

MARINE CONSERVATION BIOLOGY INSTITUTE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

MARINE CONSERVATION BIOLOGY INSTITUTE

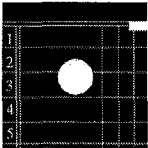
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

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Dave Bembridge, CPA PS

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Independent Auditor's Report

Board of Directors
Marine Conservation Biology Institute
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying statements of financial position of Marine Conservation Biology Institute (a not-for-profit organization) as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Marine Conservation Biology Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Dave Bembridge CPA PS
Certified Public Accountant
July 11, 2019

MARINE CONSERVATION BIOLOGY INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$462,926	\$198,768
Investments (Note Six)	107,551	106,482
Promises to Give (Note Four)	106,580	69,734
Pre-paid Expenses and Deposits	<u>8,802</u>	<u>13,471</u>
Total Current Assets	685,859	388,455
 <u>Property and Equipment, Net (Note Five)</u>	 <u>-</u>	 <u>7,778</u>
 <u>Other Assets</u>		
Long Term Security Deposit	<u>2,000</u>	<u>2,000</u>
 TOTAL ASSETS	 <u>\$687,859</u>	 <u>\$398,233</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$68,571	\$1,925
Credit Card Payable	1,349	1,511
Accrued Vacation	<u>36,815</u>	<u>38,906</u>
Total Current Liabilities	106,735	42,342
 TOTAL LIABILITIES	 <u>106,735</u>	 <u>42,342</u>
 <u>Net Assets</u>		
Net Assets with Donor Restrictions (Note Ten)	367,089	128,366
Net Assets without Donor Restrictions	<u>214,035</u>	<u>227,525</u>
Total Net Assets	<u>581,124</u>	<u>355,891</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$687,859</u>	 <u>\$398,233</u>

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

MARINE CONSERVATION BIOLOGY INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>2018</u>	Total <u>2017</u>
REVENUE:				
Grants	\$255,055	\$737,500	\$992,555	\$522,055
Contributions	164,538	-	164,538	175,519
Contracts	60,620	-	60,620	31,243
Events	5,665	-	5,665	-
In-Kind Contributions	4,310	-	4,310	-
Other Revenue	415	-	415	340
Dividends & Interest	3,909	-	3,909	2,565
Unrealized Gain/Loss on Investments	<u>(2,654)</u>	<u>-</u>	<u>(2,654)</u>	<u>10,832</u>
TOTAL REVENUE	491,858	737,500	1,229,358	742,554
Net Assets Released from Restrictions	<u>498,777</u>	<u>(498,777)</u>	<u>-</u>	<u>-</u>
	990,635	238,723	1,229,358	742,554
EXPENSES:				
Program Services	762,180		762,180	772,916
Management & Administration	143,532		143,532	144,980
Fundraising & Development	<u>98,413</u>	<u>-</u>	<u>98,413</u>	<u>150,302</u>
TOTAL EXPENSES	1,004,125	-	1,004,125	1,068,198
CHANGE IN NET ASSETS	(13,490)	238,723	225,233	(325,644)
NET ASSETS, BEGINNING	<u>227,525</u>	<u>128,366</u>	<u>355,891</u>	<u>681,535</u>
NET ASSETS, ENDING	<u>\$214,035</u>	<u>\$367,089</u>	<u>\$581,124</u>	<u>\$355,891</u>

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, 2018

	Establishing a Global Ocean Refuge System (GLORES)	Conserving Marine Life and Ecosystems	Total Program Administration	Fundraising	Total 2018	Total 2017
Employment Cost						
Salaries and Wages	264,600	168,113	432,713	61,863	585,606	\$ 612,048
Payroll Taxes	21,274	13,464	34,738	5,508	47,488	53,170
Employee Benefits	31,714	18,407	50,121	8,049	69,180	96,621
Total Employment Cost	317,588	199,984	517,572	75,420	702,274	761,839
Professional Fees	1,226	42,414	43,640	5,742	59,665	90,752
Occupancy	19,549	12,322	31,871	12,929	49,970	62,453
Travel	8,964	7,523	16,487	5,771	22,845	25,707
Program Grant Expense	11,722	117,450	117,450	2,602	117,450	0
Communications	7,778	3,558	15,280	2,983	20,865	25,377
Depreciation	2,080	304	2,384	77	7,778	13,333
Supplies	1,684	1,001	2,685	2,153	10,245	9,267
Insurance	1,551	1,109	2,660	416	5,254	7,327
Conferences and Meetings	1,006	242	1,248	31	2,660	42,629
Miscellaneous Expenses	1,214	639	1,853	602	1,881	3,556
Equipment and Maintenance	1,025	247	1,272	90	1,853	2,622
Printing and Postage					1,385	2,836
Bad Debt Expense					-	20,500
Total Expenses	375,387	386,793	762,180	143,532	1,004,125	\$ 1,068,198

