

CALL OF THE SEA

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



CALL OF THE SEA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board Members of
Call of the Sea

We have reviewed the accompanying financial statements of Call of the Sea (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Perotti & Carrade

April 20, 2021

Perotti & Carrade | Certified Public Accountants

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CALL OF THE SEA

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 230,929	\$ 83,159
Temporarily held vessel	-	49,000
Grants and contributions	-	2,590
Total current assets	230,929	134,749
Non-Current Assets:		
Ships	5,945,797	526,789
Construction-in-progress	9,100	5,394,452
Furniture and equipment	-	2,627
	5,954,897	5,923,868
Less accumulated depreciation	434,196	374,874
Office deposit	1,540	5,442
Total non-current assets	5,522,241	5,554,436
Total Assets	\$ 5,753,170	\$ 5,689,185
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 19,526	\$ 65,175
Accrued salaries	-	18,686
Customer deposits	53,845	66,856
Current portion of notes payable	72,988	224,726
Total current liabilities	146,359	375,443
Long-Term Liabilities: Notes payable	447,060	-
Net Assets:		
Without donor restrictions	5,037,544	837,193
With donor restrictions	122,207	4,476,549
Total net assets	5,159,751	5,313,742
Total Liabilities and Net Assets	\$ 5,753,170	\$ 5,689,185

See accompanying notes and independent accountant's review report.

CALL OF THE SEA

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Donations and grants	\$ 386,633	\$ 115,981	\$ 502,614	\$ 1,025,654	\$ 25,447	\$ 1,051,101
Program	248,954	-	248,954	226,221	-	226,221
Gross special events revenue	-	-	-	106,861	-	106,861
Less cost of direct benefits to donors	-	-	-	(13,764)	-	(13,764)
Net special event revenue	-	-	-	93,097	-	93,097
In-kind donation	-	-	-	65,131	-	65,131
Interest and other income	4,786	-	4,786	4,108	-	4,108
Net assets released from restrictions	4,470,323	(4,470,323)	-	10,768	(10,768)	-
Total revenue and support	<u>5,110,696</u>	<u>(4,354,342)</u>	<u>756,354</u>	<u>1,424,979</u>	<u>14,679</u>	<u>1,439,658</u>
Expenses:						
Program services	713,732	-	713,732	755,134	-	755,134
Management and general	108,143	-	108,143	169,115	-	169,115
Development	88,470	-	88,470	190,981	-	190,981
Total expenses	<u>910,345</u>	<u>-</u>	<u>910,345</u>	<u>1,115,230</u>	<u>-</u>	<u>1,115,230</u>
Change in Net Assets	4,200,351	(4,354,342)	(153,991)	309,749	14,679	324,428
Net Assets at Beginning of Year (Restated)	837,193	4,476,549	5,313,742	527,444	4,461,870	4,989,314
Net Assets at End of Year	<u>\$ 5,037,544</u>	<u>\$ 122,207</u>	<u>\$ 5,159,751</u>	<u>\$ 837,193</u>	<u>\$ 4,476,549</u>	<u>\$ 5,313,742</u>

See accompanying notes and independent accountant's review report.

CALL OF THE SEA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 303,515	\$ 23,849	\$ 56,686	\$ 384,050
Payroll taxes and benefits	30,064	2,362	5,615	38,041
Insurance	122,553	1,507	3,583	127,643
Depreciation	96,106	-	-	96,106
Repairs and maintenance	56,000	43	104	56,147
Contract services	3,088	36,980	-	40,068
Occupancy	29,619	2,327	5,532	37,478
Office and supplies	26,945	5,702	3,965	36,612
Sailing fuel, dockage, and meals	32,149	-	-	32,149
Interest	2,973	-	-	2,973
Printing	-	109	10,817	10,926
Bank and service charges	-	9,928	-	9,928
Travel	4,424	5,434	-	9,858
Miscellaneous	51	8,506	-	8,557
Advertising	-	4,643	521	5,164
Telephone	3,309	129	308	3,746
Meetings, meals and entertainment	-	2,511	626	3,137
Laundry	2,235	-	-	2,235
Postage and delivery	-	1,198	713	1,911
Dues and subscriptions	-	1,824	-	1,824
Taxes and fees	701	1,091	-	1,792
Total expenses by function	\$ 713,732	\$ 108,143	\$ 88,470	\$ 910,345

See accompanying notes and independent accountant's review report.

