

## **The Marine Mammal Center**

Financial Statements  
and Single Audit Reports and Schedules

September 30, 2023  
(With Comparative Totals for 2022)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Marine Mammal Center  
Sausalito, California

### **Opinion**

We have audited the accompanying financial statements of The Marine Mammal Center (the "Center"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Marine Mammal Center as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Marine Mammal Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Center has adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

### **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 The Marine Mammal Center'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 and *Government 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, including omissions, 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 and *Government 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 The Marine Mammal Center'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 The Marine Mammal Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited The Marine Mammal Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Francisco, California

January 30, 2024

The Marine Mammal Center  
Statement of Financial Position  
September 30, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,043,462	\$ 2,173,889
Operating investments	20,914,969	18,642,811
Accounts receivable	321,155	431,092
Contributions receivable, net	936,684	876,701
Employee retention tax credit receivable	-	666,906
Prepaid expenses and other assets	727,768	453,399
Endowment investments	2,772,408	2,678,541
Property and equipment, net	23,119,217	24,323,419
Total assets	\$ 50,835,663	\$ 50,246,758
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,616,731	\$ 1,550,340
Deferred revenue	11,163	13,861
Finance lease liabilities	182,731	176,780
Operating lease liability	119,354	-
Total liabilities	1,929,979	1,740,981
<b>Net assets</b>		
Without donor restrictions		
Undesignated	34,452,051	34,750,495
Board-designated	10,641,532	9,914,348
Total without donor restrictions	45,093,583	44,664,843
With donor restrictions	3,812,101	3,840,934
Total net assets	48,905,684	48,505,777
Total liabilities and net assets	\$ 50,835,663	\$ 50,246,758

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

The Marine Mammal Center  
Statement of Activities  
For the Year Ended September 30, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions		With Donor Restrictions	2023 Total	2022 Total
	Undesignated	Board- Designated			
Support and revenues					
Support					
Contributions and grants	\$ 10,177,649	\$ -	\$ 931,588	\$ 11,109,237	\$ 10,709,569
Bequests	4,047,017	-	3,000	4,050,017	9,800,934
Government contracts	3,999,255	-	-	3,999,255	1,021,965
Donated materials and services	<u>538,150</u>	<u>-</u>	<u>-</u>	<u>538,150</u>	<u>263,638</u>
Total support	18,762,071	-	934,588	19,696,659	21,796,106
Veterinary science contracts	171,359	-	-	171,359	203,361
Retail store sales, net	279,730	-	-	279,730	173,878
Education programs	90,834	-	-	90,834	26,672
Rent	80,422	-	-	80,422	78,202
Interest and dividends, net	356,295	207,965	51,224	615,484	400,899
Realized and unrealized gain (loss) on investments, net	115,595	650,776	164,443	930,814	(2,421,041)
Other	26,979	-	-	26,979	28,293
Net assets released from restriction	<u>1,310,645</u>	<u>(131,557)</u>	<u>(1,179,088)</u>	<u>-</u>	<u>-</u>
Total	<u>2,431,859</u>	<u>727,184</u>	<u>(963,421)</u>	<u>2,195,622</u>	<u>(1,509,736)</u>
Total support and revenues	<u>21,193,930</u>	<u>727,184</u>	<u>(28,833)</u>	<u>21,892,281</u>	<u>20,286,370</u>
Functional expenses					
Program services					
Veterinary science	13,148,554	-	-	13,148,554	11,239,768
Education	<u>3,905,031</u>	<u>-</u>	<u>-</u>	<u>3,905,031</u>	<u>2,840,964</u>
Total program services	17,053,585	-	-	17,053,585	14,080,732
Fundraising	2,426,907	-	-	2,426,907	1,860,803
Management and general	<u>2,011,882</u>	<u>-</u>	<u>-</u>	<u>2,011,882</u>	<u>1,700,345</u>
Total functional expenses	<u>21,492,374</u>	<u>-</u>	<u>-</u>	<u>21,492,374</u>	<u>17,641,880</u>
Change in net assets	(298,444)	727,184	(28,833)	399,907	2,644,490
Net assets, beginning of year	<u>34,750,495</u>	<u>9,914,348</u>	<u>3,840,934</u>	<u>48,505,777</u>	<u>45,861,287</u>
Net assets, end of year	<u>\$ 34,452,051</u>	<u>\$ 10,641,532</u>	<u>\$ 3,812,101</u>	<u>\$ 48,905,684</u>	<u>\$ 48,505,777</u>

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

The Marine Mammal Center  
Statement of Functional Expenses  
For the Year Ended September 30, 2023  
(With Comparative Totals for 2022)

