

**THE CORAL REEF ALLIANCE**

**Financial Statements for the Years Ended  
June 30, 2018 and 2017  
and Independent Auditors' Report**



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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, 2018 and 2017, 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, 2018 and 2017, 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.

*Harrison & Lane, a.c.*

Pleasanton, California  
November 19, 2018

# THE CORAL REEF ALLIANCE

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,331,981	\$ 1,698,654
Contributions and grants receivable	1,416,262	985,653
Prepaid expenses	87,746	42,890
Total current assets	3,835,989	2,727,197
Deposits	7,472	7,472
Property and equipment, net	17,179	11,739
Total assets	<u>\$ 3,860,640</u>	<u>\$ 2,746,408</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 701,090	\$ 539,151
Other accrued expenses	114,417	112,311
Current portion of capital lease obligation	2,175	2,084
Unearned revenue	54,360	-
Total current liabilities	872,042	653,546
Capital lease obligation	370	2,539
Total liabilities	872,412	656,085
NET ASSETS:		
Unrestricted	1,086,319	1,369,439
Temporarily restricted	1,901,909	720,884
Total net assets	2,988,228	2,090,323
Total liabilities and net assets	<u>\$ 3,860,640</u>	<u>\$ 2,746,408</u>

See notes to financial statements.

# THE CORAL REEF ALLIANCE

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Individual and corporate contributions	\$ 1,051,922	\$ 589,704	\$ 1,641,626
Foundation and government grants	588,596	2,170,016	2,758,612
Special events	15,579	-	15,579
Less: direct benefit to participants	(3,000)	-	(3,000)
Program fees and other income	8,618	-	8,618
Investment income	764	-	764
	<u>1,662,479</u>	<u>2,759,720</u>	<u>4,422,199</u>
Total revenue and support			
Net assets released from restrictions	<u>1,578,695</u>	<u>(1,578,695)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>3,241,174</u>	<u>1,181,025</u>	<u>4,422,199</u>
<b>EXPENSES:</b>			
Program services	2,621,459	-	2,621,459
Support services:			
General and administrative	329,268	-	329,268
Fundraising	573,567	-	573,567
	<u>3,524,294</u>	<u>-</u>	<u>3,524,294</u>
Total expenses			
CHANGE IN NET ASSETS	<u>(283,120)</u>	<u>1,181,025</u>	<u>897,905</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,369,439</u>	<u>720,884</u>	<u>2,090,323</u>
NET ASSETS, END OF YEAR	<u>\$ 1,086,319</u>	<u>\$ 1,901,909</u>	<u>\$ 2,988,228</u>

See notes to financial statements.

# THE CORAL REEF ALLIANCE

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Individual and corporate contributions	\$ 858,009	\$ 181,462	\$ 1,039,471
Foundation and government grants	325,944	1,455,788	1,781,732
Program fees and other income	26	-	26
Investment income	658	-	658
	<u>1,184,637</u>	<u>1,637,250</u>	<u>2,821,887</u>
Total revenue and support			
Net assets released from restrictions	<u>1,544,169</u>	<u>(1,544,169)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>2,728,806</u>	<u>93,081</u>	<u>2,821,887</u>
<b>EXPENSES:</b>			
Program services	2,451,802	-	2,451,802
Support services:			
General and administrative	256,183	-	256,183
Fundraising	411,495	-	411,495
	<u>3,119,480</u>	<u>-</u>	<u>3,119,480</u>
Total expenses			
CHANGE IN NET ASSETS	<u>(390,674)</u>	<u>93,081</u>	<u>(297,593)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,760,113</u>	<u>627,803</u>	<u>2,387,916</u>
NET ASSETS, END OF YEAR	<u>\$ 1,369,439</u>	<u>\$ 720,884</u>	<u>\$ 2,090,323</u>

See notes to financial statements.

## THE CORAL REEF ALLIANCE

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

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	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,121,891	\$ 156,661	\$ 341,146	\$ 1,619,698
Grants and initiatives	672,146	-	-	672,146
Consultants	224,587	118,356	53,437	396,380
Training and workshops	170,036	13,306	7,435	190,777
Payroll taxes	91,988	13,886	28,117	133,991
Other personnel expenses	105,551	7,950	17,355	130,856
Supplies and equipment	89,799	1,531	21,299	112,629
Occupancy	73,321	4,770	12,275	90,366
Travel	25,672	3,308	29,511	58,491
Printing and copying	23,260	159	30,547	53,966
Bank charges	4,663	1,171	14,866	20,700
Telephone and internet	14,392	478	1,369	16,239
Dues and subscriptions	388	7,313	7,499	15,200
Postage	3,290	225	8,536	12,051
Media	475	-	175	650
Interest	-	154	-	154
Total	<u>\$ 2,621,459</u>	<u>\$ 329,268</u>	<u>\$ 573,567</u>	<u>\$ 3,524,294</u>

See notes to financial statements.



## THE CORAL REEF ALLIANCE

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

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	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,014,594	\$ 156,482	\$ 274,122	\$ 1,445,198
Grants and initiatives	760,979	-	-	760,979
Consultants	175,589	52,159	7,143	234,891
Other personnel expenses	104,994	7,924	15,022	127,940
Payroll taxes	87,466	13,068	21,000	121,534
Training and workshops	104,261	9,182	2,734	116,177
Occupancy	79,011	5,527	7,260	91,798
Supplies and equipment	46,840	737	16,507	64,084
Printing and copying	15,664	743	27,341	43,748
Travel	27,649	255	10,922	38,826
Postage	4,828	1,012	10,518	16,358
Bank charges	3,972	915	11,210	16,097
Dues and subscriptions	-	7,534	7,162	14,696
Media	13,787	-	-	13,787
Telephone and internet	12,168	416	554	13,138
Interest	-	229	-	229
Total	<u>\$ 2,451,802</u>	<u>\$ 256,183</u>	<u>\$ 411,495</u>	<u>\$ 3,119,480</u>

See notes to financial statements.

