

CALL OF THE SEA

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



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, 2021 and 2020, 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.

We are required to be independent of Call of the Sea and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 24, 2022

Perotti & Carrade | Certified Public Accountants

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CALL OF THE SEA

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 656,902	\$ 230,929
Accounts and grants receivable	1,550	-
Total current assets	658,452	230,929
Non-Current Assets:		
Ships	6,015,416	5,945,797
Construction-in-progress	96,934	9,100
Less accumulated depreciation	(598,695)	(434,196)
	5,513,655	5,520,701
Office deposit	1,540	1,540
Total non-current assets	5,515,195	5,522,241
Total Assets	\$ 6,173,647	\$ 5,753,170
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 10,078	\$ 19,526
Accrued salaries	4,342	-
Customer deposits	46,435	53,845
Current portion of notes payable	33,171	72,988
Total current liabilities	94,026	146,359
Long-Term Liabilities: Notes payable	358,622	447,060
Net Assets:		
Without donor restrictions	5,585,120	5,037,544
With donor restrictions	135,879	122,207
Total net assets	5,720,999	5,159,751
Total Liabilities and Net Assets	\$ 6,173,647	\$ 5,753,170

See accompanying notes and independent accountant's review report.

CALL OF THE SEA

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Donations and grants	\$ 724,944	\$ 108,866	\$ 833,810	\$ 386,633	\$ 115,981	\$ 502,614
Program	393,997	-	393,997	249,554	-	249,554
Loan forgiveness	219,600	-	219,600	-	-	-
In-kind donation	76,845	-	76,845	-	-	-
Interest and other income	9,531	-	9,531	4,186	-	4,186
Net assets released from restrictions	95,194	(95,194)	-	4,470,323	(4,470,323)	-
Total revenue and support	<u>1,520,111</u>	<u>13,672</u>	<u>1,533,783</u>	<u>5,110,696</u>	<u>(4,354,342)</u>	<u>756,354</u>
Expenses:						
Program services	815,162	-	815,162	713,732	-	713,732
Management and general	141,563	-	141,563	108,143	-	108,143
Development	15,810	-	15,810	88,470	-	88,470
Total expenses	<u>972,535</u>	<u>-</u>	<u>972,535</u>	<u>910,345</u>	<u>-</u>	<u>910,345</u>
Change in Net Assets	547,576	13,672	561,248	4,200,351	(4,354,342)	(153,991)
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 5,585,120</u>	<u>\$ 135,879</u>	<u>\$ 5,720,999</u>	<u>\$ 5,037,544</u>	<u>\$ 122,207</u>	<u>\$ 5,159,751</u>

See accompanying notes and independent accountant's review report.

CALL OF THE SEA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 339,186	\$ 7,590	\$ 5,061	\$ 351,837
Depreciation	164,499	-	-	164,499
Insurance	77,847	15,179	-	93,026
Contract services	3,770	65,498	650	69,918
Sailing fuel and dockage	65,253	-	-	65,253
Repairs and maintenance	46,669	402	-	47,071
Payroll taxes and benefits	32,608	608	405	33,621
Office and supplies	23,924	4,212	4,456	32,592
Ship board food	27,377	-	-	27,377
Occupancy	-	27,000	-	27,000
Bank and service charges	8,162	289	1,315	9,766
Travel	7,618	636	-	8,254
Miscellaneous	-	5,210	-	5,210
Interest	2,358	4,398	-	6,756
Human resources	6,101	-	-	6,101
Taxes and fees	1,676	3,719	50	5,445
Advertising	836	2,757	1,167	4,760
Laundry	4,466	-	-	4,466
Telephone	2,294	1,310	-	3,604
Meetings, meals, and entertainment	500	455	1,192	2,147
Printing, postage, and delivery	18	510	1,514	2,042
Dues and subscriptions	-	1,790	-	1,790
Total expenses by function	\$ 815,162	\$ 141,563	\$ 15,810	\$ 972,535

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
Depreciation	96,106	-	-	96,106
Insurance	122,553	1,507	3,583	127,643
Contract services	2,268	36,980	-	39,248
Sailing fuel and dockage	9,963	-	-	9,963
Repairs and maintenance	56,000	43	104	56,147
Payroll taxes and benefits	30,064	2,362	5,615	38,041
Office and supplies	20,068	5,702	3,965	29,735
Ship board food	22,186	-	-	22,186
Occupancy	29,619	2,327	5,532	37,478
Bank and service charges	-	9,928	-	9,928
Travel	4,424	5,434	-	9,858
Miscellaneous	51	7,043	-	7,094
Interest	2,973	-	-	2,973
Human resources	6,877	-	-	6,877
Taxes and fees	1,521	1,091	-	2,612
Advertising	-	4,643	521	5,164
Laundry	2,235	-	-	2,235
Telephone	3,309	129	308	3,746
Meetings, meals and entertainment	-	3,974	626	4,600
Printing, postage, and delivery	-	1,307	11,530	12,837
Dues and subscriptions	-	1,824	-	1,824
Total expenses by function	713,732	108,143	88,470	910,345

See accompanying notes and independent accountants' review report.

