

CALL OF THE SEA

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024



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, 2025 and 2024, 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, 2025 and 2024, 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 29, 2026

Perotti & Canade

CALL OF THE SEA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 409,919	\$ 400,598
Accounts and grants receivable	11,200	15,298
Prepaid expenses	<u>26,300</u>	<u>19,151</u>
Total current assets	<u>447,419</u>	<u>435,047</u>
Non-Current Assets		
Property and equipment, net:		
Ships	6,117,666	6,107,051
Dock and other assets	132,328	132,328
Construction-in-progress	121,760	64,493
Less: accumulated depreciation	<u>(1,300,101)</u>	<u>(1,124,860)</u>
Property and equipment, net	5,071,653	5,179,012
Office deposit	<u>1,540</u>	<u>1,540</u>
Total non-current assets	<u>5,073,193</u>	<u>5,180,552</u>
Total Assets	\$ <u>5,520,612</u>	\$ <u>5,615,599</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,747	\$ 66,877
Accrued vacation and salaries	57,670	38,563
Customer deposits	39,035	68,748
Current portion of notes payable	<u>39,270</u>	<u>37,636</u>
Total current liabilities	<u>154,722</u>	<u>211,824</u>
Long-Term Liabilities: Notes payable	<u>211,116</u>	<u>250,387</u>
Net Assets		
Without donor restrictions	5,027,489	4,981,411
With donor restrictions	<u>127,285</u>	<u>171,977</u>
Total net assets	<u>5,154,774</u>	<u>5,153,388</u>
Total Liabilities and Net Assets	\$ <u>5,520,612</u>	\$ <u>5,615,599</u>

See accompanying notes to the financial statements.

CALL OF THE SEA

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Program	\$ 674,268	\$ -	\$ 674,268	\$ 732,451	\$ -	\$ 732,451
Donations and grants	555,640	164,669	720,309	98,577	151,601	250,178
Contributed nonfinancial assets	67,810	-	67,810	55,663	-	55,663
Government grants	-	-	-	44,847	-	44,847
Interest and other income	5,496	-	5,496	21,464	-	21,464
Gross special events revenue	178,639	-	178,639	289,593	-	289,593
Less: cost of direct benefits to donors	(26,253)	-	(26,253)	(24,537)	-	(24,537)
Net special event revenue	152,386	-	152,386	265,056	-	265,056
Net assets released from restrictions	209,361	(209,361)	-	233,960	(233,960)	-
Total revenue and support	1,664,961	(44,692)	1,620,269	1,452,018	(82,359)	1,369,659
Functional Expenses						
Program services	1,127,895	-	1,127,895	1,476,384	-	1,476,384
Management and general	296,644	-	296,644	332,482	-	332,482
Development	194,344	-	194,344	129,918	-	129,918
Total expenses	1,618,883	-	1,618,883	1,938,784	-	1,938,784
Change in Net Assets	46,078	(44,692)	1,386	(486,766)	(82,359)	(569,125)
Net Assets at Beginning of Year	4,981,411	171,977	5,153,388	5,468,177	254,336	5,722,513
Net Assets at End of Year	\$ 5,027,489	\$ 127,285	\$ 5,154,774	\$ 4,981,411	\$ 171,977	\$ 5,153,388

See accompanying notes to the financial statements.