	Program Services		Support Services		2023 Total	2022 Total
	Veterinary Science	Education	Fundraising	Management and General		
Salaries	\$ 5,774,096	\$ 2,045,089	\$ 1,606,555	\$ 939,896	\$ 10,365,636	\$ 8,258,318
Depreciation and amortization	1,872,137	380,778	5,875	30,923	2,289,713	2,166,243
Employee benefits	816,939	275,881	147,424	318,660	1,558,904	1,269,169
Professional services	594,459	326,589	50,091	433,555	1,404,694	1,326,521
Animal care costs	1,236,105	-	-	69	1,236,174	934,898
Payroll taxes	419,198	146,657	88,139	98,155	752,149	605,194
Lettershop and acknowledgements	149,383	64,733	317,348	-	531,464	350,342
Information technology	298,583	25,113	44,016	75,491	443,203	344,956
Utilities	441,553	577	-	-	442,130	385,130
Insurance	356,030	168	-	268	356,466	271,037
Travel, conferences and training	217,246	50,498	12,124	65,036	344,904	300,540
Repairs and maintenance	279,714	1,978	-	128	281,820	313,977
Staff housing and rent	170,248	105,173	-	-	275,421	159,782
Supplies	80,404	174,014	6,479	4,318	265,215	216,239
Outreach and marketing	35,158	213,563	6,392	-	255,113	86,671
Bank charges	52,613	31,174	96,964	21,372	202,123	175,920
Telephone	177,699	1,325	-	-	179,024	166,643
Services district charges	91,084	-	-	-	91,084	90,212
Postage and publications	31,740	23,558	16,165	757	72,220	49,461
Dues and subscriptions	23,003	15,163	7,958	5,567	51,691	46,690
Volunteer and donor relations	14,000	3,912	14,465	10,847	43,224	76,128
Meetings	10,839	3,708	467	3,226	18,240	12,787
Other	3,722	1,676	5,777	2,862	14,037	25,258
Merchandising expense	-	12,847	-	20	12,867	6,366
Interest expense	2,601	857	668	732	4,858	3,398
	<u>\$ 13,148,554</u>	<u>\$ 3,905,031</u>	<u>\$ 2,426,907</u>	<u>\$ 2,011,882</u>	<u>\$ 21,492,374</u>	<u>\$ 17,641,880</u>

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



The Marine Mammal Center  
Statement of Cash Flows  
For the Year Ended September 30, 2023  
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 399,907	\$ 2,644,490
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,289,713	2,166,243
Amortization of operating lease right-of-use asset	9,374	-
Donation of stock	(297,746)	(473,015)
Realized and unrealized (gain) loss on investments, net	(930,814)	2,421,041
Loss on disposal of property and equipment	799	-
Contributions restricted for long-term purposes	(19,400)	(55,396)
Changes in operating assets and liabilities		
Accounts receivable	109,937	(180,994)
Contributions receivable, net	(59,983)	808,184
Employee retention tax credit receivable	666,906	516,258
Prepaid expenses and other assets	(159,115)	(116,543)
Accounts payable and accrued expenses	66,391	(37,191)
Deferred revenue	(2,698)	7,770
Operating lease liability	(5,274)	-
Net cash provided by operating activities	2,067,997	7,700,847
Cash flows from investing activities		
Purchase of investments	(43,417,577)	(38,321,535)
Proceeds from sale of investments	42,280,112	34,100,016
Purchase of property and equipment	(963,019)	(2,653,898)
Proceeds from sale of property and equipment	8,500	-
Net cash used in investing activities	(2,091,984)	(6,875,417)
Cash flows from financing activities		
Principal payments on capital lease obligations	(125,840)	(89,742)
Cash received from contributions restricted for long-term purposes	19,400	55,396
Net cash used in financing activities	(106,440)	(34,346)
Net increase (decrease) in cash	(130,427)	791,084
Cash and cash equivalents, beginning of year	2,173,889	1,382,805
Cash and cash equivalents, end of year	\$ 2,043,462	\$ 2,173,889

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 4,858	\$ 3,398
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The accompanying notes are an integral part of these financial statements.

The Marine Mammal Center  
Statement of Cash Flows  
For the Year Ended September 30, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Supplemental schedule of noncash investing and financing activities		
Property and equipment acquired through finance lease liabilities	\$ 131,791	\$ 84,852
Operating lease right-of-use asset obtained in exchange for operating lease liability	\$ 124,628	\$ -

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

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

1. NATURE OF OPERATIONS

The Marine Mammal Center (the "Center") is a California nonprofit organization and a global leader in marine mammal health, science and conservation. It is the largest marine mammal hospital in the world. The Center operates physical locations in Sausalito, Morro Bay and Moss Landing, California, as well as in Kona and Maui, Hawai'i. A team of 125 staff and more than 1,400 actively engaged volunteers, contributing 132,000 hours with an estimated workforce value of \$4.9 million or 63 full-time equivalents, make the Center's impact possible and keep it operating 362 days per year.

Mission and vision

The Center is guided and inspired by a shared vision of a healthy ocean for marine mammals and humans alike. The Center's mission is to advance global ocean conservation through marine mammal rescue and rehabilitation, scientific research and education.

Need

The ocean is in trouble. From the depletion of fish stocks to increasing ocean temperatures, human activity threatens marine ecosystems that are vital to the health of the ocean and all life on earth. As a critical first responder to these threats, the Center leads the field in ocean conservation through marine mammal rescue, veterinary science and education. Marine mammals are ecosystem indicators, and these animals provide insights into human and ocean health threats. The Center takes action by supporting a network of scientists and stewards to protect our shared ocean environment for future generations.

