

**THE CORAL REEF ALLIANCE**

**Financial Statements for the Years Ended  
June 30, 2019 and 2018  
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, 2019 and 2018, 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, 2019 and 2018, 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  
October 25, 2019

# THE CORAL REEF ALLIANCE

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,142,268	\$ 2,331,981
Contributions and grants receivable	348,795	1,416,262
Prepaid expenses	<u>57,367</u>	<u>87,746</u>
Total current assets	2,548,430	3,835,989
Contributions and grants receivable	175,000	-
Deposits	7,875	7,472
Property and equipment, net	<u>8,294</u>	<u>17,179</u>
Total assets	<u><u>\$ 2,739,599</u></u>	<u><u>\$ 3,860,640</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 116,753	\$ 51,659
Grants payable	492,817	649,431
Other accrued expenses	145,549	114,417
Current portion of capital lease obligation	199	2,175
Unearned revenue	<u>9,140</u>	<u>54,360</u>
Total current liabilities	<u>764,458</u>	<u>872,042</u>
Capital lease obligation	<u>-</u>	<u>370</u>
Total liabilities	<u>764,458</u>	<u>872,412</u>
<b>NET ASSETS:</b>		
Without donor restrictions	944,157	1,086,319
With donor restrictions	<u>1,030,984</u>	<u>1,901,909</u>
Total net assets	<u>1,975,141</u>	<u>2,988,228</u>
Total liabilities and net assets	<u><u>\$ 2,739,599</u></u>	<u><u>\$ 3,860,640</u></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
<b>REVENUE AND SUPPORT:</b>			
Individual and corporate contributions	\$ 1,168,325	\$ 103,330	\$ 1,271,655
Foundation and government grants	628,741	501,487	1,130,228
Special events	16,477	-	16,477
Less: direct benefit to participants	(3,000)	-	(3,000)
Program fees and other income	60,360	-	60,360
Investment income	1,522	-	1,522
	<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>
<b>EXPENSES:</b>			
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 ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	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	329,250	-	329,250
Fundraising	573,585	-	573,585
	<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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

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	<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 expense	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

### 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>
Personnel expenses	\$ 1,319,430	\$ 178,497	\$ 386,618	\$ 1,884,545
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
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	141	30,565	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>\$ 329,250</u>	<u>\$ 573,585</u>	<u>\$ 3,524,294</u>

See notes to financial statements.

## THE CORAL REEF ALLIANCE

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,013,087)	\$ 897,905
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	8,885	5,000
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	892,467	(430,609)
Prepaid expenses	30,379	(44,856)
Accounts payable	65,094	16,606
Grants payable	(156,614)	145,333
Other accrued expenses	31,132	2,106
Unearned revenue	(45,220)	54,360
	<u>(186,964)</u>	<u>645,845</u>
Net cash (used in) provided by investing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease deposits	(403)	-
Purchase of property and equipment	-	(10,440)
	<u>(403)</u>	<u>(10,440)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligation	(2,346)	(2,078)
	<u>(2,346)</u>	<u>(2,078)</u>
Net cash used in financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(189,713)	633,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,331,981</u>	<u>1,698,654</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,142,268</u>	<u>\$ 2,331,981</u>

See notes to financial statements.

# THE CORAL REEF ALLIANCE

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 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 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 to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor 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** - Unconditional contributions receivable are reported at fair value and are recognized in the period promised. Grants receivable that are considered exchange transactions are recognized when earned. Grants receivable that are considered unconditional contributions are recognized 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, 2019. There have been no material bad debts in 2019 or 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. Grants that are considered exchange transactions are recognized when earned. The Organization reports contributions in the net asset class with donor restrictions 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 asset class with donor restrictions, 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 net asset class without donor restrictions.

**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 2019 or 2018. 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 2016 through 2018 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of June 30, 2019.

**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 \$1,570,000 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.

**Subsequent Events** - Subsequent events have been evaluated through October 25, 2019, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and office equipment	30,598	40,967
Less: Accumulated depreciation	<u>(22,304)</u>	<u>(23,788)</u>
Net property and equipment	<u>\$ 8,294</u>	<u>\$ 17,179</u>

Depreciation and amortization expense was \$8,885 and \$5,000 for the years ended June 30, 2019 and 2018.

### 4. CAPITAL LEASES

The Organization leases equipment under a capital lease that runs through September 2019. At June 30, 2019, equipment leased under capital leases had a cost basis of \$10,096 and related accumulated depreciation of \$6,971. 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 totaled \$372 as of June 30, 2019.

## 5. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Meso-America	\$ 506,651	\$ 806,459
Reefscape modeling	249,718	505,115
Hawaii	181,925	103,074
Indonesia	46,127	345,775
Fiji	34,058	91,486
Research and development	12,505	-
Time	<u>-</u>	<u>50,000</u>
Total net assets with restrictions	<u>\$ 1,030,984</u>	<u>\$ 1,901,909</u>

## 6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,142,268	\$ 2,331,981
Contributions and grants receivable, net	<u>523,795</u>	<u>1,416,262</u>
	2,666,063	3,748,243
Less: Contributions and grants receivable due after one year, net	<u>(175,000)</u>	<u>-</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,491,063</u>	<u>\$ 3,748,243</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 \$50,648 and \$38,052 to the Plan during the years ended June 30, 2019 and 2018.

**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 \$101,639 and \$90,366 during the years ended June 30, 2019 and 2018. Future minimum lease payments are as follows:

<u>Year end June 30,</u>	
2020	86,252
2021	88,840
2022	91,505
2023	94,250
2024 and thereafter	<u>113,336</u>
Total	<u>\$ 474,183</u>

**9. CONCENTRATIONS**

One donor comprised 91% of contributions and grants receivable at June 30, 2019.