

**THE CORAL REEF ALLIANCE**

**Financial Statements for the Years Ended  
June 30, 2022 and 2021  
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

### Opinion

We have audited the accompanying financial statements of The Coral Reef Alliance (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Organization as of June 30, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' 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 auditors' 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 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 Organization'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 Organization'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.

*Harrison & Lane, a.c.*

Pleasanton, California  
December 22, 2022

# THE CORAL REEF ALLIANCE

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,896,242	\$ 3,172,138
Investments	4,853	2,990
Contributions and grants receivable	873,635	965,795
Prepaid expenses	32,898	32,869
<b>Total current assets</b>	<b>3,807,628</b>	<b>4,173,792</b>
Contributions and grants receivable	199,001	396,550
Deposits	7,782	8,225
Property and equipment, net	-	241
<b>Total assets</b>	<b>\$ 4,014,411</b>	<b>\$ 4,578,808</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 55,699	\$ 71,743
Other accrued expenses	98,599	143,131
Unearned revenue	-	625,706
<b>Total current liabilities</b>	<b>154,298</b>	<b>840,580</b>
<b>Total liabilities</b>	<b>154,298</b>	<b>840,580</b>
<b>NET ASSETS:</b>		
Without donor restrictions	1,943,450	1,141,256
With donor restrictions	1,916,663	2,596,972
<b>Total net assets</b>	<b>3,860,113</b>	<b>3,738,228</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,014,411</b>	<b>\$ 4,578,808</b>

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

## THE CORAL REEF ALLIANCE

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Individual and corporate contributions	\$ 1,610,848	\$ -	\$ 1,610,848
Foundation and government grants	1,101,087	1,377,451	2,478,538
Foreign agency grants	51,787	-	51,787
Program fees and other income	5,359	-	5,359
Investment gain	1,570	-	1,570
	<u>2,770,651</u>	<u>1,377,451</u>	<u>4,148,102</u>
Total revenue and support			
Net assets released from restrictions	<u>2,057,760</u>	<u>(2,057,760)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>4,828,411</u>	<u>(680,309)</u>	<u>4,148,102</u>
<b>EXPENSES:</b>			
Program services	3,088,650	-	3,088,650
Support services:			
General and administrative	406,736	-	406,736
Fundraising	530,831	-	530,831
	<u>4,026,217</u>	<u>-</u>	<u>4,026,217</u>
Total expenses			
CHANGE IN NET ASSETS	<u>802,194</u>	<u>(680,309)</u>	<u>121,885</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,141,256</u>	<u>2,596,972</u>	<u>3,738,228</u>
NET ASSETS, END OF YEAR	<u>\$ 1,943,450</u>	<u>\$ 1,916,663</u>	<u>\$ 3,860,113</u>

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

# THE CORAL REEF ALLIANCE

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Individual and corporate contributions	\$ 1,331,320	\$ -	\$ 1,331,320
Foundation and government grants	413,598	2,239,209	2,652,807
Foreign agency grants	69,096	-	69,096
Program fees and other income	5,041	-	5,041
Investment loss	(1,893)	-	(1,893)
	<u>1,817,162</u>	<u>2,239,209</u>	<u>4,056,371</u>
Net assets released from restrictions	<u>1,381,089</u>	<u>(1,381,089)</u>	<u>-</u>
	<u>3,198,251</u>	<u>858,120</u>	<u>4,056,371</u>
<b>EXPENSES:</b>			
Program services	2,067,468	-	2,067,468
Support services:			
General and administrative	408,510	-	408,510
Fundraising	444,043	-	444,043
	<u>2,920,021</u>	<u>-</u>	<u>2,920,021</u>
CHANGE IN NET ASSETS	<u>278,230</u>	<u>858,120</u>	<u>1,136,350</u>
NET ASSETS, BEGINNING OF YEAR,	<u>863,026</u>	<u>1,738,852</u>	<u>2,601,878</u>
NET ASSETS, END OF YEAR	<u>\$ 1,141,256</u>	<u>\$ 2,596,972</u>	<u>\$ 3,738,228</u>

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

## THE CORAL REEF ALLIANCE

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

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	Program	General and administrative	Fundraising	Total
Personnel expenses	\$ 1,576,757	\$ 303,438	\$ 401,145	\$ 2,281,340
Grants and initiatives	678,403	-	-	678,403
Consultants	543,330	66,681	16,727	626,738
Occupancy	97,865	4,134	17,915	119,914
Training and workshops	74,943	7,393	8,810	91,146
Supplies and equipment	59,826	4,557	22,816	87,199
Printing and copying	25,074	172	15,374	40,620
Bank charges	8,173	1,319	23,786	33,278
Dues and subscriptions	2,338	10,570	11,327	24,235
Telephone and internet	15,102	3,565	1,939	20,606
Travel	3,398	4,687	8,531	16,616
Postage	3,038	220	2,461	5,719
Other expense	403	-	-	403
Total	<u>\$ 3,088,650</u>	<u>\$ 406,736</u>	<u>\$ 530,831</u>	<u>\$ 4,026,217</u>