Programs

To advance its mission, the Center engages in many program areas, some of which are highlighted below. For a complete overview of the Center's programs and impact, please visit <https://www.marinemammalcenter.org>.

Veterinary Science

- *Animal Care* - Since 1975, the Center has rescued more than 25,000 marine mammals along 600 miles of California coastline and the Big Island of Hawai'i. With the help of many volunteers and the support of the concerned public, the Center is able to respond to marine mammals in distress. Sick and injured animals are treated and rehabilitated at the Center's state-of-the-art veterinary facilities where they are cared for until they can be released back to their ocean home.
- *Scientific Research* - The Center's veterinary experts develop new clinical techniques to improve marine mammal rehabilitation and care and investigate the reasons why marine mammals strand and how these factors are connected to the ecosystem as well as human health. The Center's scientists also investigate how marine mammals use and interact with their ocean environment to better understand and protect them from many threats.

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

1. NATURE OF OPERATIONS (continued)

Programs (continued)

- *Teaching Hospital* - The Center is the largest marine mammal teaching hospital and a critical training ground for veterinary professionals from around the world, combining high-quality animal care with a hands-on learning environment. Veterinary professionals can apply for a competitive months-long internship or externship, residency or international veterinary fellowship, giving veterinarians and marine science students worldwide a chance to learn and train alongside experts onsite at the Center. The Center's teaching hospital combines practical experience, innovative medicine and meaningful professional collaboration between the Center's staff and visiting veterinary and marine science students, interns and residents.
- *Cetacean Conservation* - Field research, entanglement response, and finding and implementing solutions to the threats these species face is the focus of the Center's cetacean conservation work. The Center's expert team is already a leading first responder to cetaceans - whales, dolphins and porpoises - in distress. With the expansion of its large whale entanglement response efforts, the Center is now creating the capacity and infrastructure to collaboratively advance whale entanglement response on the West Coast of the United States. The Center has also partnered with the Benioff Ocean Science Laboratory to deploy Whale Safe, technology-based system in the waters off San Francisco to address the growing threat of ship strikes with whales.
- *Ke Kai Ola* - As part of the Center's work to save the Hawaiian monk seal, the Center opened a state-of-the-art hospital and visitor center on the Big Island of Hawai'i in 2014. This hospital, Ke Kai Ola or "the healing sea," includes rehabilitation areas for seal pups, larger pens and pools for juveniles, quarantine areas, and medical facilities. Shortly thereafter, outreach (response) and education programs on the big island followed. In Spring 2022, the Center expanded its Hawaiian monk seal outreach program to Maui, in coordination with the National Oceanic and Atmospheric Administration's ("NOAA") Pacific Islands Regional Office. Of the approximately 1,500 monk seals researchers estimate remain in the wild, nearly 30 percent are alive today directly due to conservation efforts led by NOAA and partners like the Center.

Education

- *Education* - The Center's innovative school and public education programs build a sense of responsibility through a connection to marine mammals and the marine environment, inspiring the future ocean stewards and promoting action to protect the ocean. Each year, these education programs and hands-on trainings reach more than 100,000 children and adults, supporting the next generation of informed scientists and engaged citizens who will care for and ensure the health of our ocean and environment.

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

1. NATURE OF OPERATIONS (continued)

Programs (continued)

- *Community Engagement* - As a conservation leader, the Center seeks to promote meaningful action among its supporters. At the core of its work is the recognition that the Center's mission cannot be achieved without the understanding, commitment and participation of the public. The Center's community engagement goal is to share information, while also creating experiences that motivate, inspire and equip people to take concrete actions to protect the ocean and marine mammals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - represent resources without restrictions available to support the Center's operations. These include undesignated and Board-designated net assets. Board-designated net assets represent resources without restrictions that are designated by the Board of Directors to be invested long-term or to be set aside for the cash operating reserve fund.
- *Net assets with donor restrictions* - represent contributions whose use by the Center is limited in accordance with donor-imposed stipulations. These stipulations may expire with time and/or may be satisfied by the actions of the Center according to the intention of the donors. These net assets also include amounts to be held in perpetuity as directed by the donors. Income from amounts to be held in perpetuity is available to support activities of the Center as designated by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor restricted contributions received and expended in the same accounting period are recorded in the category of net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Center adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after October 1, 2022, with certain practical expedients available.

The Center elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Center recognized on October 1, 2022, an initial operating lease liability of \$124,628 which represents the present value of the remaining operating lease payments of \$158,532, discounted using a risk free rate of 4.06%, and a right-of-use asset of \$124,628, which represents the operating lease liability.

The standard had an impact on the Center's statement of financial position as of September 30, 2023, but did not have a material impact on the Center's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of a ROU asset and a lease liability for operating leases on the statement of financial position as of September 30, 2023.

