

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seacology
Berkeley, California

Opinion

We have audited the accompanying financial statements of Seacology (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 Seacology 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 Seacology 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 these 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 Seacology'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 Seacology'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 Seacology'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 audits.

Doran & Associates

June 20, 2024

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 2,324,350	\$ 1,787,644
Current portion of contributions, grants, and accounts receivable, net of allowance for doubtful accounts (Note 3)	517,750	142,500
Prepaid expenses and deposits	102,850	98,407
Marketable equity securities / Investments (Note 4)	8,411,101	7,749,592
Total current assets	11,356,051	9,778,143
Certificate of deposit (Note 1)	101,374	-
Contributions, grants and accounts receivable, net of current portion, allowance for doubtful accounts and present value discount (Note 3)	1,035,055	121,234
Operating lease, right of use asset, net of accumulated amortization of \$51,678 at 2023 and \$10,335 at 2022 (Note 5)	207,189	248,532
Equipment and leasehold improvements, net of accumulated depreciation of \$53,204 at 2023 and \$57,086 at 2022 (Notes 1 and 6)	-	679
Total assets	\$ 12,699,669	\$ 10,148,588
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 31,603	\$ 75,885
Accrued vacation liability (Note 7)	98,992	98,743
Deferred revenue (Note 1)	-	3,000
Current portion of operating lease liability (Note 5)	37,344	37,526
Total current liabilities	167,939	215,154
Operating lease liability, net of current portion (Note 5)	174,698	212,041
Total liabilities	342,637	427,195
Net assets (Note 8):		
Net assets without donor restrictions:		
Undesignated	2,968,219	2,678,176
Board-designated:		
Dominican Republic Mangrove Initiative	75,000	75,000
Force for Good	1,077,621	1,109,192
Falealupo endowment (Note 9)	258,288	225,818
Quasi-endowment (Note 9)	4,187,638	3,603,862
Total net assets without donor restrictions	8,566,766	7,692,048
Net assets with donor restrictions	3,790,266	2,029,345
Total net assets	12,357,032	9,721,393
Total liabilities and net assets	\$ 12,699,669	\$ 10,148,588

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Foundation grants	\$ 119,743	\$ 2,562,075	\$ 2,681,818
Donations and bequests	973,651	539,663	1,513,314
In-kind contributions (Note 1)	<u>98,960</u>	<u>-</u>	<u>98,960</u>
Total public support	<u>1,192,354</u>	<u>3,101,738</u>	<u>4,294,092</u>
Revenue:			
Investment income, net (Note 4)	1,383,131	-	1,383,131
Expedition income (loss), net of expenses of \$62,168	(12,969)	-	(12,969)
Miscellaneous	<u>747</u>	<u>-</u>	<u>747</u>
Total revenue	<u>1,370,909</u>	<u>-</u>	<u>1,370,909</u>
Net assets released from restriction (Note 10)	<u>1,340,817</u>	<u>(1,340,817)</u>	<u>-</u>
Total support, revenue and transfers	<u>3,904,080</u>	<u>1,760,921</u>	<u>5,665,001</u>
EXPENSES AND LOSSES			
Program services	2,404,841	-	2,404,841
Management and general	187,124	-	187,124
Fundraising	<u>437,397</u>	<u>-</u>	<u>437,397</u>
Total expenses and losses	<u>3,029,362</u>	<u>-</u>	<u>3,029,362</u>
Change in net assets	874,718	1,760,921	2,635,639
Net assets, beginning of year	<u>7,692,048</u>	<u>2,029,345</u>	<u>9,721,393</u>
Net assets, end of year	<u>\$ 8,566,766</u>	<u>\$ 3,790,266</u>	<u>\$ 12,357,032</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Foundation grants	\$ 221,950	\$ 497,000	\$ 718,950
Donations and bequests	1,487,832	672,503	2,160,335
In-kind contributions (Note 1)	<u>91,832</u>	<u>-</u>	<u>91,832</u>
Total public support	<u>1,801,614</u>	<u>1,169,503</u>	<u>2,971,117</u>
Revenue:			
Investment income, net (Note 4)	(1,314,619)	-	(1,314,619)
Expedition income (loss), net of expenses of \$11,422	(11,422)	-	(11,422)
Miscellaneous	<u>661</u>	<u>-</u>	<u>661</u>
Total revenue	<u>(1,325,380)</u>	<u>-</u>	<u>(1,325,380)</u>
Net assets released from restriction (Note 10)	<u>961,714</u>	<u>(961,714)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,437,948</u>	<u>207,789</u>	<u>1,645,737</u>
EXPENSES AND LOSSES			
Program services	2,212,254	-	2,212,254
Management and general	155,998	-	155,998
Fundraising	<u>384,427</u>	<u>-</u>	<u>384,427</u>
Total expenses and losses	<u>2,752,679</u>	<u>-</u>	<u>2,752,679</u>
Change in net assets	(1,314,731)	207,789	(1,106,942)
Net assets, beginning of year	<u>9,006,779</u>	<u>1,821,556</u>	<u>10,828,335</u>
Net assets, end of year	<u>\$ 7,692,048</u>	<u>\$ 2,029,345</u>	<u>\$ 9,721,393</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023