CALL OF THE SEA

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 561,248	\$ (153,991)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	164,499	96,106
Loan forgiveness	(219,600)	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,550)	2,590
Office deposit	-	3,902
Accounts payable	(9,448)	(45,649)
Accrued salaries	4,342	(18,686)
Customer deposits	(7,410)	(13,011)
Net cash provided by (used for) operating activities	492,081	(128,739)
Cash Flows from Investing Activities:		
Property additions	(157,453)	(67,813)
Proceeds from sales of temporarily held vessel	-	49,000
Net cash used for investing activities	(157,453)	(18,813)
Cash Flows from Financing Activities:		
Cash received from notes payable	109,800	509,800
Payments on notes payable	(18,455)	(214,478)
Net cash provided by financing activities	91,345	295,322
Net Increase in Cash and Cash Equivalents	425,973	147,770
Cash and Cash Equivalents, Beginning of Year	230,929	83,159
Cash and Cash Equivalents, End of Year	\$ 656,902	\$ 230,929
Supplementary Information:		
Interest paid	\$ 6,756	\$ 2,973

See accompanying notes and independent accountants' review report.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 32% and 22% respectively during the years ended December 31, 2021 and 2020.

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, 2021 and 2020.

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. All net assets with a donor restriction related to the ship’s construction were 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 - Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 differ 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, 2021 and 2020, that are available to meet general expenditures within one year of the statement of financial position date.

	2021	2020
Cash and cash equivalents	\$ 656,902	\$ 230,929
Grants and contributions receivable	1,550	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 658,452	\$ 230,929

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 had a balance of \$10,248 as of December 31, 2020, and was fully paid as of December 31, 2021. The loan bore interest at a rate of 2.5% simple interest. The loan agreement expired in July 2019. The lender had permitted the Organization to continue to make payments subsequent to the loan termination.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

4. NOTES PAYABLE (continued)

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, 2021 and 2020.

Subsequent to the loan completion date, the Organization received “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 an eighteen-month period commencing as of the loan payment due date on April 1, 2020 through and including the loan payment due date on September 1, 2021 (“the COVID-19 Loan Payment Assistance Period”). The extension of the Maturity Date of the Loan to September 1, 2031 (“Extended Maturity Date”). During the COVID-19 Loan Payment Assistance Period, no regular interest accrued, nor any penalty was incurred.

The Organization applied and received \$109,800 under the federal payroll protection loan program in April 2020. A second payroll protection loan of \$109,800 was received in February 2021. The loan bore interest at a rate of 1% annually. If criteria were 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 was accrued as it was deemed de minimis. The Organization received full forgiveness for both loans during the year ended December 31, 2021.

Future maturities of long-term debt are as follows based on the first payment of the MCF loan occurring in October 2021:

2022	\$	33,171
2023		34,609
2024		36,109
2025		37,674
2026		39,306
Thereafter		<u>210,924</u>
	\$	<u>391,793</u>

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2021 and 2020:

	2021	2020	
Scholarships	\$ 135,879	\$ 118,307	
Dock construction	-	3,900	
Total	\$ 135,879	\$ 122,207	

Net assets released from restriction consisted of the following for the years December 31, 2021 and 2020:

	2021	2020	
Dock construction	\$ 69,650	\$ -	
Scholarships	25,544	20,405	
Matthew Turner ship	-	4,449,918	
Total	\$ 95,194	\$ 4,470,323	

6. IN-KIND DONATIONS

The Organization received donated services and rent valued at \$76,845 during the year ended December 31, 2021. In the statement of functional expenses, \$55,200 of the in-kind was reflected in sailing fuel and dockage under program services for donated rent and \$21,645 of in-kind services was reflected in repairs and maintenance under program services for donated services.

There were no donated services received during the year ended December 31, 2020.

7. RISKS AND UNCERTAINTIES

Cash and Cash Equivalents – Financial instruments that potentially subject the Organization to credit risk include cash on deposit with a bank which generally exceeds the \$250,000 insurance limitation of the Federal Deposit Insurance Corporation (“FDIC”).

8. 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, 2021.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

9. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to December 31, 2021, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through April 24, 2022, the date the financial statements were available to be issued.