

CALL OF THE SEA

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



CALL OF THE SEA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Call of the Sea

Opinion

We have audited the accompanying financial statements of Call of the Sea (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Call of the Sea as of December 31, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 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 Call of the Sea's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Call of the Sea'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 Call of the Sea'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.

July 1, 2024

Perotti & Canade

CALL OF THE SEA

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 867,099	\$ 856,266
Certificates of deposit	-	301,084
Accounts and grants receivable	2,738	15,880
Prepaid expenses	22,963	20,668
Total current assets	892,800	1,193,898
Non-Current Assets:		
Property and equipment, net:		
Ships	6,040,606	6,001,721
Dock and other assets	188,357	162,393
Construction-in-progress	12,880	-
Less: accumulated depreciation	(945,035)	(769,272)
Property and equipment, net	5,296,808	5,394,842
Office deposit	1,540	1,540
Total non-current assets	5,298,348	5,396,382
Total Assets	\$ 6,191,148	\$ 6,590,280
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 70,237	\$ 23,026
Accrued vacation and salaries	13,212	10,852
Customer deposits	61,093	42,724
Current portion of notes payable	36,109	34,609
Total current liabilities	180,651	111,211
Long-Term Liabilities: Notes payable	287,984	324,053
Net Assets:		
Without donor restrictions	5,468,177	5,854,329
With donor restrictions	254,336	300,687
Total net assets	5,722,513	6,155,016
Total Liabilities and Net Assets	\$ 6,191,148	\$ 6,590,280

See accompanying notes to the financial statements.

CALL OF THE SEA

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Donations and grants	\$ 787,177	\$ 114,952	\$ 902,129	\$ 1,003,679	\$ 232,552	\$ 1,236,231
Program	587,859	-	587,859	595,196	-	595,196
Contributed nonfinancial assets	55,200	-	55,200	55,200	-	55,200
Interest and other income	28,995	-	28,995	11,829	-	11,829
Gross special events revenue	53,261	-	53,261	59,672	-	59,672
Less cost of direct benefits to donors	(17,352)	-	(17,352)	(12,421)	-	(12,421)
Net special event revenue	35,909	-	35,909	47,251	-	47,251
Net assets released from restrictions	161,303	(161,303)	-	67,744	(67,744)	-
Total revenue and support	1,656,443	(46,351)	1,610,092	1,780,899	164,808	1,945,707
Expenses:						
Program services	1,610,590	-	1,610,590	1,204,354	-	1,204,354
Management and general	313,533	-	313,533	213,746	-	213,746
Development	118,472	-	118,472	93,590	-	93,590
Total expenses	2,042,595	-	2,042,595	1,511,690	-	1,511,690
Change in Net Assets	(386,152)	(46,351)	(432,503)	269,209	164,808	434,017
Net Assets at Beginning of Year	5,854,329	300,687	6,155,016	5,585,120	135,879	5,720,999
Net Assets at End of Year	\$ 5,468,177	\$ 254,336	\$ 5,722,513	\$ 5,854,329	\$ 300,687	\$ 6,155,016

See accompanying notes to the financial statements.

CALL OF THE SEA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 779,614	\$ 99,699	\$ 77,274	\$ 956,587
Payroll taxes and benefits	84,048	10,748	8,331	103,127
Contract services	58,606	113,421	8,410	180,437
Depreciation	175,763	-	-	175,763
Repairs and maintenance	146,908	7,676	2,000	156,584
Insurance	125,795	19,520	-	145,315
Sailing fuel and dockage	62,848	-	-	62,848
Ship board food	50,895	-	-	50,895
Occupancy	35,850	4,780	7,170	47,800
Office and supplies	25,172	13,350	5,603	44,125
Travel	27,657	2,252	6	29,915
Meetings, meals, and entertainment	124	7,269	19,652	27,045
Interest	4,871	14,600	-	19,471
Bank and service charges	3,386	6,575	3,703	13,664
Advertising	8,018	3,187	898	12,103
Human resources	11,092	-	-	11,092
Telephone	2,778	2,627	-	5,405
Taxes and fees	3,250	1,980	60	5,290
Printing, postage, and delivery	52	1,123	2,717	3,892
Laundry	3,813	-	-	3,813
Dues and subscriptions	-	3,464	-	3,464
Miscellaneous	50	1,262	-	1,312
Total expenses by function	1,610,590	313,533	135,824	2,059,947
Less expenses included with revenues on the statements of activities				
Cost of direct benefits to donors	-	-	(17,352)	(17,352)
Total expenses included in expense section of the statement of activities	\$ 1,610,590	\$ 313,533	\$ 118,472	\$ 2,042,595

See accompanying notes to the financial statements.

CALL OF THE SEA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 495,276	\$ 75,097	\$ 67,066	\$ 637,439
Payroll taxes and benefits	43,391	12,510	5,876	61,777
Contract services	11,369	57,816	250	69,435
Depreciation	173,484	-	-	173,484
Repairs and maintenance	167,950	1,343	-	169,293
Insurance	100,621	15,276	-	115,897
Sailing fuel and dockage	74,000	-	-	74,000
Ship board food	43,135	-	-	43,135
Occupancy	20,381	2,718	4,076	27,175
Office and supplies	19,462	6,998	5,509	31,969
Travel	19,555	1,529	-	21,084
Meetings, meals, and entertainment	544	2,841	14,060	17,445
Interest	2,608	16,038	-	18,646
Bank and service charges	2,807	268	2,737	5,812
Advertising	4,398	4,056	2,620	11,074
Human resources	9,184	-	-	9,184
Telephone	2,672	1,435	-	4,107
Taxes and fees	1,026	3,032	51	4,109
Printing, postage, and delivery	13	702	3,760	4,475
Laundry	11,446	-	-	11,446
Dues and subscriptions	-	663	-	663
Miscellaneous	1,032	11,424	6	12,462
Total expenses by function	1,204,354	213,746	106,011	1,524,111
Less expenses included with revenues on the statements of activities				
Cost of direct benefits to donors	-	-	(12,421)	(12,421)
Total expenses included in expense section of the statement of activities	\$ 1,204,354	\$ 213,746	\$ 93,590	\$ 1,511,690

See accompanying notes to the financial statements.