	Program	Management and General	Fundraising	Total
Bookkeeping and accounting	\$ -	\$ 38,238	\$ -	\$ 38,238
Computer services	11,585	1,590	4,247	17,422
Consultants: Field representatives	175,073	-	-	175,073
Consultants: other	32,500	-	49,101	81,601
Depreciation expense	452	60	167	679
Dues, subscriptions and publications	2,455	317	897	3,669
Expedition expenses	-	-	62,168	62,168
Grant payments/project expenses	1,097,886	-	-	1,097,886
In-kind expenses	66,645	8,614	23,701	98,960
Insurance	5,957	4,480	2,163	12,600
Legal fees	-	1,211	-	1,211
Licenses and permits	-	842	-	842
Miscellaneous	69	7	25	101
Office supplies and maintenance	6,167	897	2,249	9,313
Postage and delivery	2,741	300	1,446	4,487
Printing	3,632	36	2,310	5,978
Property taxes	-	189	-	189
Public education	-	4,706	10,096	14,802
Rent and utilities	29,618	4,001	10,937	44,556
Salaries and employee benefits	840,208	112,773	310,312	1,263,293
Seacology Prize Expenses	42,165	-	-	42,165
Telephone	6,079	881	2,220	9,180
Travel and meetings	<u>81,609</u>	<u>7,982</u>	<u>17,526</u>	<u>107,117</u>
 Total expenses by function	 2,404,841	 187,124	 499,565	 3,091,530
 Less expenses included with revenues on the Statement of Activities:				
Expedition expenses	<u>-</u>	<u>-</u>	<u>62,168</u>	<u>62,168</u>
 Total expenses included in the expenses section on the Statement of Activities	 <u>\$ 2,404,841</u>	 <u>\$ 187,124</u>	 <u>\$ 437,397</u>	 <u>\$ 3,029,362</u>
	<u>79%</u>	<u>6%</u>	<u>15%</u>	<u>100%</u>

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

SEACOLOGY
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STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended December 31, 2022

