The Marine Mammal Center

Financial Statements

September 30, 2022
(With Comparative Totals for 2021)

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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, 2022, 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, 2022, 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. 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.

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 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, 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.

Report on Summarized Comparative Information

We have previously audited The Marine Mammal Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Francisco, California

January 27, 2023

The Marine Mammal Center
Statement of Financial Position
September 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,173,889	$ 1,014,302
Restricted cash	-	368,503
Operating investments	18,642,811	15,791,990
Accounts receivable	431,092	250,098
Contributions receivable, net of discount	876,701	1,684,885
Prepaid expenses and other assets	453,399	336,856
Employee retention tax credit receivable	666,906	1,183,164
Endowment investments	2,678,541	3,255,869
Property and equipment, net	24,323,419	23,750,912
Total assets	$ 50,246,758	$ 47,636,579
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,550,340	$ 1,587,531
Capital lease obligations	176,780	181,670
Deferred revenue	13,861	6,091
Total liabilities	1,740,981	1,775,292
Net assets		
Without donor restrictions		
Undesignated	34,750,495	28,410,700
Board-designated	9,914,348	11,731,782
Total without donor restrictions	44,664,843	40,142,482
With donor restrictions	3,840,934	5,718,805
Total net assets	48,505,777	45,861,287
Total liabilities and net assets	$ 50,246,758	$ 47,636,579

The Marine Mammal Center
Statement of Activities
For the Year Ended September 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions				
	Undesignated	Board-Designated	With Donor Restrictions	2022 Total	2021 Total
Support and revenues					
Support					
Contributions and grants	$ 10,385,656	$ -	$ 323,913	$ 10,709,569	$ 10,523,684
Bequests	9,800,934	-	-	9,800,934	2,171,986
Employee retention tax credit	-	-	-	-	1,817,427
Government contracts	1,021,965	-	-	1,021,965	287,675
Donated materials and services	263,638	-	-	263,638	261,724
Total support	21,472,193	-	323,913	21,796,106	15,062,496
Revenues					
Veterinary science contracts	203,361	-	-	203,361	153,985
Retail store sales, net	173,878	-	-	173,878	120,792
Education programs	26,672	-	-	26,672	20,904
Rent	78,202	-	-	78,202	82,678
Interest and dividends, net	64,693	195,087	141,119	400,899	154,967
Realized and unrealized gain (loss) on investments, net	(26,967)	(1,782,031)	(612,043)	(2,421,041)	1,622,837
Other	28,293	-	-	28,293	50,628
Net assets released from restriction	1,961,350	(230,490)	(1,730,860)	-	-
Total revenues	2,509,482	(1,817,434)	(2,201,784)	(1,509,736)	2,206,791
Total support and revenues	23,981,675	(1,817,434)	(1,877,871)	20,286,370	17,269,287
Functional expenses					
Program services					
Veterinary science	11,239,768	-	-	11,239,768	9,442,584
Education	2,840,964	-	-	2,840,964	2,307,479
Total program services	14,080,732	-	-	14,080,732	11,750,063
Fundraising	1,860,803	-	-	1,860,803	1,671,622
Management and general	1,700,345	-	-	1,700,345	1,422,397
Total functional expenses	17,641,880	-	-	17,641,880	14,844,082
Change in net assets	6,339,795	(1,817,434)	(1,877,871)	2,644,490	2,425,205
Net assets, beginning of year	28,410,700	11,731,782	5,718,805	45,861,287	43,436,082
Net assets, end of year	$ 34,750,495	$ 9,914,348	$ 3,840,934	$ 48,505,777	$ 45,861,287

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, 2022
(With Comparative Totals for 2021)