Cash and cash equivalents

Cash and cash equivalents consist of funds in checking and money market accounts with original maturities of three months or less from dates of acquisition.

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable primarily represent amounts billed to customers for program service contracts and amounts due from governmental agencies under cost reimbursement agreements and are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained, based on historical experience, overall economic conditions and the current aging status of its customers. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for doubtful accounts as of September 30, 2023 as all accounts are considered collectible.

Contributions and contributions receivable

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions with donor restrictions are reflected in net assets without donor restrictions if the restriction is released during the same fiscal year in which the contribution was received.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. The allowance for doubtful contributions receivable was \$10,000 as of September 30, 2023.

Unconditional promises to give with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported within net assets with donor restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Contributions from bequests are recognized as contributions receivable when the will has dictated the valuation, the Center has an irrevocable right to the bequest, and the amount is measurable.

The Marine Mammal Center  
Notes to Financial Statements  
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory, which consists of gift store merchandise, is recorded at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventory totaled \$130,646 as of September 30, 2023 and is included as a component of prepaid expenses and other assets on the accompanying statement of financial position.

Investments

Investments are recorded at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Dividend and interest income are accrued when earned.

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. For purposes of determining realized gains or losses, the cost of securities sold is computed based on the weighted average method. Investments include the beneficial interest in the perpetual trust. Realized and unrealized gains (losses) on investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the donor stipulations impose restrictions on the use of income or require that they be added to (deducted from) the principal of a donor-restricted endowment fund;
- As increases (decreases) in net assets without donor restrictions in all other cases.

Beneficial interest in perpetual trust

The Center is the irrevocable beneficiary of a perpetual trust held by a foundation. The beneficial interest in the trust is included in investments on the statement of financial position and reported at its net asset value, which is estimated as the fair value of the underlying trust assets.

The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value. Those changes in value, as well as interest income, are reported as changes in net assets with donor restrictions. The beneficial interest in the trust is part of the Center's donor-restricted endowment funds.



The Marine Mammal Center  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Center determines the fair values of its assets and liabilities based on a 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 Center 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. Level 3 inputs are unobservable inputs for the asset or liability. There have been no changes in valuation techniques for the year ended September 30, 2023.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Investments (Level 1). Money market and mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. U.S. Treasury notes and corporate bond securities are valued based upon the most recent bid quotation for identical obligations provided by independent pricing services and from broker quotations. The mutual funds, U.S. Treasury notes, and corporate bond securities held are deemed to be actively traded.
- Investments (net asset value). The perpetual trust represents an interest in pooled investment funds that are valued at NAV per unit or percentage of ownership as reported by the funds. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the inherent uncertainty of valuation of non-marketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

At September 30, 2023, the Center has no financial instruments that are valued using Level 2 or Level 3 inputs.

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years. The Center capitalizes all property and equipment with a cost greater than \$5,000 and an estimated useful life in excess of one year. Work in progress is depreciated only after the assets are completed and have been placed into service.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Donated property and equipment is recorded at the estimated fair value at the date the contribution is received and considered to be without donor restrictions when placed into service by the Center, unless restricted as to use by explicit donor stipulation. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Center, using its best estimates and projections, reviews for impairment of the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. There was no impairment loss recognized for the year ending September 30, 2023.

Leases

The Center leases property and office equipment under operating and finance leases. The Center determines if an arrangement is a lease at inception. Operating and finance leases are recorded as ROU assets and are included in prepaid expenses and other assets and property and equipment, respectively, and operating and finance lease liabilities on the statement of financial position.

ROU assets represent the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. If the Center's leases do not provide an implicit rate, the Center uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Center's lease agreements do not contain any material residual value guarantees or material restricted covenants.

The Center has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under previous leasing guidelines. A short-term lease is one with a maximum lease term of twelve months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

Deferred revenue

Deferred revenue includes funds received in advance for which the Center has not performed the services necessary to earn the revenue. Deferred revenue totaled \$11,163 as of September 30, 2023.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Veterinary science contracts, education programs and other revenues are recognized when the services are provided and the performance obligation fulfilled.

Government contracts

Government grants are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. The Center has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as a component of deferred revenue. The Center received cost-reimbursable grants of \$776,645 that have not been recognized at September 30, 2023 because qualifying expenditures have not yet been incurred. There were no advance payments received under these contracts as of September 30, 2023.

Donated materials, services, property and equipment

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Donated services include advertising, IT services, education services and legal services and are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Retail store sales, net

Retail store sales are recorded when products are sold to customers. Retail store sales revenue is presented on the statement of activities net of cost of goods sold. For the year ended September 30, 2023, revenue from store sales was \$469,625 and the related product cost was \$189,895.

Functional expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on employee time incurred and management's estimate of the usage of resources.

The Marine Mammal Center  
Notes to Financial Statements  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Center is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Center has evaluated its current tax positions and has concluded that as of September 30, 2023, the Center does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, depreciation and useful lives of property and equipment, investment fair values, inventory valuation, the recorded value of beneficial interests, functional expense allocations and the determination of the allowance for uncollectible receivables.