CALL OF THE SEA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2025

	Program Services	Management and General	Fundraising and Development	Total
Compensation costs:				
Salaries	\$ 465,533	\$ 122,198	\$ 129,060	\$ 716,791
Payroll taxes	39,015	10,241	10,816	60,072
Benefits	25,998	6,824	7,207	40,029
Total compensation costs	530,546	139,263	147,083	816,892
Other costs:				
Depreciation	175,241	-	-	175,241
Insurance	137,577	20,019	-	157,596
Contract services	23,769	90,050	8,654	122,473
Repairs and maintenance	78,535	1,057	-	79,592
Occupancy	44,100	5,880	15,012	64,992
Sailing fuel and dockage	63,984	-	-	63,984
Meals	33,995	1,061	26,253	61,309
Interest	4,672	12,002	-	16,674
Supplies	12,406	1,436	2,731	16,573
Miscellaneous	59	5,672	11,410	17,141
Advertising	7,873	4,406	388	12,667
Bank and service charges	4,133	938	3,588	8,659
Telephone	3,278	4,181	-	7,459
Software and online services	-	2,516	4,335	6,851
Taxes and fees	3,348	2,059	50	5,457
Travel	1,976	1,600	-	3,576
Human resources	2,403	1,036	-	3,439
Printing, postage, and delivery	-	1,626	1,093	2,719
Dues and subscriptions	-	1,842	-	1,842
Total other costs	597,349	157,381	73,514	828,244
Less: expenses included with revenues on the statements of activities				
Cost of direct benefits to donors	-	-	(26,253)	(26,253)
Total expenses	\$ 1,127,895	\$ 296,644	\$ 194,344	\$ 1,618,883

See accompanying notes to the financial statements.

CALL OF THE SEA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services	Management and General	Fundraising and Development	Total
Compensation costs:				
Salaries	\$ 679,539	\$ 138,854	\$ 53,135	\$ 871,528
Payroll taxes	55,381	11,316	4,330	71,027
Benefits	18,686	3,818	1,461	23,965
Total compensation costs	753,606	153,988	58,926	966,520
Other costs:				
Depreciation	179,825	-	-	179,825
Insurance	134,743	29,171	-	163,914
Contract services	10,440	102,665	40,500	153,605
Repairs and maintenance	160,850	570	-	161,420
Occupancy	44,475	5,930	8,895	59,300
Sailing fuel and dockage	68,173	-	-	68,173
Meals	53,164	2,411	24,537	80,112
Interest	4,296	13,099	-	17,395
Supplies	22,780	2,233	1,998	27,011
Miscellaneous	98	3,308	6,341	9,747
Advertising	9,720	3,098	83	12,901
Bank and service charges	3,659	635	5,226	9,520
Telephone	2,944	3,859	-	6,803
Software and online services	18	3,690	4,069	7,777
Taxes and fees	3,135	1,278	52	4,465
Travel	5,419	1,590	-	7,009
Human resources	19,039	1,885	-	20,924
Printing, postage, and delivery	-	856	1,228	2,084
Dues and subscriptions	-	2,191	-	2,191
Meetings and entertainment	-	25	2,600	2,625
Total other costs	722,778	178,494	95,529	996,801
Less: expenses included with revenues on the statements of activities				
Cost of direct benefits to donors	-	-	(24,537)	(24,537)
Total expenses	\$ 1,476,384	\$ 332,482	\$ 129,918	\$ 1,938,784

See accompanying notes to the financial statements.

CALL OF THE SEA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,386	\$ (569,125)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	175,241	179,825
Changes in operating assets and liabilities:		
Accounts and grants receivable	4,098	(12,560)
Prepaid expenses	(7,149)	3,812
Accounts payable	(48,130)	(3,360)
Accrued vacation and salaries	19,107	25,351
Customer deposits	(29,713)	7,655
Net cash provided by (used in) operating activities	<u>114,840</u>	<u>(368,402)</u>
Cash Flows from Investing Activities		
Property additions	(67,882)	(62,029)
Net cash used in investing activities	<u>(67,882)</u>	<u>(62,029)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	75,000	-
Payments on notes payable	(112,637)	(36,070)
Net cash used in financing activities	<u>(37,637)</u>	<u>(36,070)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,321	(466,501)
Cash and Cash Equivalents, Beginning of Year	400,598	867,099
Cash and Cash Equivalents, End of Year	<u>\$ 409,919</u>	<u>\$ 400,598</u>
Supplementary Information		
Interest paid	<u>\$ 16,674</u>	<u>\$ 17,395</u>

See accompanying notes to the financial statements.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

Government Grants – The Organization applied for and received refundable payroll tax credits under the Employee Retention Credit (“ERC”) provisions of the CARES Act. The credits were claimed for eligible wages paid during the third and fourth quarters of the year ended December 31, 2020. During the year ended December 31, 2024 the organization recognized \$44,847 in ERC income. There was no similar revenue in the year ended December 31, 2025.

