021 and 2020 (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment return:			
Interest and dividends	83,123	-	83,123
Unrealized gain/loss	416,349	-	416,349
Service charges	<u>(40,027)</u>	-	<u>(40,027)</u>
Total investment return	<u>459,445</u>	-	<u>459,445</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Distribution	<u>(110,189)</u>	<u>-</u>	<u>(110,189)</u>
Endowment net assets, December 31, 2021	<u>\$ 4,256,348</u>	<u>\$ -</u>	<u>\$ 4,256,348</u>

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, 2021 and 2020.

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, 2021 and 2020, the following net assets with donor restrictions were used for their restricted purposes, and they were released to net assets without donor restrictions:

	<u>2021</u>	<u>2020</u>
Island Conservation projects	\$ 561,931	\$ 421,417
Seacology Prize event underwriting	12,532	15,707
Pacific Island projects	50,990	70,431
Time-restricted	311,552	363,550
PPP grant terms	-	132,300
Save an Acre	<u>-</u>	<u>50</u>
	<u>\$ 937,005</u>	<u>\$ 1,003,455</u>

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, 2021 and 2020, was \$44,539 and \$44,116, respectively.

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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, 2021 and 2020, the Corporation made contributions totaling \$121,025 and \$117,246, 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 2021 and 2020, the costs of these activities include \$12,529 and \$30,666, 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 2021 and 2020 were allocated as follows:

<u>Description:</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>2021:</u>				
Postage and delivery	\$ 961	\$ 10	\$ 136	\$ 1,107
Printing and reproduction	3,377	19	387	3,783
Travel	<u>2,829</u>	<u>125</u>	<u>4,685</u>	<u>7,639</u>
	<u>\$ 7,167</u>	<u>\$ 154</u>	<u>\$ 5,208</u>	<u>\$ 12,529</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>

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, 2021 and 2020

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, 2021 and 2020, the Corporation received the following pledges and contributions from licensees to fund specific projects:

	<u>2021</u>	<u>2020</u>
Seacology Japan	<u>\$ 10,000</u>	<u>\$ -</u>

No amounts were receivable from licensees at December 31, 2021 and 2020.

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 \$1,099,190, which is 30% of total income in 2021. 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.

As of December 31, 2021, the Corporation had exceeded the federally insured cash limit of \$250,000 on its several depository accounts. At December 31, 2021, the Corporation had approximately \$915,000 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 shelter-in-place order was lifted in California on June 15, 2021 and the pandemic appears to be moving to being endemic. 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 continue. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.