Concentrations of credit risk

Financial instruments that potentially subject the Center to credit risk consist principally of cash and cash equivalents greater than \$250,000 with each financial institution, contributions receivable and investments. The Center periodically reviews its cash and investment policies, evaluates its donors' financial condition and maintains adequate reserves for potential losses, which are based on management's expectations, estimates and historical experience.

As of September 30, 2023, approximately 78% of total gross contributions receivable are comprised of amounts due from three donors. Approximately 14% of total contribution and grant revenue is comprised of amounts from one donor and approximately 89% of total government contract revenue is comprised of amounts from two funding agencies for the year ended September 30, 2023.

Comparative totals

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements as of, and for the year ended, September 30, 2022, from which it was derived.

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3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected after one year are recorded at present value.

Contributions receivable, net consisted of the following:

Receivable in less than one year	\$ 525,196
Receivable in one to five years	450,000
	975,196
Less: allowance for doubtful contributions	(10,000)
Less: discount on contributions receivable	(28,512)
	\$ 936,684

4. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Mechanical systems, structures and pools	\$ 20,295,967
Buildings	18,276,465
Office equipment	3,157,707
Furniture and fixtures	2,050,974
Automobiles	1,481,684
Software	1,225,946
Computer equipment	903,053
Land improvements	106,687
Work in progress	341,471
	47,839,954
Accumulated depreciation and amortization	(24,720,737)
	\$ 23,119,217

Depreciation and amortization expense for the year ended September 30, 2023 was \$2,289,713.

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5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of September 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 165,577	\$ -	\$ -	\$ 165,577
Money market funds	16,418,286	-	-	16,418,286
Mutual funds	5,408,384	-	-	5,408,384
Corporate bonds	983,306	-	-	983,306
U.S. Treasury notes	579,815	-	-	579,815
	<u>\$ 23,555,368</u>	<u>\$ -</u>	<u>\$ -</u>	23,555,368
Investments measured at net asset value				132,009
				<u>\$ 23,687,377</u>

The cash and cash equivalents included in investments as of September 30, 2023 represent investments that have been liquidated and pending reinvestment.

Investments consisted of the following:

Operating investments	\$ 20,914,969
Endowment investments	2,772,408
	<u>\$ 23,687,377</u>

6. LINE OF CREDIT

In April 2020, the Center entered into an agreement with a bank and one of its investment portfolio managers for a revolving line of credit in the amount of \$5,000,000. The line of credit is a demand facility which allows the bank to demand repayment in full at any time. Additionally, it is an uncommitted facility as the bank has no obligation to make loans. As collateral at the time a loan is made on the facility, the Center will pledge non-endowment securities held by the investment manager. The facility allows for three types of advances, (1) variable rate advances, (2) fixed rate advances, and (3) term advances. Variable rate advances bear finance charges at a variable rate of interest equal to the LIBOR Rate, as defined, plus a spread as determined by the bank. Fixed rate and term advances bear finance charges at a fixed rate of interest as agreed to by the bank and borrower, plus a spread as determined by the bank. The line of credit expired in December 2023; see Note 16. As of September 30, 2023, there was no outstanding balance on the Center's line of credit.

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Notes to Financial Statements  
September 30, 2023

7. LEASES

Operating leases

The Center has one long-term operating lease with the Natural Energy Laboratory of Hawai'i Authority ("NELHA") in Kona, Hawai'i, where it constructed a healthcare facility for the Hawaiian monk seal. The lease has operating payments ranging from \$837 to \$891 per month during the year ended September 30, 2023 and has a successive option to renew the term of the lease for periods of five years per renewal option, upon written notice by the Center. The Center executed a renewal option through October 2028 and anticipates executing the subsequent renewal option to secure operations through October 2033. As of September 30, 2023 the operating lease ROU was \$115,254 and is included in prepaid expenses and other assets on the statement of financial position.

Additional information related to operating leases is as follows:

Operating lease expense	\$	14,304
Operating cash flows from operating leases	\$	10,204
ROU asset obtained in exchange for lease obligation	\$	124,628
Remaining lease term in months		121
Discount rate		4.06%

The total staff housing and rent expense incurred by the Center was \$170,248 for the year ended September 30, 2023, which includes rent expense for the NELHA operating lease, operating leases for staff housing held under monthly cancelable lease arrangements, and the utility expenses paid as part of the leasing agreements.

Finance leases

The Center has entered into various finance lease agreements to finance the acquisition of IT equipment. The lease agreements require monthly payments ranging from \$691 to \$3,945, expiring at various dates through July 2026. As of September 30, 2023, the finance lease ROU asset was \$169,094 and is included in property and equipment on the statement of financial position.