CALL OF THE SEA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Costs of Direct Benefits to Donors</u>	<u>Total</u>
Salaries	\$ 313,562	\$ 52,159	\$ 67,136	\$ -	\$ 432,857
Payroll taxes and benefits	33,780	5,620	7,233	-	46,633
Contract services	95,094	65,580	38,580	-	199,254
Insurance	72,076	6,481	10,665	-	89,222
Occupancy	43,097	7,330	12,060	1,876	64,363
Repairs and maintenance	47,683	-	-	-	47,683
Sailing fuel, dockage, and meals	47,341	-	-	-	47,341
Office and supplies	27,537	2,899	16,577	-	47,013
Depreciation	24,972	-	-	-	24,972
Printing	2,552	434	17,937	-	20,923
Meetings, meals and entertainment	462	5,402	1,765	11,888	19,517
Interest	11,986	2,038	3,354	-	17,378
Miscellaneous	4,979	850	8,792	-	14,621
Travel	9,685	2,788	77	-	12,550
Telephone	8,142	1,238	2,035	-	11,415
Bank and service charges	-	9,229	-	-	9,229
Taxes and fees	6,350	676	554	-	7,580
Advertising	1,252	3,545	827	-	5,624
Postage and delivery	724	123	3,232	-	4,079
Dues and subscriptions	643	2,723	157	-	3,523
Laundry	3,217	-	-	-	3,217
Total expenses by function	<u>755,134</u>	<u>169,115</u>	<u>190,981</u>	<u>13,764</u>	<u>1,128,994</u>
Less expenses included with revenues on the statements of activities					
Cost of direct benefits to donors	-	-	-	(13,764)	(13,764)
Total expenses included in expense section of the statement of activities	<u>\$ 755,134</u>	<u>\$ 169,115</u>	<u>\$ 190,981</u>	<u>\$ -</u>	<u>\$ 1,115,230</u>

See accompanying notes and independent accountants' review report.

CALL OF THE SEA

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (153,991)	\$ 324,428
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	96,106	24,972
Changes in operating assets and liabilities:		
Grants and contributions receivable	2,590	6,937
Office deposit	3,902	-
Accounts payable	(45,649)	43,440
Accrued salaries	(18,686)	(2,897)
Customer deposits	(13,011)	34,494
Net cash provided by (used for) operating activities	(128,739)	431,374
Cash Flows from Investing Activities:		
Property additions	(67,813)	(402,917)
Contributions of temporarily held vessel	-	(49,000)
Proceeds from sales of temporarily held vessel	49,000	-
Net Cash used for investing activities	(18,813)	(451,917)
Cash Flows from Financing Activities:		
Cash received from notes payable	509,800	100,000
Payments on notes payable	(214,478)	(278,084)
Net cash provided by (used for) financing activities	295,322	(178,084)
Net Increase in Cash and Cash Equivalents	147,770	(198,627)
Cash and Cash Equivalents, Beginning of Year	83,159	281,786
Cash and Cash Equivalents, End of Year	\$ 230,929	\$ 83,159

See accompanying notes and independent accountants' review report.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. ORGANIZATION

Call of the Sea (the Organization) was founded in 1984 as a California nonprofit organization with a mission to connect and inspire people of all ages and backgrounds to connect with the sea and its tributaries. The Organization is supported primarily through program revenue, fundraising events, grants, and contributions. Call of the Sea delivers its mission with Seaward, an 82-foot schooner and the newly constructed Matthew Turner, an iconic, 132-foot wooden hybrid propulsion Brigantine. Matthew Turner and Seaward serve as a floating classroom for students and provide educational services for the Northern California community and beyond.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Certain amounts from the prior year have been reclassified to conform with the current year presentation.