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



## THE CORAL REEF ALLIANCE

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

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	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,330,693	\$ 310,293	\$ 341,606	\$ 1,982,592
Consultants	285,428	55,161	4,731	345,320
Grants and initiatives	234,899	-	-	234,899
Occupancy	97,179	15,073	17,221	129,473
Supplies and equipment	52,115	8,726	13,669	74,510
Printing and copying	11,843	35	20,640	32,518
Bank charges	7,275	1,064	24,029	32,368
Dues and subscriptions	6,094	10,576	14,024	30,694
Training and workshops	20,245	3,438	689	24,372
Telephone and internet	13,968	2,962	1,947	18,877
Postage	3,472	801	5,356	9,629
Travel	4,225	381	131	4,737
Media	32	-	-	32
Total	<u>\$ 2,067,468</u>	<u>\$ 408,510</u>	<u>\$ 444,043</u>	<u>\$ 2,920,021</u>

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

## THE CORAL REEF ALLIANCE

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 121,885	\$ 1,136,350
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	241	3,544
Stock donations	(4,853)	(2,990)
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	289,709	(210,403)
Prepaid expenses	(29)	3,804
Accounts payable	(16,044)	26,189
Grants payable	-	(318,696)
Other accrued expenses	(44,532)	40,492
Unearned revenue	(625,706)	292,205
	<u>(279,329)</u>	<u>970,495</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Return of lease deposit	1,213	-
Payment of lease deposit	(770)	-
Proceeds from sale of investments	2,990	-
	<u>3,433</u>	<u>-</u>
Net cash provided by investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(275,896)	970,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,172,138</u>	<u>2,201,643</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,896,242</u>	<u>\$ 3,172,138</u>

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

# THE CORAL REEF ALLIANCE

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

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

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

**Contributions and Grants Receivable** - Contributions and grants receivable consist of unconditional promises to give. Delinquent grants receivable do not accrue interest. Unconditional promises to give that are expected to be collected in excess of one year are recorded at the present value of their estimated future cash flows. The Organization continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. The Organization adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. There was no allowance considered necessary at either June 30, 2022 or 2021.

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

**Revenue Recognition** - Contributions and grants are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. Conditional promises to give for restricted purposes are presented as contributions without donor restrictions upon meeting the conditions if the condition and restriction are met in the same reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's net assets without donor restrictions. Cash received before conditions of contributions are met are deferred and presented as refundable advances on the statements of financial position.

**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 2022 or 2021. Accordingly, no tax expense was incurred during either year.

The Organization has evaluated its tax positions taken for all open tax years. In management's judgment there are no uncertain tax positions as of June 30, 2022.

**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 proportionate to personnel costs incurred by each function.

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

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

**Credit Risk** - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalent balances with high credit quality financial institutions and distributes deposits among several institutions to reduce credit risk. Deposits of approximately \$1,562,000 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.

### 3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Within one year	\$ 873,635	\$ 965,795
In one to five years	200,000	400,000
	<u>1,073,635</u>	<u>1,365,795</u>
Less: discount to net present value at 0.43%	<u>(999)</u>	<u>(3,450)</u>
Total contributions and grants receivable	<u>\$ 1,072,636</u>	<u>\$ 1,362,345</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and 2021:

	2022	2021
Furniture and office equipment	34,167	34,168
Less: Accumulated depreciation	<u>(34,167)</u>	<u>(33,927)</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 241</u>

## 5. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Meso-America	\$ 652,440	\$ 671,273
Global conservation science	753,648	1,182,849
Hawaii	112,300	97,026
Time	<u>398,275</u>	<u>645,824</u>
Total net assets with restrictions	<u>\$ 1,916,663</u>	<u>\$ 2,596,972</u>

## 6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at June 30, 2022 consisted of the following:

Cash and cash equivalents	\$ 2,896,242
Investments	4,853
Contributions and grants receivable, net	<u>1,072,636</u>
	3,973,731
Less: Contributions and grants receivable due after one year, net	<u>(199,001)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,774,730</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 matches participants' contributions to the Plan up to 4% of annual compensation. The Organization contributed \$49,411 and \$40,306 to the Plan during the years ended June 30, 2022 and 2021.

## 8. OPERATING LEASES

The Organization leases office space under non-cancelable leases that expire through August 2025. Rent expense and overhead charges totaled \$107,962 and \$122,140 during the years ended June 30, 2022 and 2021. Future minimum lease payments are as follows:

<u>Year end June 30,</u>	
2023	\$ 100,410
2024	97,078
2025	<u>16,259</u>
Total	<u>\$ 213,747</u>

## 9. PAYCHECK PROTECTION PROGRAM

In 2020, the Organization obtained forgivable loans under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). The loan proceeds of \$624,404 were included with unearned revenue on the statements of financial position in accordance with FASB's Accounting Standards Codification Topic 958-605 *Not-For-Profit Entities - Revenue Recognition*. The loans and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, payroll levels, and obtained formal forgiveness from the SBA. The loans were forgiven by the SBA in fiscal 2022 and are presented as revenue from government grants on the statements of activities.

## 10. CONCENTRATIONS

Four donors comprised 72% of contributions and grants receivable at June 30, 2022.

## 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2022, which is the date the financial statements were available to be issued.