Additional information related to finance leases is as follows:

Amortization of ROU asset	\$	153,112
Interest on lease liability	\$	520
ROU asset obtained in exchange for lease obligation		131,791
Weighted average remaining lease term in months		25.7
Weighted average discount rate		3.52%

The Marine Mammal Center  
Notes to Financial Statements  
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7. LEASES (continued)

Finance leases (continued)

Future minimum lease payments for operating and finance leases are as follows:

<u>Year ending September 30,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2024	\$ 10,868	\$ 96,024	\$ 106,892
2025	11,575	66,069	77,644
2026	12,325	28,438	40,763
2027	13,126	-	13,126
2028	13,981	-	13,981
Thereafter	<u>86,453</u>	<u>-</u>	<u>86,453</u>
	148,328	190,531	338,859
Less: imputed interest	<u>(28,974)</u>	<u>(7,800)</u>	<u>(36,774)</u>
	<u>\$ 119,354</u>	<u>\$ 182,731</u>	<u>\$ 302,085</u>

8. COMMITMENTS AND CONTINGENCIES

Cooperative agreement

The Center occupies most of its land through license agreements, the largest of which is the seven-acre site in the Marin Headlands, Golden Gate National Recreation Area ("Marin Headlands"). In 2002, the National Park Service ("NPS") issued a memorandum regarding the imposition of service district charges on an annual basis. In August 2007, the NPS and the Center finalized a twenty-five (25) year Cooperative Agreement (the "Agreement"), which requires the Center to pay monthly service district charges to cover common area maintenance services. Monthly service district charges are determined upon obtaining a special use permit every year. The total service district charges were \$91,084 during the year ended September 30, 2023.

Land license agreements

In 2001, the Center entered into agreements with LSP Morro Bay, LLC (the "Morro Licensor") and LSP Moss Landing (the "Moss Licensor") (collectively, the "Licensors") to construct, operate and maintain two triage facilities for twenty (20) years commencing June 1, 2001. The Center paid \$20 to each Licensor for the right to occupy the property where the triage facilities were constructed, and fund the property improvements which are included in the statement of financial position. The Center is also required to pay an annual licensor fee of \$1 per year to each licensor for occupancy. The Licensors reserve the right to terminate the agreements at any time during the term of the agreements, with or without cause and without obligation to the Center, by having written notice delivered to the Center ninety days prior to the termination date specified in the notice.



The Marine Mammal Center  
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8. COMMITMENTS AND CONTINGENCIES (continued)

Land license agreements (continued)

In 2007, the original Moss Licenser sold the Moss Landing property to Dynegy Moss Landing, LLC ("Dynegy"). In April 2018, Dynegy merged with Vistra Energy Corp. ("Vistra"). The Licenser agreement with the Center transferred with the sale of the property. During 2021, the Center entered into a new agreement with Dynegy, extending the license to occupy the property through December 31, 2023. In November 2023, the licensing agreement with the Morro Licenser was extended through December 31, 2025, and the licensing agreement with Dynegy was extended through December 31, 2024 (see Note 16).

Contingent liabilities

The Center's buildings, structures, pools, and current work-in-progress are located on land that is not owned by the Center. The Center occupies the land through various agreements with government and private entities. Many of these agreements are subject to termination at any time and without cause. The Center may recognize a loss of the net book value for buildings, structures, pools, and current work-in-progress located on unowned property if occupancy agreements were terminated and the Center was forced to relocate.

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors designated operating reserves to help ensure the long-term financial stability of the Center, by creating a resource to manage cash flow and maintain financial flexibility, meet unfunded, critical and unexpected organization needs, and to promote public and donor confidence in the long-term sustainability of the Center.

In May 2018, the Board of Directors approved a policy to maintain in reserve the equivalent of six months of operating expenses and one year of capital expenses to ensure continuity of operations, should funds become otherwise unavailable. The amount held in reserve is determined each year in September when the annual budget is approved by the Board of Directors, and remains at that set point for the following fiscal year.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Restricted for a specified purpose	
Veterinary Science	\$ 498,981
Education	75,000
El Niño Emergency Fund	57,642
Morro Bay Operations Capital	49,010
Conservation	<u>9,060</u>
	<u>689,693</u>
Restricted for passage of time	
Contributions receivable without donor restrictions	350,000
Accumulated endowment earnings	<u>176,055</u>
	<u>526,055</u>
To be held in perpetuity	
Donor-restricted endowment funds	<u>2,596,353</u>
	<u>2,596,353</u>
	<u>\$ 3,812,101</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Veterinary Science	\$ 665,569
Conservation	20,000
Teaching Hospital	305,054
Education	47,265
Endowment distribution	<u>141,200</u>
	<u>\$ 1,179,088</u>

11. ENDOWMENT

The Center's endowments totaling \$2,772,408 are included as endowment investments on the statement of financial position. The endowment is comprised of donor restricted funds with a principal balance totaling \$2,596,353 as of September 30, 2023.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements.

The Marine Mammal Center  
Notes to Financial Statements  
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11. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Directors of the Center has interpreted the California enacted version of UPMIFA as allowing the Center to appropriate for expenditure or accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor restricted endowment fund that is not classified as held in perpetuity is restricted for the passage of time, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Center has one donor-restricted endowment fund comprised of a perpetual trust. Both the principal balance and earnings are to be held in perpetuity, other than the annual distribution from the perpetual trust which is reflected as a release from restriction.

