

**MARINE CONSERVATION BIOLOGY INSTITUTE**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2023**

**MARINE CONSERVATION BIOLOGY INSTITUTE**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

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## **Independent Auditor's Report**

Board of Directors  
MARINE CONSERVATION BIOLOGY INSTITUTE  
Seattle, Washington

### ***Opinion***

We have audited the accompanying statements of financial position of Marine Conservation Biology Institute (a not-for-profit Institute) as of December 31, 2023, and the related statements of activities, cash flows, and functional expenses for the year 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 Marine Conservation Biology Institute as of December 31, 2023, and the results of their operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Marine Conservation Biology Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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; 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.

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 Marine Conservation Biology Institute's ability to continue as a going concern for the twelve month period following the financial statement date.

### ***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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Marine Conservation Biology Institute'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 Marine Conservation Biology Institute'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.

### ***Report on Summarized Comparative Information***

We have previously audited the Marine Conservation Biology Institute's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bembridge & Associates*

Bembridge & Associates LLC  
Certified Public Accountants  
Seattle, Washington  
July 5, 2023

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$582,814	\$250,187
Investments (Note Four)	159,370	138,459
Accounts Receivable	443,675	515,439
Pre-paid Expenses and Deposits	<u>9,504</u>	<u>13,122</u>
Total Current Assets	1,195,363	917,207
<b><u>Other Assets</u></b>		
Right of Use Asset – Office Lease	\$11,076	\$ _____
<b>TOTAL ASSETS</b>	<b><u>\$1,206,439</u></b>	<b><u>\$917,207</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities</u></b>		
Accounts Payable	\$49,911	\$77,000
Accrued Vacation	50,960	55,840
Operating Lease Liability	<u>11,076</u>	<u>-</u>
Total Current Liabilities	111,947	132,840
<b>TOTAL LIABILITIES</b>	<b><u>111,947</u></b>	<b><u>132,840</u></b>
<b><u>Net Assets</u></b>		
Net Assets without Donor Restrictions (Note Seven)	466,360	517,330
Net Assets with Donor Restrictions (Note Eight)	<u>628,132</u>	<u>267,037</u>
Total Net Assets	1,094,492	784,367
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$1,206,439</u></b>	<b><u>\$917,207</u></b>

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

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>2023</u>	Total <u>2022</u>
<b>REVENUE:</b>				
Grants	\$305,000	\$950,000	\$1,255,000	\$946,496
Contributions	223,347	10,000	233,347	280,767
Program Service Fees	61,976	-	61,976	136,872
Events	59,179	-	59,179	75,987
Other Revenue	150	-	150	800
Dividends & Interest	10,905	-	10,905	3,839
Gain/Loss on Investments	<u>18,001</u>	<u>-</u>	<u>18,001</u>	<u>(26,710)</u>
<b>TOTAL REVENUE</b>	<b>678,558</b>	<b>960,000</b>	<b>1,638,558</b>	<b>1,418,051</b>
Net Assets Released from Restrictions	<u>598,905</u>	<u>(598,905)</u>	<u>-</u>	<u>-</u>
	<b>1,277,463</b>	<b>361,095</b>	<b>1,638,558</b>	<b>1,418,051</b>
<b>EXPENSES:</b>				
Program Services	983,532		983,532	965,951
Supporting Services				
Management & Administration	138,886		138,886	130,126
Fundraising & Development	<u>206,015</u>	<u>-</u>	<u>206,015</u>	<u>200,094</u>
Total Supporting Services	344,901		344,901	330,220
<b>TOTAL EXPENSES</b>	<b><u>1,328,433</u></b>	<b><u>-</u></b>	<b><u>1,328,433</u></b>	<b><u>1,296,171</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(50,970)</b>	<b>361,095</b>	<b>310,125</b>	<b>121,880</b>
<b>NET ASSETS, BEGINNING</b>	<b><u>517,330</u></b>	<b><u>267,037</u></b>	<b><u>784,367</u></b>	<b><u>662,487</u></b>
<b>NET ASSETS, ENDING</b>	<b><u>\$466,360</u></b>	<b><u>\$628,132</u></b>	<b><u>\$1,094,492</u></b>	<b><u>\$784,367</u></b>