## THE CORAL REEF ALLIANCE

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 897,905	\$ (297,593)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	5,000	4,492
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	(430,609)	(388,409)
Prepaid expenses	(44,856)	156
Accounts payable	161,939	282,182
Other accrued expenses	2,106	(2,985)
Unearned revenue	54,360	-
Net cash provided by (used in) investing activities	<u>645,845</u>	<u>(402,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease deposits	-	(460)
Purchase of property and equipment	<u>(10,440)</u>	<u>(5,830)</u>
Net cash used in investing activities	<u>(10,440)</u>	<u>(6,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligation	<u>(2,078)</u>	<u>(2,002)</u>
Net cash used in financing activities	<u>(2,078)</u>	<u>(2,002)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	633,327	(410,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,698,654</u>	<u>2,109,103</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,331,981</u></u>	<u><u>\$ 1,698,654</u></u>

See notes to financial statements.

# THE CORAL REEF ALLIANCE

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### 1. ORGANIZATION

**Nature of Operation** - The Coral Reef Alliance (a nonprofit corporation) (the “Organization”) is a member supported, nonprofit organization, dedicated to protecting the health of coral reefs by integrating ecosystem management, sustainable tourism, and community partnerships. The Organization works with communities to identify and solve conservation challenges; changes attitudes and behavior through education and training; provides resources to strengthen conservation efforts; and creates incentives for sustainable tourism. The Organization’s major sources of revenue are foundation and government grants and donations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The Organization uses the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred.

**Classification of Net Assets** - The Organization reports information regarding its financial position and activities according the three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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** - Unconditional contributions receivable are reported at fair value and are recognized in the period promised. Grants receivable that are considered exchange transactions are recognized as revenue when earned. Grants receivable that are considered unconditional contributions are recognized as revenue when promised. Delinquent contributions and grants receivable do not accrue interest. 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 regularly adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. Bad debt recoveries are included in income as realized. The Organization had no allowance for bad debts as of June 30, 2018.

**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 are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the temporarily restricted net asset 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 temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current 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 unrestricted net assets.

Grants from governmental agencies which are funded on a cost-reimbursement basis are generally deemed to be exchange transactions and are not treated as contributions. Revenues from such activities are shown as unrestricted revenue in the statements of activities.

**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 2018 or 2017, respectively. 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. Currently, the fiscal 2015 through 2017 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of June 30, 2018.

**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. Deposits of approximately \$1,715,000 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 2017 financial statement balances have been reclassified to conform to the 2018 financial statement presentation.

**Subsequent Events** - Subsequent events have been evaluated through November 19, 2018, which is the date the financial statements were available to be issued.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Furniture and office equipment	40,967	30,527
Less: Accumulated depreciation	<u>(23,788)</u>	<u>(18,788)</u>
Net property and equipment	<u>\$ 17,179</u>	<u>\$ 11,739</u>

Depreciation and amortization expense was \$5,000 and \$4,492 for the years ended June 30, 2018 and 2017, respectively.

### 4. CAPITAL LEASES

The Organization leases equipment under a capital lease that runs through September 2019. At June 30, 2018, equipment leased under capital leases had a cost basis of \$10,096 and related accumulated depreciation of \$5,528. Depreciation of equipment under capital leases is included in depreciation expense. The aggregate remaining minimum rental payments required under the terms of all existing leases as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 2,231
2020	<u>372</u>
Total minimum lease payments	2,603
Less: Interest	<u>(58)</u>
Present value of minimum lease payments	<u>\$ 2,545</u>

## 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017, respectively:

	2018	2017
Meso-America	\$ 806,459	\$ 43,222
Reefscape modeling	505,115	515,854
Indonesia	345,775	68,633
Hawaii	103,074	36,228
Fiji	91,486	31,014
Time	50,000	13,702
Virtual experience	-	10,673
Marine tourism	-	1,558
	<hr/>	<hr/>
Total temporarily restricted net assets	\$ 1,901,909	\$ 720,884

## 6. 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 \$38,052 and \$33,406 to the Plan during the years ended June 30, 2018 and 2017, respectively.

## 7. OPERATING LEASES

The Organization leases office space under a non-cancelable lease agreement that expires in August 2025. Rent expense and overhead charges totaled \$90,366 and \$91,798 during the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments are as follows:

<u>Year end June 30,</u>	
2019	83,740
2020	86,252
2021	88,840
2022	91,505
2023	94,250
2024 and thereafter	113,336
	<hr/>
Total	\$ 557,923

## **8. CONCENTRATIONS**

Two donors comprised 71% of contributions and grants receivable at June 30, 2018. One donor comprised 26% of contributions and grant revenue for the year ended June 30, 2018.

## **9. CONDITIONAL GRANTS**

During 2018, the Organization received restricted grants totaling \$1,218,795 that contained donor conditions of future performance, generally the performance of the work specified in the grant. Since these grants are conditioned on future performance, they are not recorded as contribution revenue until donor conditions are met. As of June 30, 2018, \$667,413 remains to be recognized in future periods.