	Program Services		Support Services			
	Veterinary Science	Education	Fundraising	Management and General	2022 Total	2021 Total
Salaries	$ 4,813,065	$ 1,606,742	$ 1,163,682	$ 674,829	$ 8,258,318	$ 6,937,918
Depreciation and amortization	1,769,756	361,547	5,579	29,361	2,166,243	1,867,379
Employee benefits	730,679	198,656	123,096	216,738	1,269,169	954,334
Professional services	424,386	230,130	29,791	394,463	1,078,770	1,012,286
Animal care costs	929,824	-	-	-	929,824	697,516
Payroll taxes	343,050	109,841	80,732	71,571	605,194	504,117
Utilities	385,130	-	-	-	385,130	315,984
Lettershop and acknowledgements	94,939	41,137	214,266	-	350,342	380,413
Information technology	237,977	11,088	31,005	64,886	344,956	392,649
Repairs and maintenance	313,671	3	-	303	313,977	278,898
Travel, conferences and training	183,853	32,294	24,438	59,955	300,540	91,964
Insurance	270,630	157	-	250	271,037	225,889
Donated materials and services	74,926	37,235	10,821	140,656	263,638	261,724
Supplies	116,483	79,813	1,274	7,856	205,426	81,849
Bank charges	24,321	19,499	107,483	24,617	175,920	200,106
Telephone	166,284	9	-	350	166,643	201,873
Staff housing and rent	159,782	-	-	-	159,782	159,568
Services district charges	90,212	-	-	-	90,212	43,632
Outreach and marketing	18,454	64,861	3,356	-	86,671	13,114
Volunteer and donor relations	27,990	8,915	37,429	1,794	76,128	10,774
Postage and publications	16,943	16,377	14,491	1,650	49,461	57,565
Dues and subscriptions	19,747	13,921	8,565	4,457	46,690	42,228
Other	16,903	1,182	3,782	3,391	25,258	104,539
Meetings	8,955	595	548	2,689	12,787	1,770
Merchandising expense	-	6,366	-	-	6,366	2,799
Interest expense	1,808	596	465	529	3,398	3,194
	$ 11,239,768	$ 2,840,964	$ 1,860,803	$ 1,700,345	$ 17,641,880	$ 14,844,082

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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 2,644,490	$ 2,425,205
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,166,243	1,867,379
Donation of stock	(473,015)	(243,472)
Realized and unrealized (gain) loss on investments, net	2,421,041	(1,622,837)
Loss on sale and disposal of property and equipment	-	6,778
Forgiveness of note payable	-	(10,000)
Contributions restricted for long-term purposes	(55,396)	(102,500)
Changes in operating assets and liabilities		
Accounts receivable	(180,994)	(57,497)
Contributions receivable, net of discount	808,184	(262,375)
Employee retention tax credit receivable	516,258	(1,183,164)
Prepaid expenses and other assets	(116,543)	(35,240)
Accounts payable and accrued expenses	(37,191)	472,841
Deferred revenue	7,770	(60,087)
Net cash provided by operating activities	7,700,847	1,195,031
Cash flows from investing activities		
Purchase of investments	(38,321,535)	(2,045,805)
Proceeds from sale of investments	34,100,016	1,613,828
Purchase of property and equipment	(2,653,898)	(1,061,162)
Proceeds from sale of fixed asset	-	72,000
Net cash used in investing activities	(6,875,417)	(1,421,139)
Cash flows from financing activities		
Principal payments on capital lease obligations	(89,742)	(87,573)
Cash received from contributions restricted for long-term purposes	55,396	102,500
Net cash provided by (used in) financing activities	(34,346)	14,927
Net increase (decrease) in cash	791,084	(211,181)
Cash, cash equivalents and restricted cash, beginning of year	1,382,805	1,593,986
Cash, cash equivalents and restricted cash, end of year	$ 2,173,889	$ 1,382,805

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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 2,173,889	$ 1,014,302
Restricted cash	-	368,503
	$ 2,173,889	$ 1,382,805

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 3,398	$ 3,194

Supplemental schedule of noncash investing and financing activities

Property and equipment acquired with capital lease financing	$ 84,852	$ 38,977

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

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 121 staff and more than 1,100 actively engaged volunteers, contributing 110,000 hours with an estimated workforce value of $3.9 million, make the Center's impact possible and keep it operating 24 hours a day, 365 days a 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.

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.

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.

- *Community Engagement* - As a conservation leader, the Center seeks to promote meaningful action among its supporters. At the core of their 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.

Change in accounting principle

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Center adopted ASU 2020-07 with a date of the initial application of October 1, 2021. The adoption of ASU 2020-07 did not have a significant impact on the Center's financial position, results of operations, or cash flows.

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.

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, 2022 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 and expended during the same fiscal year 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. At September 30, 2022, management has determined that no allowance for uncollectible contributions was required, as all balances are considered fully collectible.

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.

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 $139,545 as of September 30, 2022 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.

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, 2022.

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. Government 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 and government 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, 2022, 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.