	Program	Management and General	Fundraising	Total
Bookkeeping and accounting	\$ -	\$ 21,351	\$ -	\$ 21,351
Computer services	10,610	1,393	3,712	15,715
Consultants: Field representatives	166,107	-	-	166,107
Consultants: other	31,194	2,376	35,039	68,609
Depreciation expense	5,508	718	1,927	8,153
Dues, subscriptions and publications	2,081	278	728	3,087
Expedition expenses	-	-	11,422	11,422
Grant payments/project expenses	1,001,354	-	-	1,001,354
In-kind expenses	62,040	8,085	21,707	91,832
Insurance	5,531	3,997	1,947	11,475
Legal fees	-	954	-	954
Licenses and permits	-	632	-	632
Miscellaneous	269	29	93	391
Office supplies and maintenance	6,175	786	2,163	9,124
Postage and delivery	1,763	557	1,371	3,691
Printing	3,824	-	1,411	5,235
Property taxes	-	195	-	195
Public education	-	-	10,104	10,104
Rent and utilities	31,379	4,261	10,986	46,626
Salaries and employee benefits	798,517	104,057	279,384	1,181,958
Seacology Prize Expenses	18,747	-	-	18,747
Telephone	6,052	750	2,116	8,918
Travel and meetings	<u>61,103</u>	<u>5,579</u>	<u>11,739</u>	<u>78,421</u>
 Total expenses by function	 2,212,254	 155,998	 395,849	 2,764,101
 Less expenses included with revenues on the Statement of Activities:				
Expedition expenses	<u>-</u>	<u>-</u>	<u>11,422</u>	<u>11,422</u>
 Total expenses included in the expenses section on the Statement of Activities	 <u>\$ 2,212,254</u>	 <u>\$ 155,998</u>	 <u>\$ 384,427</u>	 <u>\$ 2,752,679</u>
	<u>80%</u>	<u>6%</u>	<u>14%</u>	<u>100%</u>

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

SEACOLOGY
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STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 2,635,639</u>	<u>\$ (1,106,942)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	679	8,153
Amortization of right of use asset	41,343	10,335
Unrealized (gain) loss on investments	(1,195,382)	1,542,893
Realized gain on investments	(54,479)	(145,588)
Changes in assets and liabilities:		
Contributions, grants, and accounts receivable	(1,289,071)	111,611
Prepaid expenses and deposits	(4,443)	4,090
Accounts payable and accrued expenses	(44,282)	23,673
Deferred revenue	(3,000)	3,000
Accrued vacation liability	249	7,789
Total adjustments	<u>(2,548,386)</u>	<u>1,565,956</u>
Net cash provided by operating activities	<u>87,253</u>	<u>459,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(101,374)	-
Sales of marketable equity securities	1,151,458	1,027,680
Purchases and reinvestments of marketable equity securities	(563,106)	(1,333,311)
Net cash provided (used) by investing activities	<u>486,978</u>	<u>(305,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid for operating lease	<u>(37,525)</u>	<u>(9,300)</u>
Net cash used by financing activities	<u>(37,525)</u>	<u>(9,300)</u>
Net increase in cash and cash equivalents	536,706	144,083
Cash and cash equivalents, beginning of year	<u>1,787,644</u>	<u>1,643,561</u>
Cash and cash equivalents, end of year	<u>\$ 2,324,350</u>	<u>\$ 1,787,644</u>
Supplementary information:		
Non-cash transactions:		
Donated securities	<u>\$ 58,596</u>	<u>\$ 35,972</u>
Additions to right of use assets obtained from new operating lease liabilities, net of discount	<u>\$ -</u>	<u>\$ 258,867</u>

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

SEACOLOGY
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Seacology (hereafter, the Corporation) is a nonprofit public benefit corporation whose purpose is to protect the threatened species and habitats of the world's islands by working directly with local people to both conserve their natural resources and improve their quality of life. The Corporation's major sources of revenue are foundation grants, donations, and bequests.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for identified reserves and board-designated endowments (see Note 8).

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) 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, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - For purposes of the statements of financial position, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Contributions - The Corporation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

As of December 31, 2023, the Corporation had received several conditional grants and pledges, including (a) a 3-year grant totaling \$300,000 conditional upon measurable deliverables, with \$100,000 remaining at December 31, 2023; (b) \$100,000 per year for the next 5 to 8 years, conditional upon donor investment returns; and (c) a bequest conditional upon the liquidation of the estate and other factors.

Revenue and Revenue Recognition - The Corporation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met.

Revenue, other than from unconditional contributions, bequests, and grants, is recognized in the period in which service is provided. Deferred revenue consists of travel deposits held for future expeditions totaling \$3,000 at December 31, 2022.

SEACOLOGY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Equity Securities / Investments - Investments primarily include corporate stocks, mutual funds, and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based upon quoted market prices. Investments received by donation are recorded at the fair value at the date of donation.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the high level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Certificate of Deposit - The Corporation holds a certificate of deposit of \$101,374 at December 31, 2023. The CD bears an interest rate of 5.5% per annum and is scheduled to mature April 7, 2025.