CALL OF THE SEA

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (432,503)	\$ 434,017
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	175,763	173,484
Changes in operating assets and liabilities:		
Accounts and grants receivable	13,142	(14,330)
Prepaid expenses	(2,295)	(20,668)
Accounts payable	47,211	12,948
Accrued vacation and salaries	2,360	6,510
Customer deposits	18,369	(3,711)
Net cash provided by (used for) operating activities	(177,953)	588,250
Cash Flows from Investing Activities:		
Property additions	(77,729)	(54,671)
Investments in certificates of deposit	301,084	(301,084)
Net cash provided by (used for) investing activities	223,355	(355,755)
Cash Flows from Financing Activities:		
Payments on notes payable	(34,569)	(33,131)
Net cash used for financing activities	(34,569)	(33,131)
Net Increase in Cash and Cash Equivalents	10,833	199,364
Cash and Cash Equivalents, Beginning of Year	856,266	656,902
Cash and Cash Equivalents, End of Year	\$ 867,099	\$ 856,266
Supplementary Information:		
Interest paid	\$ 19,471	\$ 18,646

See accompanying notes to the financial statements.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 in the prior year have been reclassified in order to conform with the current 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 and cash equivalents are composed of bank checking, savings accounts, and money market accounts.

Certificates of Deposit – Certificates of deposit consist of investments with original maturity dates in excess of 90 days.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 50% and 44%, respectively, of total revenue and support during the years ended December 31, 2023 and 2022.

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, 2023 and 2022.

The Organization carried the following balances in accounts related to its program revenue as of December 31, 2023 and 2022 and 2021:

	2023	2022	2021
Accounts and grants receivable	\$ 2,738	\$ 15,880	\$ 1,550
Customer deposits	\$ 61,093	\$ 42,724	\$ 46,435

Property and Equipment – Property and equipment consists of two operational ships and furniture and equipment. Depreciation has been calculated using the straight-line method applied over the estimated useful lives of the assets: three to forty years for the ships and three to twenty years for the dock and other assets. The Organization capitalizes property and equipment acquisitions when their cost exceeds \$5,000.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contributed Nonfinancial Assets – Contributed nonfinancial assets represent contributed goods and services. The Organization recognizes contributed nonfinancial assets received at estimated fair value if such goods or services are measurable, would otherwise be purchased and (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be paid for, if not provided by donation.

Advertising Costs – Advertising costs of \$12,103 and \$11,074 during the years ended December 31, 2023 and 2022, respectively, were expensed as incurred.

Leases – The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as part of occupancy. The Organization has no arrangements that meet the criteria of accounting for a lease. The Organization leases office space, a storage container, and a removable trailer, on a month-to-month basis. The rent incurred on these spaces was \$47,800 and \$27,175 during the years ended December 31, 2023 and 2022, respectively.

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, and occupancy.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, that are available to meet general expenditures within one year of the statement of financial position date.

	2023	2022
Cash and cash equivalents	\$ 867,099	\$ 856,266
Certificates of deposit	-	301,084
Accounts and grants receivable	2,738	15,880
Financial assets available to meet cash needs for general expenditures within one year	\$ 869,837	\$ 1,173,230

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 several former loans, including a loan from a related party.

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 has not met one of its covenants as of December 31, 2023. MCF agreed to waive the missed covenant for the year ended December 31, 2023.

In 2020, 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 Maturity Date of the Loan was extended to September 1, 2031 (“Extended Maturity Date”). During the COVID-19 Loan Payment Assistance Period, no regular interest was accrued, nor was any penalty incurred.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

4. NOTES PAYABLE (continued)

Future maturities of long-term debt are as follows for the years ending December 31:

2024	\$	36,109
2025		37,674
2026		39,306
2027		41,010
2028		42,787
Thereafter		<u>127,207</u>
	\$	<u><u>324,093</u></u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 223,971	\$ 284,714
Sustainability	30,365	15,973
Total	<u>\$ 254,336</u>	<u>\$ 300,687</u>

Net assets released from donor restriction for the years ended December 31, 2023 and 2022 were \$161,303 and 67,744, respectively, and all related to scholarships awarded.

6. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2023 and 2022, the Organization recognized \$55,200 and \$55,200, respectively, of nonfinancial assets within revenue on the statements of activities. The 2023 and 2022 costs were reflected on the statement of functional expenses in sailing fuel and dockage under program services for donated rent. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services. Contributed nonfinancial assets did not have donor-imposed restrictions, unless otherwise noted.

7. RETIREMENT PLAN

During the year ended December 31, 2022, the Organization established a 401(k) retirement plan for its employees. The plan permits employees to make contributions to the plan. The Organization made \$3,780 and \$0 of employer contributions to the plan during the years ended December 31, 2023 and 2022, respectively.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

8. 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”).

9. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to December 31, 2023, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through July 1, 2024, the date the financial statements were available to be issued.