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

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Blue Parks</u>	<u>MPAtlas</u>	<u>Conserving Marine Life &amp; Ecosystems</u>	<u>Total Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total 2023</u>	<u>Summarized Total 2022</u>
Employment Cost								
Salaries and Wages	161,888	244,396	171,710	577,994	102,102	146,601	\$ 826,697	\$ 794,600
Payroll Taxes	14,032	21,825	15,112	50,969	5,337	12,238	68,544	63,862
Employee Benefits	21,708	25,693	16,659	64,060	18,186	19,074	101,320	101,924
Total Employment Cost	197,628	291,914	203,481	693,023	125,625	177,913	996,561	960,386
Consultants and Professional Fees	3,227	24,189	113,696	141,112	2,215	3,224	146,551	219,074
Occupancy	5,708	7,730	4,034	17,472	6,235	4,909	28,616	41,916
External Program Support	82,845			82,845			82,845	
Communications	5,654	10,022	1,883	17,559	1,175	4,346	23,080	21,930
Travel	1,261	2,214	5,469	8,944	812	1,577	11,333	22,641
Dues/Subscriptions/Publications	857	1,299	641	2,797		3,896	6,693	4,120
Conferences and Meetings	3,977	4,603	2,775	11,355			11,355	7,062
Insurance	418	579	389	1,386	2,250	371	4,007	5,036
Miscellaneous Expenses	1,046	838	517	2,401	375	722	3,498	2,485
Licenses and Permits	195	294	203	692	6	58	756	662
Supplies	500	2,275	439	3,214	149	270	3,633	2,861
Printing and Postage	193	215	125	533	44	65	642	1,082
Equipment and Maintenance	64	75	60	199			199	0
Fundraising Supplies/Donor Benefits				-		8,664	8,664	6,916
Total Expenses	303,573	346,247	333,712	983,532	138,886	206,015	\$ 1,328,433	\$ 1,296,171

The accompanying notes are an integral part  
of these financial statements

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from Contributions, Grants, Contracts and Events	\$1,681,416	\$1,023,620
Dividends and Interest Received	10,905	3,839
Payments to Employees and Suppliers	(1,356,784)	(1,303,600)
Net Cash Flow from Operating Activities	<u>335,537</u>	<u>(276,141)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest and Dividends Reinvested	(2,910)	(1,366)
Net Cash Used by Investing Activities	(2,910)	(1,366)
NET (DECREASE) INCREASE IN CASH	332,627	(277,507)
CASH AT BEGINNING OF YEAR	<u>250,187</u>	<u>527,694</u>
CASH AT END OF YEAR	<u>\$582,814</u>	<u>\$250,187</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$310,125	\$121,880
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Gain/Loss on Investments	(18,001)	26,710
Changes in:		
Promises to Give	71,764	(417,302)
Prepaid Expenses and Deposits	3,618	3,367
Operating Lease Right of Use Asset	(11,076)	-
Accounts Payable	(27,089)	(11,033)
Accrued Vacation	(4,880)	-
Operating Lease Liability	<u>11,076</u>	<u>237</u>
Net Cash Provided by Operating Activities	<u>\$335,537</u>	<u>\$(276,141)</u>

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

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Note One - Institute**

Marine Conservation Biology Institute dba as Marine Conservation Institute (the Institute) is a not-for-profit organization, incorporated in the State of Washington. The Institute was founded in 1996 by Dr. Elliott A. Norse to advance the science of marine conservation biology and secure protection for ocean ecosystems. The Institute's program activities include national and international advocacy to protect biodiversity in the oceans, and to improve marine protected area quality. The Institute reports on global progress to protect the ocean ([www.MPAtlas.org](http://www.MPAtlas.org)) and recognizes outstanding protected areas with Blue Park Awards. The Institute works with scientists, conservationists and ocean users to address urgent issues and create lasting results. Science is central to all of the Institute's work.

**Note Two - Significant Accounting Policies**

**Basis of Presentation** - The Institute's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

**Net Assets without Donor Restrictions** - Net Assets without Donor Restrictions are funds not subject to donor imposed stipulations. Expirations of donor restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished, are reported as reclassifications between the applicable classes of net assets. Details for Net Assets without Donor Restrictions are reported in Note Seven.

**Net Assets with Donor Restrictions** - Net Assets with Donor Restrictions are funds subject to donor imposed stipulations that will be met by actions of the Institute and/or the passage of time. Net Assets with Donor Restrictions are released when the funds are spent for the donor stipulated purpose. Note Eight discloses the Donor Restrictions.

**Cash and Cash Equivalents** - Short-term deposits and investments with original maturities of three months or less are reported as cash equivalents.

**Investments** - Investments in publicly traded securities are valued at fair value using Level I methodology set by accounting standards, which means using unadjusted quoted prices in active markets for identical assets. Unrealized gains and losses are included in the changes in net assets.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

(continued)

**Note Two - Significant Accounting Policies (continued)**

**Promises to Give** - In accordance with U.S. GAAP, unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met or when the likelihood of not meeting the condition becomes remote. At December 31, 2023 and 2022, there were no unrecognized conditional promises to give.

**Grants and Contracts** - Grants and contracts revenue on the statements of activities consists of contributions, cost reimbursable government grants, and program service fees.

**In-Kind Contributions** - Donated goods and rent are valued at their fair market value. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills, and the services are performed by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

The fair value of non-specialized volunteer services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Publicly traded securities are received on occasion for gift and pledge payments. These securities are not held for investment and are sold as soon as possible after receipt. These receipts are recorded as cash contributions or cash payments against pledges.

**Concentration of Credit Risk** - The Institute maintains cash and cash equivalents in accounts that may exceed federally insured limits at times during the year. The amounts by which the accounts exceeded the insured limits for the years ended December 31, 2023 and 2022 are \$169,011 and \$0, respectively.