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and/or inputs from quoted prices for identical or similar assets or liabilities in non-major markets (e.g. corporate bonds). Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Corporation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Corporation's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Advertising - The Corporation expenses advertising costs as incurred. During the years ended December 31, 2023 and 2022, the Corporation received in-kind advertising totaling \$96,488 and \$91,832, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions - The Corporation receives the benefit of in-kind goods and services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by the organization if they had not been provided by contribution. These items have a fair market value using the market method of \$98,960 and \$91,832 for the years ended December 31, 2023 and 2022, respectively, as follows:

<u>Description</u>	Fair Value Measurements Using			<u>Total</u>
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2023:				
Advertising, utilized	\$ -	\$ 96,488	\$ -	\$ 96,488
Goods, utilized	-	2,472	-	2,472
	\$ -	\$ 98,960	\$ -	\$ 98,960
December 31, 2022:				
Advertising, utilized	\$ -	\$ 91,832	\$ -	\$ 91,832

Functional Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on measures of effort by function by employees, and computer services, dues, subscriptions and publications, insurance: other, office supplies and maintenance, rent and utilities, telephone, and depreciation, which are allocated based on salary allocations, as follows:

<u>Expense:</u>	<u>Method of allocation</u>
Payroll related expenses	Time and effort
Insurance	Function and usage
Facilities	Function and usage
Postage and shipping	Function and usage
Telephone	Function and usage
Auto expense	Function and usage
Office expense	Function and usage
Promotion and marketing	Function and usage
Depreciation expense	Function and usage

Equipment and Leasehold Improvements - The Corporation records equipment and leasehold improvements in excess of \$2,000 at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful life of 3 to 5 years.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expedition Trust Account - As a licensed seller of travel for expeditions, the Corporation maintains a separate trust account used to hold participant deposits for travel. Use of these funds is restricted to pay travel service providers and other specific fees.

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed (four years for California). Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Accounting Standards Update, ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets - In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard was effective for fiscal years beginning after June 15, 2021, and had an impact on the Corporation's reporting of contributed nonfinancial assets.

Accounting Standards Update, ASU 2016-02, Leases - In February 2016, the FASB issued amendments to the way lessees record lease transactions. Upon implementation, lessees will be required to recognize at commencement the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. This Standard was effective for annual financial statements issued for fiscal years beginning after December 15, 2021, and had an impact on the financial statements of the Corporation.

Change in Accounting Principle - During the year ended December 31, 2022, the Corporation adopted Accounting Standard, ASU 2016-02, *Leases*. As a result, the Corporation recognized during the year the commencement of the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. See Note 5 for details regarding the lease disclosures resulting from this change in accounting principle.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification - Certain balances at, and for the year ended December 31, 2022, were reclassified to conform with December 31, 2023, balances.

Subsequent Events - Subsequent events have been evaluated through June 20, 2024, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2023, Seacology has \$1,864,117 in financial assets available for general expenditures within one year of the statement of financial position date. This amount consists of \$1,162,175 in cash and cash equivalents, \$517,750 in contributions receivable, and \$184,192 in operating investments. None of these assets are subject to donor restrictions, internal designations, or any contractual obligations. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

As of December 31, 2022, Seacology had \$2,624,592 in financial assets available for general expenditures within one year of the statement of financial position date. This amount consists of \$893,822 in cash and cash equivalents, \$150,000 in contributions receivable, and \$1,580,770 in operating investments. None of these assets are subject to donor restrictions, internal designations, or any contractual obligations. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 CONTRIBUTIONS, GRANTS, AND ACCOUNTS RECEIVABLE

