

THE CORAL REEF ALLIANCE

**Financial Statements for the Years Ended
June 30, 2020 and 2019
and Independent Auditors' Report**



CORAL REEF ALLIANCE

THE CORAL REEF ALLIANCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Coral Reef Alliance
Oakland, California

We have audited the accompanying financial statements of The Coral Reef Alliance (a nonprofit corporation) (the "Organization") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus ("Covid-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Harrison & Lane, a.c.

Pleasanton, California
March 11, 2021

THE CORAL REEF ALLIANCE

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,201,643	\$ 2,142,268
Contributions and grants receivable	557,065	348,795
Prepaid expenses	<u>36,673</u>	<u>57,367</u>
Total current assets	2,795,381	2,548,430
Contributions and grants receivable	594,877	175,000
Deposits	8,225	7,875
Property and equipment, net	<u>3,785</u>	<u>8,294</u>
Total assets	<u><u>\$ 3,402,268</u></u>	<u><u>\$ 2,739,599</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 45,554	\$ 116,753
Grants payable	318,696	492,817
Other accrued expenses	102,639	145,748
Unearned revenue	<u>333,501</u>	<u>9,140</u>
Total current liabilities	<u>800,390</u>	<u>764,458</u>
Total liabilities	<u>800,390</u>	<u>764,458</u>
NET ASSETS:		
Without donor restrictions	863,026	944,157
With donor restrictions	<u>1,738,852</u>	<u>1,030,984</u>
Total net assets	<u>2,601,878</u>	<u>1,975,141</u>
Total liabilities and net assets	<u><u>\$ 3,402,268</u></u>	<u><u>\$ 2,739,599</u></u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Individual and corporate contributions	\$ 1,614,396	\$ 843,118	\$ 2,457,514
Foundation and government grants	410,518	998,114	1,408,632
Foreign agency grants	-	159,159	159,159
Other fundraising	6,263	-	6,263
Program fees and other income	24,000	-	24,000
Investment income	1,272	-	1,272
	<u>2,056,449</u>	<u>2,000,391</u>	<u>4,056,840</u>
Net assets released from restrictions	<u>1,292,523</u>	<u>(1,292,523)</u>	<u>-</u>
	<u>3,348,972</u>	<u>707,868</u>	<u>4,056,840</u>
EXPENSES:			
Program services	2,467,644	-	2,467,644
Support services:			
General and administrative	432,084	-	432,084
Fundraising	530,375	-	530,375
	<u>3,430,103</u>	<u>-</u>	<u>3,430,103</u>
CHANGE IN NET ASSETS	<u>(81,131)</u>	<u>707,868</u>	<u>626,737</u>
NET ASSETS, BEGINNING OF YEAR,	<u>944,157</u>	<u>1,030,984</u>	<u>1,975,141</u>
NET ASSETS, END OF YEAR	<u>\$ 863,026</u>	<u>\$ 1,738,852</u>	<u>\$ 2,601,878</u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Individual and corporate contributions	\$ 1,168,325	\$ 103,330	\$ 1,271,655
Foundation and government grants	628,768	386,933	1,015,701
Foreign agency grants	-	114,554	114,554
Other fundraising	13,477	-	13,477
Program fees and other income	60,360	-	60,360
Investment income	1,495	-	1,495
	<u>1,872,425</u>	<u>604,817</u>	<u>2,477,242</u>
Net assets released from restrictions	<u>1,475,742</u>	<u>(1,475,742)</u>	<u>-</u>
	<u>3,348,167</u>	<u>(870,925)</u>	<u>2,477,242</u>
EXPENSES:			
Program services	2,509,550	-	2,509,550
Support services:			
General and administrative	329,591	-	329,591
Fundraising	651,188	-	651,188
	<u>3,490,329</u>	<u>-</u>	<u>3,490,329</u>
CHANGE IN NET ASSETS	<u>(142,162)</u>	<u>(870,925)</u>	<u>(1,013,087)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,086,319</u>	<u>1,901,909</u>	<u>2,988,228</u>
NET ASSETS, END OF YEAR	<u>\$ 944,157</u>	<u>\$ 1,030,984</u>	<u>\$ 1,975,141</u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,429,648	\$ 325,577	\$ 391,499	\$ 2,146,724
Consultants	382,178	74,979	12,059	469,216
Grants and initiatives	278,285	-	-	278,285
Training and workshops	129,104	1,741	2,710	133,555
Occupancy	96,601	12,692	18,957	128,250
Supplies and equipment	79,502	2,288	8,918	90,708
Printing and copying	22,149	1,009	39,209	62,367
Bank charges	7,430	241	21,669	29,340
Dues and subscriptions	6,198	8,887	13,704	28,789
Telephone and internet	18,072	2,163	6,622	26,857
Travel	15,137	2,232	2,729	20,098
Postage	3,251	275	12,299	15,825
Media	89	-	-	89
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,467,644</u>	<u>\$ 432,084</u>	<u>\$ 530,375</u>	<u>\$ 3,430,103</u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,671,432	\$ 249,208	\$ 493,842	\$ 2,414,482
Consultants	227,365	50,162	24,541	302,068
Training and workshops	184,290	3,078	14,124	201,492
Grants and initiatives	185,923	-	-	185,923
Occupancy	87,062	6,753	16,990	110,805
Supplies and equipment	66,403	2,739	11,381	80,523
Travel	44,265	5,072	11,080	60,417
Printing and copying	11,062	1,082	40,700	52,844
Bank charges	6,340	1,241	18,558	26,139
Telephone and internet	19,340	1,045	2,370	22,755
Dues and subscriptions	543	8,468	13,069	22,080
Postage	2,633	646	4,533	7,812
Other expenses	2,476	26	-	2,502
Media	416	-	-	416
Interest	-	71	-	71
Total	<u>\$ 2,509,550</u>	<u>\$ 329,591</u>	<u>\$ 651,188</u>	<u>\$ 3,490,329</u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 626,737	\$ (1,013,087)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	4,509	8,885
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	(628,147)	892,467
Prepaid expenses	20,694	30,379
Accounts payable	(71,199)	65,094
Grants payable	(174,121)	(156,614)
Other accrued expenses	(43,109)	31,132
Unearned revenue	324,361	(45,220)
Net cash provided by (used in) operating activities	<u>59,725</u>	<u>(186,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease deposits	<u>(350)</u>	<u>(403)</u>
Net cash used in investing activities	<u>(350)</u>	<u>(403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligation	<u>-</u>	<u>(2,346)</u>
Net cash used in financing activities	<u>-</u>	<u>(2,346)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	59,375	(189,713)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,142,268</u>	<u>2,331,981</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,201,643</u>	<u>\$ 2,142,268</u>