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, 2018

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Contributions, Grants, Contracts and Events	\$1,186,947	\$820,193
Dividends and Interest Received	3,909	2,565
Payments to Employees and Suppliers	(926,019)	(1,052,510)
Net Cash Flow from Operating Activities	264,837	(229,752)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and Dividends Reinvested	(679)	(483)
Net Cash Used by Investing Activities	(679)	(483)
NET (DECREASE) INCREASE IN CASH	264,158	(230,235)
CASH AT BEGINNING OF YEAR	<u>198,768</u>	<u>429,003</u>
CASH AT END OF YEAR	<u>\$462,926</u>	<u>\$198,768</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$225,233	\$(325,644)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	7,778	13,333
In-Kind Stock Contributions	(3,044)	(4,092)
Gain/Loss on Investments	2,654	(10,832)
Changes in:		
Promises to Give	(36,846)	95,128
Prepaid Expenses and Deposits	4,669	4,920
Accounts Payable	66,484	(4,210)
Accrued Vacation	(2,091)	1,645
Net Cash Provided by Operating Activities	<u>\$264,837</u>	<u>\$(229,752)</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, 2018

Note One - Organization

Marine Conservation Biology Institute dba as Marine Conservation Institute (the Organization) is a not-for-profit organization founded in 1996 to advance the science of marine conservation biology and secure protection for ocean ecosystems. The Organization's program activities include capacity building in marine conservation biology, and national and international conservation advocacy to protect biodiversity in the oceans. The Organization brings scientists together to address important questions and synthesize the results. Science is central to all the Organization does.

The Organization is registered as a not-for-profit corporation in the State of Washington. The Organization's Board of Directors is made up primarily of independent directors and officers. During 2018, the Directors of the Organization were Elliott Norse, Sylvia Earl, David Johns, Lance Morgan, Nathalie Udo, Steve Olson, Burgess Raby, Gail Osherenko, Sebastian Nicholls, Jonathan Knowles, and Catherine Yrisarri. Lance Morgan is the only non-independent director sitting on the Board of Directors, and he serves at the will of the Board. Elliott Norse, the Organization's founder and former chief scientist, continues to serve on the Organization's Board of Directors.

The Organization receives funding from grants, contracts and gifts from foundations, corporations, and individuals, as well as from multilateral institutions (such as agencies of the United Nations), foreign governments and foundations and the U.S. government.

Note Two - Significant Accounting Policies

Basis of Presentation - The Organization'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 with Donor Restrictions - Net Assets with Donor Restrictions are funds subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. Net Assets with Donor Restrictions are released when the funds are spent for the donor stipulated purpose. Note Ten discloses the Donor Restrictions.

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.

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

MARINE CONSERVATION BIOLOGY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Note Two - Significant Accounting Policies (continued)

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.

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, 2018 and 2017, 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 Goods and Services - Contributed goods have been recorded on the basis of rates that otherwise would have been paid for similar goods.

Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance nonfinancial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized. For the year ended December 31, 2018, donated goods and services totaled \$4,310, which included \$3,044 in donated stock and \$1,266 in donated goods for the special event. There were no donated goods and services during the year ended December 31, 2017.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. There were no donated assets for the year ended December 31, 2018 or 2017.

MARINE CONSERVATION BIOLOGY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Note Two - Significant Accounting Policies (continued)

Concentration of Credit Risk - The Organization 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, 2018 and 2017 are \$58,891 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.

Federal Income Taxes - The Internal Revenue Service (IRS) has determined that the Organization 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 organization described in IRC Section 501(c)(3). Further, the Organization 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 organization in its federal and state tax returns are more likely than not to be sustained upon examination. The organization's federal tax returns could be subject to examination for three years after they are filed.