The Corporation received pledges, grants, and other receivables for various purposes. The receivables are collectible as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current portion	\$ 545,000	\$ 150,000
Less: allowance for doubtful accounts	<u>(27,250)</u>	<u>(7,500)</u>
Net current portion	<u>517,750</u>	<u>142,500</u>
Long-term portion, year ending December 31:		
2024	N/A	125,000
2025	410,000	10,000
2026	400,000	-
2027	400,000	-
Less: allowance for doubtful accounts	(90,345)	(8,200)
Less: present value discount	<u>(84,600)</u>	<u>(5,566)</u>
Net long-term portion	<u>1,035,055</u>	<u>121,234</u>
Total contributions, grants, and accounts receivable	<u>\$ 1,552,805</u>	<u>\$ 263,734</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 CONTRIBUTIONS, GRANTS, AND ACCOUNTS RECEIVABLE (Continued)

The allowance for doubtful accounts is based on prior years' experience and management's analysis of specific commitments. Long-term commitments are recognized at fair value using present value techniques with a discount rate of 4%.

NOTE 4 MARKETABLE EQUITY SECURITIES / INVESTMENTS

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended December 31, 2023 and 2022:

<u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Total</u>
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>December 31, 2023:</i>				
Corporate stocks / equities:				
Common stocks	\$ 5,873,250	\$ -	\$ -	\$ 5,873,250
ETFs - equity	7,426	-	-	7,426
Mutual funds	<u>517,631</u>	<u>-</u>	<u>-</u>	<u>517,631</u>
	<u>6,398,307</u>	<u>-</u>	<u>-</u>	<u>6,398,307</u>
Fixed income and preferreds:				
Corporate bonds	-	1,125,983	-	1,125,983
Accrued interest	-	6,736	-	6,736
Treasury securities	<u>-</u>	<u>880,075</u>	<u>-</u>	<u>880,075</u>
	<u>-</u>	<u>2,012,794</u>	<u>-</u>	<u>2,012,794</u>
	<u>\$ 6,398,307</u>	<u>\$ 2,012,794</u>	<u>\$ -</u>	<u>\$ 8,411,101</u>
<i>December 31, 2022:</i>				
Corporate stocks / equities:				
Common stocks	\$ 5,232,405	\$ -	\$ -	\$ 5,232,405
ETFs - equity	6,452	-	-	6,452
Mutual funds	<u>1,165,736</u>	<u>-</u>	<u>-</u>	<u>1,165,736</u>
	<u>6,404,593</u>	<u>-</u>	<u>-</u>	<u>6,404,593</u>
Fixed income and preferreds:				
Corporate bonds	-	199,669	-	199,669
Accrued interest	-	4,129	-	4,129
Treasury securities	-	96,191	-	96,191
Mutual funds	<u>1,045,010</u>	<u>-</u>	<u>-</u>	<u>1,045,010</u>
	<u>1,045,010</u>	<u>299,989</u>	<u>-</u>	<u>1,344,999</u>
	<u>\$ 7,449,603</u>	<u>\$ 299,989</u>	<u>\$ -</u>	<u>\$ 7,749,592</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 4 MARKETABLE EQUITY SECURITIES / INVESTMENTS (Continued)

The following summarizes the investment income, including interest earned on bank deposits, earned during the years ended December 31, 2023 and 2022:

	2023	2022
Unrealized gain (loss) on investments	\$ 1,195,382	\$ (1,542,893)
Realized gain on investments	54,479	145,588
Interest and dividend income	201,031	150,448
Investment fees	(67,761)	(67,762)
	\$ 1,383,131	\$ (1,314,619)

NOTE 5 OPERATING LEASE RIGHT OF USE ASSET

On August 3, 2022, the Corporation entered into a seven-year operating lease extension for office space in Berkeley, California. The lease calls for monthly payments of \$3,100, increasing by 3.5% at each anniversary. The property has a fair value far in excess of the lease value, and alternative expected uses to the lessor after the lease term. The Corporation has elected to use the risk-free interest rate of 4% for calculation of long-term discounting. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. During the year ended December 31, 2023, the Corporation paid \$37,525 under this lease. During the year ended December 31, 2022, the Corporation paid \$9,300 under this lease, and \$33,903 under the preceding lease agreement maturing September 30, 2022, for a total of \$43,203 in payments. The amortization of the right of use asset was \$41,343 for 2023 and \$10,335 for 2022, leaving a net right of use asset of \$207,189 at December 31, 2023, and \$248,532 at December 31, 2022.