Financial Statement Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition or construction of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Cash and cash equivalents – Cash is composed of bank checking and savings accounts.

Program revenue – The Organization offers various sails to schools, individuals and businesses for which it charges a fee. Generally, the fee for the sail is due and paid in advance and deferred until earned. The performance obligation of delivering the sail is simultaneously received and consumed by the customer; therefore, the revenue is recognized ratably over the course of the sail, which generally is between one and seven days.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the net assets with donor restrictions. When a contribution has been previously restricted and the restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. A contribution from an individual accounted for 22% and 47% respectively during the years ended December 31, 2020 and 2019.

Allowance for doubtful accounts – An allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in the grants and contributions receivable and contributions receivable balance. The Organization considers a receivable to be past due if payment is not received within 30 days of the invoice date. The Organization does not generally charge a late fee or interest on its receivables. Management evaluates the need to write off a receivable based on its review of the aging of the receivables and historical collection experience. An allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in the grants and accounts receivable balance. Receivables are written off when deemed uncollectible. No allowance was deemed necessary at December 31, 2020 and 2019.

Property and Equipment – Property and equipment consists of one operational ship and furniture and equipment. Depreciation has been calculated using the straight-line method applied over the estimated useful lives of the assets: three to twenty years for the ship and three to four years for furniture and equipment. The Organization capitalizes property and equipment acquisitions when their cost exceeds \$2,500. In July 2020, a newly built ship, Matthew Turner was placed into operation during the year ended December 31, 2020. All net assets with a donor restriction related to the ship’s construction was released.

Tax-Exempt Status – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Organization’s informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

Donated Materials and Services - Contributions of time, materials and facilities are reflected in the accompanying financial statements at their fair value at the date of receipt.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services (continued) - Nonfinancial asset or require specialized skills and are provided by individuals possessing those Contributions for services are recognized only if such services create or enhance a skill and would typically need to be paid for if not provided by donation.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis based upon management’s analysis of time spent on the programs and supporting services that is consistently applied. The expenses that are allocated include salary, payroll taxes and benefits, occupancy, insurance, telephone, and office and supplies.

3. LIQUIDITY AND AVAILABILITY

The Organization’s goal is to accumulate and maintain financial assets at a level equal to 90 days of ongoing, operating expenses. Amounts available to meet general expenditures within one year also include net assets with donor restrictions as the purposes will be fulfilled within the next year.

The following table reflects the Organization’s financial assets as of December 31, 2020 and 2019, that are available to meet general expenditures within one year of the statement of financial position date.

	2020	2019
Cash and cash equivalents	\$ 230,929	\$ 83,159
Temporarily held vessel	-	49,000
Grants and contributions receivable	-	2,590
Financial assets available to meet cash needs for general expenditures within one year	\$ 230,929	\$ 134,749

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

4. NOTES PAYABLE

In March 2020, the Organization obtained a \$400,000 loan from Marin Community Foundation (“MCF”). Proceeds from the MCF loan were used to pay off all but one former loan including a loan from a related party.

The one loan not paid off with MCF’s loan is secured by the Seaward ship and has a balance of \$10,248 and \$10,393, as of December 31, 2020 and 2019, respectively. The loan bears interest at a rate of 2.5% simple. The loan agreement expired in July 2019. The lender has permitted the Organization to continue to make payments subsequent to the loan termination. The Organization believes it will fully repay the loan in 2021.

The MCF loan has a term of ten years, bears interest at a rate of 4.25% per year, and requires a monthly payment of principal and interest of \$4,099. The loan is secured by a first (1st) preferred ship mortgage filed with the United States Coast Guard on the Matthew Turner vessel. The MCF loan does not permit the Organization to obtain any other loans without MCF approval. The MCF loan has covenants that must be met annually. The Organization believes it has met its covenants as of December 31, 2020.