Contributions to the Organization qualify for deduction as charitable contributions to the extent allowed by law.

Adoption of New Accounting Standard - The Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 (ASU 2016-14) has been adopted. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and the investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions. Note Three on liquidity has also been added.

The accompanying summarized information from the 2017 financial statements has been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

MARINE CONSERVATION BIOLOGY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Note Three – Liquidity and Availability

Financial Assets available for general expenditures, that is, without donor or other restrictions, within one year of December 31, 2018, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	462,926	198,768
Accounts Receivable	<u>106,580</u>	<u>69,734</u>
Total Financial Assets	569,506	268,502
Net Assets with Donor Restrictions	(367,089)	(128,366)
Board Designated Cash Reserves	<u>(129,393)</u>	<u>(126,289)</u>
Financial Assets Available for General Expenditures within one year	<u>\$73,024</u>	<u>\$13,847</u>

Note Six - Investments

Investments are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Publicly Traded Securities:		
Equity Securities - Materials	\$18,355	\$17,067
Equity Securities - Financial Services	6,346	7,072
Equity Securities - Communications	13,199	11,409
Equity Securities - Social	30,876	32,616
Fixed Income Securities - Short Term Bond Fund	<u>38,775</u>	<u>38,318</u>
Total Investments	<u>\$107,551</u>	<u>\$106,482</u>

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

	<u>2018</u>	<u>2017</u>
Interest and Dividend Income	\$3,783	\$2,491
Net Realized and Unrealized Gains (Losses)	<u>(2,654)</u>	<u>10,832</u>
	<u>\$1,129</u>	<u>\$13,323</u>

Note Four - Promises to Give

U.S. GAAP require promises to give to be reported at fair value at the date of donation. Promises to give that are expected to be received in one year or more are initially recorded at fair value.

The Organization uses the income approach to initially value its long-term receivables. The resulting discount is amortized over the collection period. Management periodically evaluates its long-term contributions receivable for collectability. Promises to give at December 31, 2018 and 2017 of \$106,580 and \$69,734 respectively, scheduled to be paid in 2019 and 2018, respectively.

MARINE CONSERVATION BIOLOGY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Note Five - Property and Equipment

Property and equipment is summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$111,843	\$111,843
Less Accumulated Depreciation	<u>(111,843)</u>	<u>(104,065)</u>
Net Property and Equipment	\$ <u> -</u>	\$ <u>7,778</u>

Depreciation expense for the years ended December 31, 2018 and 2017, was \$7,778 and \$13,333 respectively.

Note Seven - Retirement Plan

The Organization 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 Organization provides a matching contribution of a variable percentage of employee gross pay, which is contingent on an elective employee deferral of a plan specified percentage of gross pay. Elective deferrals of less than the specified percentage of gross pay receive a pro-rated matching contribution. Effective January 1, 2016, the Organization increased its discretionary match from 5% to 10%. In the 4th quarter of 2017, the Organization suspended its 10% matching contribution. Beginning July 1, 2018, matching contributions were reinstated 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, 2018 and 2017, the Organization contributed \$13,996 and \$44,162, respectively, to the plan which is included in employee benefits expense.

Note Eight - Lease Commitments

The Organization leases office space under various operating leases including one non-cancellable operating lease expiring in August 31, 2020. Occupancy expense incurred for operating leases for the years ended December 31, 2018 and 2017, was \$49,970 and \$62,453, respectively.

Future minimum payments required under existing operating leases, are as follows:

For the Year Ending December 31,

2019	\$45,248
2020	<u>30,763</u>
Total Commitment	<u>\$76,011</u>

MARINE CONSERVATION BIOLOGY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Note Nine - Concentrations

During the years ended December 31, 2018 and 2017, the Organization received two significant grants from two funders, which represented 36% and 24% of total support and revenue recognized, respectively. At December 31, 2018, 70% of total promises to give are due from one donor. At December 31, 2017, 72% of total promises to give were due from one donor.

Note Ten - Net Assets with Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Protecting Marine Ecosystems	\$292,089	\$128,366
Time Restrictions	<u>75,000</u>	<u>-</u>
	<u>\$367,089</u>	<u>\$128,366</u>

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 Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Note Twelve - Subsequent Events

Management has evaluated events occurring subsequent to December 31, 2018 through July 11, 2019, 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, 2018, that are required to be recognized or disclosed in these financial statements.