The future payments under this lease obligation are as follows:

Year ending December 31,	Scheduled payments	Less: effects of discounting	Net
2024	\$ 38,839	\$ 1,495	\$ 37,344
2025	40,198	3,031	37,167
2026	41,605	4,618	36,987
2027	43,061	6,252	36,809
2028	44,569	7,938	36,631
Thereafter	34,295	7,191	27,104
	\$ 242,567	\$ 30,525	\$ 212,042

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 6 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

<u>Equipment and leasehold improvements, at cost</u>	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2021	\$ 20,782	\$ 12,524	\$ 24,459	\$ 57,765
Additions	-	-	-	-
Balance, December 31, 2022	20,782	12,524	24,459	57,765
Additions	-	-	-	-
Disposals	-	(4,561)	-	(4,561)
Balance, December 31, 2023	<u>20,782</u>	<u>7,963</u>	<u>24,459</u>	<u>53,204</u>
<u>Accumulated depreciation</u>				
Balance, December 31, 2021	20,782	12,524	15,627	48,933
Depreciation expense	-	-	8,153	8,153
Balance, December 31, 2022	20,782	12,524	23,780	57,086
Depreciation expense	-	-	679	679
Disposals	-	(4,561)	-	(4,561)
Balance, December 31, 2023	<u>20,782</u>	<u>7,963</u>	<u>24,459</u>	<u>53,204</u>
Equipment and leasehold improvements, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 ACCRUED VACATION LIABILITY

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Corporation. A maximum of two year's allotment of vacation days can be accrued. Once an employee reaches the maximum, the employee no longer accrues vacation until the balance drops below the maximum. The value of accumulated vacation at December 31, 2023 and 2022, was \$98,992 and \$98,743, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 8 NET ASSETS

Net assets without donor restrictions:

The Corporation has net assets that are not subject to donor imposed restrictions. The balance of net assets without donor restriction at December 31, 2023 and 2022, was \$8,566,766 and \$7,692,048, respectively. Included in that amount are net assets that have been designated by the Board of Directors to be used as follows:

	2023	2022
Dominican Republic Mangrove Initiative	\$ 75,000	\$ 75,000
Force for Good - Established in 1996 to fund projects to help protect fragile island environments for indigenous people	1,077,621	1,109,192
Falealupo endowment - Established in 1997 to fund the repair and upkeep of the Falealupo school which was the very first Seacology project, and the Falealupo canopy aerial walkway. These two projects were in exchange for protection of 30,000 acre rain forest in perpetuity (see Note 9)	258,288	225,818
Quasi-endowment - Established in 2003 to fund the long-term sustainability of Seacology (see Note 9)	4,187,638	3,603,862
	\$ 5,598,547	\$ 5,013,872

Net assets with donor restrictions:

These are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Net assets with donor restrictions at December 31, 2023 and 2022, are designated for the following uses:

	2023	2022
Island Conservation projects	\$ 1,887,829	\$ 1,718,804
Time-restricted	2,066,540	281,126
Pacific Islands projects	38,092	50,682
Less: allowance for uncollectible receivable and present value discount on restricted grants	(202,195)	(21,267)
	\$ 3,790,266	\$ 2,029,345

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 9 ENDOWMENT

The Corporation's endowment consists of three investment accounts established for a variety of purposes. Its endowment consists of Board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law - The Board of Directors of the Corporation has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of:

<u>Description:</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2023:</u>			
Board-designated endowment funds:			
Falealupo endowment	\$ 258,288	\$ -	\$ 258,288
Quasi-endowment	<u>4,187,638</u>	<u>-</u>	<u>4,187,638</u>
Total funds	<u>\$ 4,445,926</u>	<u>\$ -</u>	<u>\$ 4,445,926</u>
 <u>December 31, 2022:</u>			
Board-designated endowment funds:			
Falealupo endowment	\$ 225,818	\$ -	\$ 225,818
Quasi-endowment	<u>3,603,862</u>	<u>-</u>	<u>3,603,862</u>
Total funds	<u>\$ 3,829,680</u>	<u>\$ -</u>	<u>\$ 3,829,680</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