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, 2022.

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 $13,861 as of September 30, 2022.

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 $995,431 that have not been recognized at September 30, 2022 because qualifying expenditures have not yet been incurred. There were no advance payments received under these contracts as of September 30, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, public relations, design, IT 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, 2022, revenue from store sales was $269,183 and the related product cost was $95,305.

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.

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, 2022, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

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, 2022, approximately 56% of total contributions receivable are comprised of amounts due from two donors. Approximately 19% of total contribution and grant revenue is comprised of amounts from one donor and approximately 44% of total bequest revenue is comprised of amounts from one donor for the year ended September 30, 2022.

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, 2021, from which it was derived.

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

3. CONTRIBUTIONS RECEIVABLE

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

3. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable consist of the following:

Receivable in less than one year	$ 566,536
Receivable in one to five years	333,000
	899,536
Less: discount on pledges receivable	(22,835)
	$ 876,701

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	$ 18,276,465
Mechanical systems, structures and pools	19,963,473
Office equipment	3,230,651
Furniture and fixtures	1,899,989
Automobiles	1,322,275
Software	980,886
Computer equipment	771,262
Work in progress	208,033
Land improvements	106,687
	46,759,721
Accumulated depreciation and amortization	(22,436,302)
	$ 24,323,419

Depreciation and amortization expense for the year ended September 30, 2022 was $2,166,243.

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, 2022:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 191,337	$ -	$ -	$ 191,337
Money market funds	4,195,705	-	-	4,195,705
Mutual funds	15,326,345	-	-	15,326,345
Corporate bonds	1,000,076	-	-	1,000,076
U.S. Treasury notes	486,535	-	-	486,535
	$ 21,199,998	$ -	$ -	21,199,998
Investments measured at net asset value				121,354
				$ 21,321,352

The cash and cash equivalents included in investments as of September 30, 2022 represent investments that have been liquidated and pending reinvestment.

Investments consisted of the following:

Operating investments	$ 18,642,811
Endowment investments	2,678,541
	$ 21,321,352

6. CAPITAL LEASE OBLIGATIONS

The Center has entered into capital lease agreements to finance the acquisition of IT equipment with a total value of $350,371 as of September 30, 2022, based upon the present value of future minimum lease payments. The capital lease agreements require monthly payments ranging from $691 to $3,945, expiring at various dates through April 2025. As of September 30, 2022, the Center had outstanding borrowings of $176,780 relating to these capital lease agreements.

6. CAPITAL LEASE OBLIGATIONS (continued)

Future maturities of capital lease obligations are as follows:

Year ending September 30,		
2023	$	112,422
2024		49,310
2025		19,354
		181,086
Imputed interest		(4,306)
Present value of minimum lease payments		176,780
Current portion		(109,479)
	$	67,301

7. 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. As of September 30, 2022, there was no outstanding balance on the Center's line of credit.

8. 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.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Restricted for a specified purpose	
Veterinary Science	$ 664,015
Teaching Hospital	305,053
Education	59,113
El Niño Emergency Fund	57,642
Morro Bay Operations Capital	49,010
Conservation	27,560
	1,162,393
Restricted for passage of time	
Accumulated endowment earnings	112,243
	112,243
To be held in perpetuity	
Donor-restricted endowment funds	2,566,298
	2,566,298
	$ 3,840,934

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

Veterinary Science	$ 1,480,620
Teaching Hospital	84,434
Education	4,006
Endowment distribution	161,800
	$ 1,730,860

10. ENDOWMENT

The Center's endowments totaling $2,678,541 are included in investments on the statement of financial position. The endowment is comprised of donor restricted funds with a principal balance totaling $2,566,298 as of September 30, 2022.

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.

10. 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, 2022 the Board of Directors approved an appropriation in the amount of $161,800.

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, 2022.

10. 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 8). 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, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,678,541	$ 2,678,541

Changes in endowment net assets for the fiscal year ended September 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, September 30, 2021	$ -	$ 3,255,869	$ 3,255,869
Endowment activity			
Contributions received for endowment principal	-	55,396	55,396
Realized and unrealized losses	-	(612,043)	(612,043)
Interest and dividends, net	-	141,119	141,119
Total endowment activity	-	(415,528)	(415,528)
Endowment assets appropriated for expenditure	-	(161,800)	(161,800)
	-	(577,328)	(577,328)
Balance, September 30, 2022	$ -	$ 2,678,541	$ 2,678,541

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.