Spending policy

In accordance with UPMIFA, the Center 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 purposes 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 Center
- (7) The investment policies of the Center

Each year, the Center makes available for appropriation the earnings from the endowment investment balance. The Center's objective is to maintain the original fair value of the endowment assets held in perpetuity as well as to provide additional growth through new gifts and investment returns. For the year ending September 30, 2023 the Board of Directors approved an appropriation in the amount of \$141,200.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies of this nature as of September 30, 2023.

The Marine Mammal Center  
Notes to Financial Statements  
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11. ENDOWMENT (continued)

Investment policy, strategies, and objectives

The Center adopted an investment policy that is monitored by the Board of Directors for the endowment funds, as well as the board-designated short-term and long-term operating reserves (see Note 9). The Board subscribes to the modern portfolio theory of prudent investment, and thus may cause the principal of the endowment to be invested in real or personal property mortgages, deeds of trust, stocks, bonds, debentures, and other securities both government and private. The Board of Directors may also direct that the principal of endowment be invested, in whole or in part, in a pooled income fund, mutual fund, or other form of common fund. The investment policy sets ranges for asset allocation.

Endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>          -</u>	\$ <u>  2,772,408</u>	\$ <u>  2,772,408</u>

Changes in endowment net assets for the fiscal year ended September 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, September 30, 2022	\$ <u>          -</u>	\$ <u>  2,678,541</u>	\$ <u>  2,678,541</u>
Endowment activity			
Contributions received for endowment principal	-	19,400	19,400
Realized and unrealized gains on investments, net	-	164,443	164,443
Interest and dividends, net	-	<u>  51,224</u>	<u>  51,224</u>
Total endowment activity	-	<u>  235,067</u>	<u>  235,067</u>
Endowment assets appropriated for expenditure	<u>          -</u>	<u>  (141,200)</u>	<u>  (141,200)</u>
	<u>          -</u>	<u>    93,867</u>	<u>    93,867</u>
Balance, September 30, 2023	\$ <u>          -</u>	\$ <u>  2,772,408</u>	\$ <u>  2,772,408</u>

In June 1990, The Marine Mammal Center Endowment Fund of the Marin Community Foundation (the "Marin Community Foundation") was established. The purpose of the endowment fund was to receive contributions for the benefit of the Center. This endowment is not reflected on the Center's financial statements as the Marin Community Foundation has variance power and requires oversight over the endowment.

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11. ENDOWMENT (continued)

Investment policy, strategies, and objectives (continued)

Activity in the Marin Community Foundation Fund during the year was as follows:

Balance, beginning of year	\$ 923,178
Net gain	93,663
Interest and dividends	12,284
Investment fees	(1,867)
Administrative fees	(7,327)
Distributions	<u>(46,557)</u>
Balance, end of year	<u>\$ 973,374</u>

12. LIQUIDITY AND FUNDS AVAILABLE

As part of the Center's liquidity management, financial assets are structured so that they are available as its general expenditures, liabilities and other obligations come due. To meet liquidity needs, the Center has available: cash and cash equivalents, net of any restricted cash held for collateral; accounts receivable and contributions receivable that will be collected from customers and donors within one year and that are not subject to donor-imposed restrictions; and investments considered current, net of investments restricted by donor restrictions or board designations. While Board-designated net assets are not available for general expenditure, they can be drawn upon with Board of Director's approval.

The following is a quantitative disclosure which describes assets that are available within one year of September 30, 2023 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 2,043,462
Operating investments	20,914,969
Accounts receivable	321,155
Contributions receivable, current	<u>525,196</u>
	<u>23,804,782</u>
Less: amounts unavailable for general expenditures within one year	
Donor-imposed restrictions for a specified purpose	(689,693)
Donor-imposed restrictions for passage of time, noncurrent portion of contributions receivable without donor restrictions	(175,000)
Board-designated reserves	<u>(10,641,532)</u>
	<u>(11,506,225)</u>
	<u>\$ 12,298,557</u>

The Marine Mammal Center  
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12. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Center also has a line of credit available for use through the maturity date of December 2023. The balance available at September 30, 2023 is \$5,000,000 (see Notes 6 and 16).

13. DONATED MATERIALS AND SERVICES

Donated materials and services during the year were valued as follows:

Other materials	\$ 115,517
Pier 39 rent	105,173
Advertising and other consulting services	95,940
Legal services	89,460
Educational experiences	72,060
IT services	60,000
	\$ 538,150

Donated materials and services valuation techniques

Donated legal, advertising and other consulting services, IT services and educational experiences are valued at the estimated fair value based on current rates for similar or identical services. Donated other materials primarily consists of donated supplies which are valued at the fair value based on estimated wholesale values that would be received for selling similar products in the United States. Donated Pier 39 rent is valued at the minimum monthly rent typically charged for the space the Center is currently occupying.