NOTE 9 ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ 4,256,348	\$ -	\$ 4,256,348
Investment return:			
Interest and dividends	68,239	-	68,239
Unrealized gain/loss	(729,839)	-	(729,839)
Service charges	<u>(37,395)</u>	<u>-</u>	<u>(37,395)</u>
Total investment return	<u>(698,995)</u>	<u>-</u>	<u>(698,995)</u>
Contributions	<u>272,327</u>	<u>-</u>	<u>272,327</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Distribution	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2022	<u>3,829,680</u>	<u>-</u>	<u>3,829,680</u>
Investment return:			
Interest and dividends	86,823	-	86,823
Unrealized gain/loss	694,412	-	694,412
Service charges	<u>(39,423)</u>	<u>-</u>	<u>(39,423)</u>
Total investment return	<u>741,812</u>	<u>-</u>	<u>741,812</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Distribution	<u>(125,566)</u>	<u>-</u>	<u>(125,566)</u>
Endowment net assets, December 31, 2023	<u>\$ 4,445,926</u>	<u>\$ -</u>	<u>\$ 4,445,926</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no funds with deficiencies as of December 31, 2023 and 2022.

Return Objectives and Risk Parameters

For Falealupo Endowment and other endowment funds, the Corporation's objective is to earn a long-term real return, net of investment expenses, of at least 5% per annum pending market conditions. "Real return" means the time-weighted total return on the investment portfolio in excess of inflation as measured by the Consumer Price Index ("CPI"). Liquidity and capital preservation (price protection) are the Corporation's essential investment considerations at this time.

When the Corporation's total capital assets reach a level at which a portion may be considered a true "endowment", the Corporation expects that the total investment objective for such endowment will be a long-term return in excess of CPI + 5%.

Strategies Employed for Achieving Objectives

The Corporation seeks to achieve the return objective through diversification across multiple asset classes and, when appropriate, active security selection.

When the Corporation's total capital assets reach a level at which a portion may be considered a true "endowment", the Corporation's strategy will be to invest a portion of the endowment in "alternative" investments in restricted securities with little or no liquidity and significant capital risk.

The Investment Committee is responsible for reviewing and modifying as necessary the Investment Policy Statement, including the endowment.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Quasi-endowment held for operating purposes fund shall make an annual distribution to the Corporation general account for annual operating purposes in an amount to be determined by the Board, between 0% and 6% of the market value of the endowment fund on the preceding December 31. Such distribution shall be made no later than March 31 of each year. The annual distribution amount shall be initially set at 0% until the endowment fund reaches a balance of \$5,000,000, at which time the annual distribution amount will be set at 4% of the moving average of the last three years' total market value of the endowment fund on each December 31. An increase of the 6% maximum limit may be changed by the Board only with a dual vote per the procedures set forth below for extraordinary distributions from the endowment account. The annual distribution amount should be set by the Board within a range normally considered prudent.

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NOTE 9 ENDOWMENT (Continued)

A separate quasi-endowment fund was established in 2016 to contribute to the Corporation’s long-term viability. Each year, some of these separate quasi-endowment funds will be withdrawn and deposited into the general operating account to be used for projects and operations, other than the Sri Lanka Mangrove protection program. In 2016, the amount withdrawn was \$100,000, with future withdrawals to increase by CPI.

Quasi-endowment Extraordinary Distributions: In order to withdraw and distribute funds from the Quasi-endowment to the general operating account in excess of the annual distribution amount established by the Board, the proposed withdrawal must be communicated to the Board members and the vote of at least 75% of the acting Board members, not just a quorum of those present, must approve the withdrawal by two separate votes at least 30 days apart. Such notice shall be given in person, or by written or electronic communication as provided in the By-Laws for the giving of notices.

Amounts earned on investment returns for the Quasi-endowment Fund are released from restriction and appropriated as earned.

Distributions from the Falealupo Endowment may be made from both investment principal and income. Amounts earned on investment returns for the Falealupo Endowment are appropriated as earned. Distributions from the Falealupo Endowment are made on a case-by-case basis.