Subsequent to the loan completion date, the Organization received a “COVID-19 Loan Payment Deferral and Maturity Date Extensions” from MCF giving the Organization the right to temporarily forego making payments under their respective loan for a twelve (12) month period commencing as of the loan payment due date on April 1, 2020 through and including the loan payment due date on March 1, 2021 (the COVID-19 Loan Payment Assistance Period”). Subsequent to the year ended December 31, 2020, the Organization received another extension for a six (6) month period, and the extension of the Maturity Date for the Loan to September 1, 2021 (“Extended Maturity Date”). During the COVID-19 Loan Payment Assistance Period, no regular interest accrued, nor any penalty incurred.

The Organization applied and received \$109,800 under the federal payroll protection program in April 2020. The loan bears interest at a rate of 1% annually with a maturity date of April 2022. The loan permits no repayment of principal or interest until August 2021. If criteria are met, including having the loan proceeds cover certain eligible costs including wages, benefits, rent and other costs over a twenty-four-week period, up to 100% of the loan and related interest could be forgiven. No interest has been accrued as it has been deemed de minimus. The Organization expects to receive the forgiveness during the year ending December 31, 2021. The Organization also applied and received a second loan of \$109,800 under the federal payroll protection program in February 2021 and expects to apply for loan forgiveness in August 2021.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

4. NOTES PAYABLE (continued)

Future maturities of long-term debt are as follows based on no loan forgiveness of the payroll protection program loan and the first payment of the MCF loan occurring in October 2021:

2021	\$	72,988
2022		91,017
2023		36,883
2024		38,481
2025		40,149
Thereafter		<u>240,530</u>
	\$	<u><u>520,048</u></u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 118,307	\$ 26,631
Dock construction	3,900	-
Matthew Turner ship	-	4,449,918
Total	<u>\$ 122,207</u>	<u>\$ 4,476,549</u>

Net assets restricted for construction of Matthew Turner ship were all released from donors' restrictions during the year ended December 31, 2020. Net assets released from restriction consisted of the following for the years December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Matthew Turner ship	\$ 4,449,918	\$ -
Scholarships	20,405	10,768
Total	<u>\$ 4,470,323</u>	<u>\$ 10,768</u>

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
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6. IN-KIND DONATIONS

The Organization received a donation of a vessel valued at \$49,000 and donated professional services valued at \$65,131 during the year ended December 31, 2019. The donated vessel was sold in early 2020, and there were no donated services received during the year ended December 31, 2020.

The corresponding expenses related to the in-kind services were reported as follows as of 12/31/19:

<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising & Development</u>
\$ 32,566	\$ 6,513	\$ 26,052

7. RESTATEMENT OF THE NET ASSETS

During the year ended December 31, 2020, the Organization identified \$47,077 of costs capitalized as part of construction in progress which were not related to the construction of the Matthew Turner ship. The costs should have been expensed or were assets which should have been fully depreciated as of December 31, 2018. As such, the following changes have been made to the 2019 financial statements.

	<u>Originally Reported</u>	<u>Adjustment</u>	<u>Restatement</u>
Construction in progress	\$ 5,441,529	\$ (47,077)	\$ 5,394,452
Net assets	\$ 4,508,947	\$ (47,077)	\$ 4,461,870

8. RISKS AND UNCERTAINTIES

Covid-19 - In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of the Organization, has been impacted. The extent to which the pandemic will impact operations will depend on future developments, which are highly uncertain. Based on information known as of April 20, 2021, the Organization's management does not believe the pandemic will have a material adverse financial impact over the next twelve months.

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NOTES TO FINANCIAL STATEMENTS
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9. RELATED PARTIES

In addition to obtaining a loan from a board member which was fully repaid during the year ended December 31, 2020 discussed in note 4, the Organization paid another board member as an employee during the year ended December 31, 2020. In his capacity as the Chief Financial Officer, the board member received total compensation of \$12,923. No similar payments were made during the year ended December 31, 2019.

10. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to December 31, 2020, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through April 20, 2021, the date the financial statements were available to be issued.