10. 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	$ 1,181,188
Net loss	(212,236)
Interest and dividends	10,381
Investment fees	(2,113)
Administrative fees	(6,341)
Distributions	(47,701)
Balance, end of year	$ 923,178

11. 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. The employee retention tax credit receivable is also included in the liquidity footnote with the expectation it will be collected within the next year. While board-designated net assets are not available for general expenditure, they can be drawn upon with Board of Director's approval. Of the total board-designated net asset balance of $9,914,348 as of September 30, 2022, the Board of Director's approved up to $1,200,000 for use for expenditure in fiscal year 2023.

The following is a quantitative disclosure which describes assets that are available within one year of September 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 2,173,889
Operating investments	18,642,811
Accounts receivable	431,092
Contributions receivable	876,701
Employee retention tax credit receivable	666,906
	22,791,399
Less: amounts unavailable for general expenditures within one year	
Donor-imposed restrictions for a specified purpose	(1,162,393)
Board-designated reserves, less amounts approved for expenditure in one year	(8,714,348)
	(9,876,741)
	$ 12,914,658

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Center also has a line of credit available for use. The balance available at September 30, 2022 is $5,000,000 (see Note 7).

12. DONATED MATERIALS AND SERVICES

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

Legal and other services	$ 80,173
Advertising and public relations services	101,078
IT services	61,980
Other materials	20,407
	$ 263,638

Donated materials and services valuation techniques

Donated legal and other services, advertising and public relations, and IT 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.

Donor restrictions and donated materials and services use

The donated materials, and services received during the year ended September 30, 2022 included no donor restrictions. Donated legal and other services include services from attorneys advising the Center on various strategic, administrative and legal matters. Donated advertising and public relations includes services provided by a marketing agency to assist in providing strategic advertising, branding and digital solutions for the Center. Donated IT includes professional IT managed services utilized throughout the Center. Other donated materials were fully utilized in fundraising and administrative events.

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 $3,897,263. The value of this contributed time is not reflected in these financial statements as the services don't meet the recognition criteria.

12. DONATED MATERIALS AND SERVICES (continued)

Volunteer services hours during the year were as follows:

Animal care	57,695
Animal rescue	41,572
Education	3,221
Other	7,108
	109,596

13. 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 January 1, 2022. 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 2021 and 2022, the Center collected a combined total of $1,150,521 in ERC credits. The remaining $666,906 is recorded as a receivable as of September 30, 2022.

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.

14. 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 $207,365 during the year ended September 30, 2022.

15. 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 $90,212 during the year ended September 30, 2022.

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 shall also 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.

In 2007, the original Moss Licensor sold the Moss Landing property to Dynegy Moss Landing, LLC ("Dynegy"). In April 2018, Dynegy merged with Vistra Energy Corp. ("Vistra"). The Licensor 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.

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 of $837 per month and has two successive options 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 2023 and anticipates executing the subsequent renewal options to secure operations through October 2033. Total rent expense under this lease was $9,878 during the year ended September 30, 2022.

15. COMMITMENTS AND CONTINGENCIES (continued)

Operating leases (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending September 30,		
2023	$	10,041
2024		10,041
2025		10,041
2026		10,041
2027		10,041
Thereafter		61,084
	$	111,289

The total staff housing and rent expense incurred by the Center was $159,782 for the year ended September 30, 2022, 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.

The scheduled minimum lease payments under the lease terms for the remaining staff housing leases are as follows:

Year ending September 30,		
2023	$	74,952

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.

16. SUBSEQUENT EVENTS

On October 14, 2022, the Center entered into a lease agreement with PIER 39 Limited Partnership, a California limited partnership, for space previously called the Sea Lion Center. The Center will operate a visitor center and educational experience highlighting the California Sea Lions and other marine mammals which have taken up residence at Pier 39, in the San Francisco Bay and the ocean environment. The Center has the right to sell memberships, solicit donations, and sell retail merchandise related to the theme of marine mammals and the conservation of their marine environment, including the local ecosystem.

Minimum monthly rent, percentage rent and any common area expense have been waived for the term of the lease. The lease expires December 31, 2027, with an additional period of fifty-five months at the Center's option.

The Center has evaluated subsequent events through January 27, 2023, 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.