Donor restrictions and donated materials and services use

The donated materials and services received during the year ended September 30, 2023 included no donor restrictions. Donated legal services include services from attorneys advising the Center on various strategic, administrative and legal matters. Donated advertising and other consulting services includes services provided by a marketing agency to assist in providing strategic advertising, branding and digital solutions for the Center, as well as services provided by consultants for the Pier 39 project. Donated IT services includes professional IT managed services utilized throughout the Center. Donated Pier 39 rent is for the space the Center occupied at Pier 39 to further educate the public about marine mammals, specifically the California Sea Lion who reside at the pier, and the ocean environment and to sell retail merchandise. The in-kind rent agreement with Pier 39 terminated effective January 2024. Donated educational experiences include various boat trips and cruises for Ocean Ambassadors. Other donated materials were fully utilized in fundraising and administrative events.

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13. DONATED MATERIALS AND SERVICES (continued)

Volunteer service hours

Volunteer service hours were valued using the Bureau of Labor Statistics' value of volunteer time for the State of California and were estimated at approximately \$4.9 million. The value of this contributed time is not reflected in these financial statements as the services don't meet the recognition criteria.

Volunteer services hours during the year were as follows:

Animal care	68,272
Animal rescue	47,450
Education	8,475
Other	<u>7,577</u>
	<u><u>131,774</u></u>

14. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before October 1, 2021. During fiscal year 2021, the Center determined it was eligible to apply for the ERC and calculated a total ERC of \$1,817,427 for the wages paid during the period March 13, 2020 through June 30, 2021. As the Center met the conditions to receive the ERC credits during the year ended September 30, 2021, based on partial shutdown of operations due to government orders and a decline in gross receipts, the full amount of revenue was recognized during 2021. During the years ended September 30, 2023 and 2022, the Center collected \$666,906 and \$1,150,521, respectively, of ERC funds. As of September 30, 2023, there was no remaining outstanding ERC receivable.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Center met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC credits has been recorded on the Center's financial statements.

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15. RETIREMENT PLAN

On January 1, 2009, the Center established a retirement plan (the "Plan") adopted under the Internal Revenue Code Section 401(k) and covering substantially all eligible employees. The Center may make discretionary matching contributions to the Plan. The Center made contributions of \$261,153 during the year ended September 30, 2023.

16. SUBSEQUENT EVENTS

On November 1, 2023, the Center amended its licensing agreement with the Morro Licensor which extended the term of the licensing agreement through December 31, 2025 (see Note 8). The Morro Licensor gave notice to the Center that the Center will have to vacate the premises at the end of the extended term.

On November 1, 2023, the Center amended its licensing agreement with the Moss Licensor which extended the term of the licensing agreement through December 31, 2024. The Moss Licensor also gave notice to the Center that the Center will have to vacate the premises at the end of the extended term (see Note 8). The Center is actively seeking a long-term space around the same geographical area to continue their mission.

In December 2023, the Center's line of credit expired (see Note 6). The Center is actively working to replace it with a new line of credit.

On January 25, 2024, the Center signed a Commercial Purchase Agreement (the "Agreement") for a property in Castroville, California which would replace its triage facility in Moss Landing, California. The purchase price will be \$3.125 million if certain zoning and land use contingencies can be cleared which would allow the Center to operate its business on the property. The terms of the Agreement provide the Center 60 days to determine feasibility of the property for its intended use or withdraw from the Agreement. The Center plans to borrow \$2.75 million from certain members of its Board of Directors to execute the purchase, but no agreement has yet been reached on those loans.

The Center has evaluated subsequent events through January 30, 2024, the date the financial statements were available to be issued. No other events have occurred that would have a material impact on the presentation of the Center's financial statements.



SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
The Marine Mammal Center  
Sausalito, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Marine Mammal Center (the "Center"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Francisco, California

January 30, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

To the Board of Directors  
The Marine Mammal Center  
Sausalito, California

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited The Marine Mammal Center (the "Center")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended September 30, 2023. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

January 30, 2024

The Marine Mammal Center  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Commerce			
Direct awards			
Unallied Management Projects	11.454		\$ 153,401
Marine Mammal Data Program	11.439		188,915
Congressionally Identified Awards and Projects	11.469		500,000
NOAA Mission-Related Education Awards	11.008		<u>50,000</u>
Total U.S. Department of Commerce			<u>892,316</u>
U.S. Department of the Interior			
Direct awards			
Prescott Marine Mammal Rescue Assistance	15.683		<u>95,000</u>
Total U.S. Department of the Interior			<u>95,000</u>
Institute of Museum and Library Services			
Direct awards			
Museums for America	45.301		<u>85,615</u>
Total Institute of Museum and Library Services			<u>85,615</u>
Total Expenditures of Federal Awards			<u>\$ 1,072,931</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

The Marine Mammal Center  
Notes to Schedule of Expenditures of Federal Awards  
September 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Marine Mammal Center (the "Center") under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Center has not elected to use the de minimis indirect cost rate of 10% as allowed under the Uniform Guidance.



The Marine Mammal Center  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Congressionally Identified Awards and Projects	11.469
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

The Marine Mammal Center  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

The Marine Mammal Center  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2023

There were no prior year findings.