Allowance for Credit Losses – An allowance for credit losses reflects management’s best estimate of probable losses inherent in the grants 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. Receivables are written off when deemed uncollectible. There was no change in allowance for credit losses and no allowance for credit losses was deemed necessary at December 31, 2025 and 2024. There was no change in allowances during the years ended December 31, 2025 and 2024.

The Organization carried the following balances in accounts related to its program revenue as of December 31, 2025, 2024, and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts and grants receivable	\$ 11,200	\$ 15,298	\$ 2,738
Customer deposits	\$ 39,035	\$ 68,748	\$ 61,093

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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: five to forty years for the ships related equipment and twenty years for the docks. The Organization capitalizes property and equipment acquisitions when their cost exceeds \$5,000.

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 \$12,667 and \$12,901 during the years ended December 31, 2025 and 2024, 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 \$58,800 and \$59,300 during the years ended December 31, 2025 and 2024, 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.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, benefits, and occupancy.

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, 2025 and 2024, that are available to meet general expenditures within one year of the statement of financial position date.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 409,919	\$ 400,598
Accounts and grants receivable	11,200	15,298
Less: Purpose restricted net assets	<u>(127,285)</u>	<u>(171,977)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>293,834</u>	\$ <u>243,919</u>

4. NOTES PAYABLE

In April 2025 the Organization obtained an unsecured \$75,000 loan from American Nonprofits. The loan bears interest at a monthly rate of 3%, calculated on the basis of a 365 day year for the actual number of days for which interest is calculated. The loan is payable in four consecutive monthly payments of \$18,867 payable on the first day of each month. The first payment was due in June 2025 and the final payment was due in September 2025. As of December 31, 2025 the loan was paid in full.

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 \$4,097. 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 secured loans without MCF approval. The MCF loan has covenants that must be met annually. The Organization has met all of its covenants as of December 31, 2025.

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. NOTES PAYABLE (continued)

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. 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.

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

2026	\$	39,270
2027		40,975
2028		42,754
2029		44,610
2030		46,547
Thereafter		<u>36,230</u>
	\$	<u><u>250,386</u></u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Scholarships	\$ 106,887	\$ 112,685
Sustainability	<u>20,398</u>	<u>59,292</u>
Total purpose restricted	<u>\$ 127,285</u>	<u>\$ 171,977</u>

Net assets released from donor restriction consisted of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Scholarships	\$ 106,855	\$ 194,187
Sustainability	<u>102,506</u>	<u>39,773</u>
Total	<u>\$ 209,361</u>	<u>\$ 233,960</u>

CALL OF THE SEA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

6. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2025 and 2024, the Organization recognized \$67,810 and \$55,663, respectively, of nonfinancial assets within revenue on the statements of activities. Included in 2025 revenue was the proceeds from an engine valued at \$10,700 that was immediately sold. Most of the 2025 and 2024 remaining costs were reflected on the statement of functional expenses in sailing fuel and dockage under program services for donated dock rent, all other costs were de minimis. 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 \$8,141 and \$5,415 of employer contributions to the plan during the years ended December 31, 2025 and 2024, respectively.

8. RISKS, CONCENTRATIONS, 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”).

Revenue Concentration – Contributions from an individual accounted for 13% and 24% of the Organization’s total revenue and support during the years ended December 31, 2025 and 2024, respectively.

9. SUBSEQUENT EVENTS

In February 2026, the Organization received employee retention credits for the second quarter of 2020 and the third quarter of 2021 for a total of \$136,828, including interest.

Management of the Organization has evaluated events and transactions subsequent to December 31, 2025, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through July 29, 2026, the date the financial statements were available to be issued.