See notes to financial statements.

THE CORAL REEF ALLIANCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. ORGANIZATION

Nature of Operation - The Coral Reef Alliance (a California nonprofit corporation) (the "Organization") is a member supported, nonprofit organization, dedicated to saving the world's coral reefs by working collaboratively with communities to reduce direct threats to reefs in ways that provide long-term benefits to people and wildlife. In parallel, the Organization is actively expanding the scientific understanding of how corals adapt to climate change and is applying this information to give reefs the best chance to thrive for generations to come. The Organization's major sources of revenue are foundation and government grants and donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Classification of Net Assets - The Organization reports information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are all highly liquid investments with an original maturity of three months or less.

Contributions and Grants Receivable - Contributions and grants receivable consist of unconditional promises to give. Delinquent grants receivable do not accrue interest. Unconditional promises to give that are expected to be collected in excess of one year are recorded at the present value of their estimated future cash flows. The Organization continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. The Organization adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. There was no allowance considered necessary at either June 30, 2020 or 2019.

Property and Equipment - Property and equipment is stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Revenue Recognition - Contributions and grants are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. Conditional promises to give for restricted purposes are presented as contributions without donor restrictions upon meeting the conditions if the condition and restriction are met in the same reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's net assets without donor restrictions. Cash received before conditions of contributions are met are deferred and presented as refundable advances on the statements of financial position. The Organization has conditional pledges of \$418,640 that are not yet collected and not recognized on the statement of financial position at June 30, 2020.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Organization is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2020 or 2019. Accordingly, no tax expense was incurred during either year.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. In management's judgment there are no uncertain tax positions as of June 30, 2020.

Functional Expense Classification - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Program costs include activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purpose or mission for which the Organization exists.

Support services include general and administrative costs and fundraising costs. General and administrative costs include oversight, business management, general record keeping, budgeting, financing, and related administrative activities. Fundraising costs include outreach to members; writing grant proposals; and conducting other activities involved with soliciting contributions.

Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalent balances with high credit quality financial institutions and distributes deposits among several institutions to reduce credit risk. Deposits of approximately \$1,189,000 were held in excess of federally insured limits. The Organization does not require collateral for its receivables, and has not experienced any losses in such amounts. Management believes that the organization is not exposed to any significant credit risk with respect to its cash and receivable balances.

Reclassifications - Certain 2019 balances have been reclassified to conform to the 2020 financial statement presentation.

Change in Accounting Principle - During 2020, the Organization adopted the Financial Accounting Standards Board’s Accounting (“FASB”) Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it provides new criteria to determine whether a contribution is conditional or unconditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization has evaluated contributions received and contributions made and has determined that there is no change in 2020 as a result of the adoption of the standard.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	\$ 557,065	\$ 348,795
In one to five years	600,000	175,000
	<u>1,157,065</u>	<u>523,795</u>
Less: discount to net present value at 0.43%	<u>(5,123)</u>	<u>-</u>
Total contributions and grants receivable	<u>\$ 1,151,942</u>	<u>\$ 523,795</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and office equipment	34,168	34,168
Less: Accumulated depreciation	<u>(30,383)</u>	<u>(25,874)</u>
Net property and equipment	<u>\$ 3,785</u>	<u>\$ 8,294</u>

Depreciation and amortization expense was \$4,509 and \$8,885 for the years ended June 30, 2020 and 2019.

5. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Meso-America	\$ 488,108	\$ 506,651
Reefscape modeling	212,172	249,718
Hawaii	188,654	181,925
Research and development	5,041	12,505
Indonesia	-	46,127
Fiji	-	34,058
Time	<u>844,877</u>	<u>-</u>
Total net assets with restrictions	<u>\$ 1,738,852</u>	<u>\$ 1,030,984</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at June 30, 2020 consisted of the following:

Cash and cash equivalents	\$ 2,201,643
Contributions and grants receivable, net	<u>1,151,942</u>
	3,353,585
Less: Contributions and grants receivable due after one year, net	<u>(594,877)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,758,708</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

7. RETIREMENT PLAN

The Organization has a defined contribution plan (the “Plan”) covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 401(k), *Defined Contribution Retirement Plan*. Under the 401(k) Plan, the Organization provides discretionary matching of participants’ contributions to the Plan. The Organization contributed \$45,402 and \$50,648 to the Plan during the years ended June 30, 2020 and 2019.

8. OPERATING LEASES

The Organization leases office space under a non-cancelable lease agreement that expires in August 2025. Rent expense and overhead charges totaled \$122,595 and \$101,639 during the years ended June 30, 2020 and 2019. Future minimum lease payments are as follows:

<u>Year end June 30,</u>	
2021	\$ 88,840
2022	91,505
2023	94,250
2024 and thereafter	<u>113,336</u>
Total	<u>\$ 387,931</u>

9. PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization obtained a forgivable loan under the U.S. Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”). The loan proceeds of \$312,202 are included with unearned revenue on the statements of financial position in accordance with FASB’s Accounting Standards Codification Topic 958-605 *Not-For-Profit Entities - Revenue Recognition*. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, maintains its payroll levels, and obtains formal forgiveness from the SBA. Funds not used for allowable expenses are repayable, and accrue interest at 1% annually. The Organization believes all conditions for forgiveness will be met in fiscal 2021.

10. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Covid-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered.

Impacts to the Organization’s operations include disruptions and restrictions on employee’s ability to work. While the disruption from Covid-19 is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate financial impact. It is at least reasonably possible that this matter will negatively impact the Organization. However, the final impact and duration cannot be reasonably estimated at this time.

11. CONCENTRATIONS

One donor comprised 68% of contributions and grants receivable at June 30, 2020 and 25% of contribution and grant revenue for the year then ended.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 11, 2021, which is the date the financial statements were available to be issued.

In January of 2021, the Organization obtained a second forgivable loan under the U.S. Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”). The loan proceeds of \$312,202 will be accounted for in accordance with FASB’s Accounting Standards Codification Topic 958-605 *Not-For-Profit Entities - Revenue Recognition*. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, maintains its payroll levels, and obtains formal forgiveness from the SBA. Funds not used for allowable expenses are repayable, and accrue interest at 1% annually. The Organization believes all conditions for forgiveness will be met in fiscal 2021.