**Property and Equipment** - Property and equipment are stated at cost or, if donated, at fair value at dates of donation. Property and equipment with an original cost of \$5,000 or greater are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to seven years

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

(continued)

**Note Two - Significant Accounting Policies (continued)**

**Federal Income Taxes** - The Internal Revenue Service (IRS) has determined that the Institute is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an Institute described in IRC Section 501(c)(3). Further, the Institute has been classified as an organization that is not a private foundation under IRC Section 509(a).

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by the Institute in its federal and state tax returns are more likely than not to be sustained upon examination. The Institute's federal tax returns could be subject to examination for three years after they are filed.

**Note Three – Liquidity and Availability**

Financial Assets available for general expenditures, that is, without donor or other restrictions, within one year of December 31, 2023, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	582,814	250,187
Accounts Receivable	<u>443,675</u>	<u>515,439</u>
Total Financial Assets	1,026,489	765,626
Net Assets with Donor Restrictions	(628,132)	(267,037)
Board Designated Cash Reserves	<u>(317,787)</u>	<u>(287,917)</u>
Financial Assets Available for General Expenditures within one year	<u>\$80,570</u>	<u>\$210,672</u>

**Note Four - Investments**

Investments are part of the Board Designated Operating Reserve and are summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Publicly Traded Securities:		
Equity Securities - Stock Funds	56,685	50,702
Equity Securities – Social Index	60,457	47,669
Fixed Income Securities - Short Term Bond Fund	<u>42,228</u>	<u>40,088</u>
Total Investments	<u>\$159,370</u>	<u>\$138,459</u>

Investment income consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$10,869	\$3,798
Net Realized and Unrealized Gains (Losses)	<u>19,473</u>	<u>(26,710)</u>
	<u>\$30,342</u>	<u>\$(22,912)</u>

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

(continued)

**Note Five - Leases**

As of January 1, 2022, the ASC 842 standard for GAAP lease accounting requires all leases longer than twelve months to be recorded as assets and liabilities on the balance sheet. Recognition of this asset and liability has a material impact on the statement of financial position. The organization has a 24 month operating lease for office facilities in Seattle which terminates January 31, 2025.

A discount rate of 4.09% was used in calculating the present value of future lease payments.

Total right of use assets and lease liabilities at December 31, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Right of Use Assets	\$11,076	\$ -
Operating Lease Liabilities	<u>2023</u>	<u>2022</u>
Operating Lease Liabilities – Current Portion	\$11,076	\$ -
Operating Lease Liabilities – Net of Current Portion	<u>-</u>	<u>-</u>
	<u>\$11,076</u>	<u>\$ -</u>

Future minimum payments for the year ending December 31 are as follows:

2024	12,000
2025	<u>1,000</u>
Total Lease Payments	<u>\$13,000</u>

**Note Six - Property and Equipment**

Property and equipment are summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$1,637	\$1,637
Less Accumulated Depreciation	<u>(1,637)</u>	<u>(1,637)</u>
Net Property and Equipment	<u>\$ -</u>	<u>\$ -</u>

**Note Seven - Net Assets without Donor Restrictions**

Net Assets without Donor Restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Board Designated Operating Reserve	\$317,787	\$287,917
Undesignated	<u>148,573</u>	<u>229,413</u>
	<u>\$466,360</u>	<u>\$517,330</u>

The Operating Reserve is meant to cover cash flow shortages and may be spent only with the approval of the Board of Directors.

**MARINE CONSERVATION BIOLOGY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(continued)

**Note Eight - Net Assets with Donor Restrictions**

Net Assets with Donor Restrictions consisted of funds designated for the following donor designated purposes:

	<u>2023</u>	<u>2022</u>
Protecting Marine Ecosystems	\$628,132	\$217,037
Time Restrictions	<u>-</u>	<u>50,000</u>
	<u>\$628,132</u>	<u>\$267,037</u>

**Note Nine - Retirement Plan**

The Institute has a 401(k) plan (the plan) to provide retirement benefits for its eligible employees. All employees working 20 or more hours per week are eligible to make elective deferrals under the plan. After one year of service, the Institute provides a matching contribution of a variable percentage of employee gross pay. As of July 1, 2018, matching contributions are at a rate of 5%. Employees are fully vested in the employer contribution after working 1,000 hours or more per calendar year for four years of service. For the years ended December 31, 2023 and 2022, the Institute contributed \$37,435 and \$36,077, respectively, to the plan which is included in employee benefits expense.

**Note Ten - Concentrations**

During the year ended December 31, 2023, the Institute received four significant grants from four funders, which represented 55% (2022 - 53%) of total support and revenue recognized. At December 31, 2023, 90% of total promises to give are due from two donors. At December 31, 2022, 78% of total promises to give were due from four donors.

**Note Eleven – Comparative Financial Information**

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**Note Twelve - Subsequent Events**

Management has evaluated events occurring subsequent to December 31, 2023 through July 8, 2024 which is the date the financial statements were available to be issued, for potential recognition and/or disclosure. No events occurred subsequent to December 31, 2023, that are required to be recognized or disclosed in these financial statements.