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2023 and 2022, the following net assets with donor restrictions were used for their restricted purposes, and they were released to net assets without donor restrictions:

	<u>2023</u>	<u>2022</u>
Island Conservation projects	\$ 590,846	\$ 617,005
Seacology Prize event underwriting	41,255	18,747
Pacific Island projects	52,590	113,343
Time-restricted	<u>656,126</u>	<u>212,619</u>
	<u>\$ 1,340,817</u>	<u>\$ 961,714</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 TAX SHELTERED ANNUITY

The Corporation established a 403(b) deferred income plan at TIAA for all employees who have completed four months of service with the Corporation. Voluntary contributions are made by employees who choose to participate to the extent permissible by law. Additionally, the Corporation contributes an amount equal to 15% of employee salaries for eligible staff. During the years ended December 31, 2023 and 2022, the Corporation made contributions totaling \$129,915 and \$130,263, respectively, to the plan.

NOTE 12 JOINT COSTS

The Corporation achieves some of its programmatic goals in newsletter mailings, its website, and expeditions that include requests for contributions. In 2023 and 2022, the costs of these activities include \$43,115 and \$41,827, respectively, of joint costs that are not directly attributable to the program, fundraising, or management and general component of the activities. The joint costs incurred in 2023 and 2022 were allocated as follows:

<u>Description:</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>2023:</u>				
Office supplies and maintenance	\$ 1,318	\$ 1,318	\$ -	\$ 2,636
Postage and delivery	1,685	-	288	1,973
Printing and reproduction	1,642	-	183	1,825
Travel	<u>24,798</u>	<u>1,097</u>	<u>10,786</u>	<u>36,681</u>
	<u>\$ 29,443</u>	<u>\$ 2,415</u>	<u>\$ 11,257</u>	<u>\$ 43,115</u>
<u>2022:</u>				
Office supplies and maintenance	\$ 1,433	\$ 1,432	\$ -	\$ 2,865
Postage and delivery	1,471	-	197	1,668
Printing and reproduction	3,797	-	437	4,234
Travel	<u>23,599</u>	<u>29</u>	<u>9,432</u>	<u>33,060</u>
	<u>\$ 30,300</u>	<u>\$ 1,461</u>	<u>\$ 10,066</u>	<u>\$ 41,827</u>

NOTE 13 LICENSE AGREEMENTS

The Corporation has entered into exclusive non-transferable License Agreements with Seacology Germany, Seacology Japan, and Seacology UK. These agreements allow the licensees to carry on the Seacology concept into Germany, Japan, Austria, Switzerland, and Great Britain and the United Kingdom, so that more projects can be launched on developing islands throughout the world. The Corporation is the sole owner of the Seacology name, service, and trademarks associated directly with particular, unique and evolving conservation policies, concepts and practices, the Seacology brand, and extending to the manner and style with which Seacology, Inc. conducts its affairs.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 LICENSE AGREEMENTS (Continued)

Licensees agree that all work they undertake will be consistent with the concept, and licensees will not pursue any course of conduct or policy that the Corporation believes to be inconsistent with same.

Under the License Agreements, the Corporation presents the Licensees with projects on islands throughout the world (primarily islands in developing nations). As a representative organization, licensees can only fund “Seacology projects” which are identified, developed, structured and offered to them by the Corporation. These License Agreements may be terminated at any time upon 30 days written notice.

During the year ended December 31, 2022, the Corporation received pledges and contributions totaling \$34,924 from licensees to fund specific projects. There were no pledges or contributions from licensees in 2023. No amounts were receivable from licensees at December 31, 2023 and 2022.

NOTE 14 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation’s exposure to impact from these events.

Three funders provided grants and donations totaling \$2,662,773, which is 62% of total public support in 2023. One of those funders has a grant receivable representing 91% of contributions, grants, and accounts receivable. Four funders provided grants and donations totaling \$1,233,640, which is 42% of total public support in 2022.

As of December 31, 2023, the Corporation had exceeded the federally insured cash limit of \$250,000 on its several depository accounts. At December 31, 2023, the Corporation had approximately \$1,092,000 on deposit in excess of federally insured limits.