

BAY.ORG

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
BAY.ORG
San Francisco, California

We have audited the accompanying financial statements of BAY.ORG (a California nonprofit corporation) (the "Bay Ecotarium"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits 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 from 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 BAY.ORG as of December 31, 2020 and 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As described in Note 11 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified in respect to this matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Ramon, California

February 25, 2022

BAY.ORG
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 556,363	\$ 587,233
Cash restricted for loan payments	337,486	615,357
Accounts and grants receivable	152,473	328,748
Inventory	108,780	98,733
Prepaid and other assets	39,299	113,644
Property and equipment, net	4,744,825	5,468,006
Total assets	\$ 5,939,226	\$ 7,211,721
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 1,707,000	\$ 848,443
Accrued expenses	347,244	555,203
Deferred rent	115,162	-
Loan payable (Paycheck Protection Program)	999,018	-
Loan payable (Economic Injury Disaster Loan)	150,000	-
Notes payable, net	5,437,543	3,609,461
Total liabilities	8,755,967	5,013,107
Net assets (deficit)		
Without donor restrictions	(2,816,741)	2,076,590
With donor restrictions	-	122,024
Total net assets (deficit)	(2,816,741)	2,198,614
Total liabilities and net assets (deficit)	\$ 5,939,226	\$ 7,211,721

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

BAY.ORG
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions and grants	\$ 524,099	\$ -	\$ 524,099
Tickets and other operating revenues	2,105,464	-	2,105,464
Retail revenues, net of cost of sales of \$97,815	188,064	-	188,064
Special events	36,983	-	36,983
Other	42,684	-	42,684
Net assets released from restriction	122,024	(122,024)	-
Total revenues, gains, and other support	<u>3,019,318</u>	<u>(122,024)</u>	<u>2,897,294</u>
Functional expenses			
Program	<u>6,346,436</u>	-	<u>6,346,436</u>
Support services			
Management and general	1,283,412	-	1,283,412
Fundraising	<u>282,801</u>	-	<u>282,801</u>
Total support services	<u>1,566,213</u>	-	<u>1,566,213</u>
Total functional expenses	<u>7,912,649</u>	-	<u>7,912,649</u>
Change in net assets	(4,893,331)	(122,024)	(5,015,355)
Net assets, beginning of year	<u>2,076,590</u>	<u>122,024</u>	<u>2,198,614</u>
Net deficit, end of year	<u><u>\$ (2,816,741)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,816,741)</u></u>

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

BAY.ORG
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions and grants	\$ 379,044	\$ 202,575	\$ 581,619
Tickets and other operating revenues	8,473,846	-	8,473,846
Retail revenues, net of cost of sales of \$405,556	781,866	-	781,866
Special events	297,127	-	297,127
Other	40,984	-	40,984
Net assets released from restriction	<u>235,609</u>	<u>(235,609)</u>	<u>-</u>
Total revenues, gains, and other support	<u>10,208,476</u>	<u>(33,034)</u>	<u>10,175,442</u>
Functional expenses			
Program	<u>8,859,203</u>	<u>-</u>	<u>8,859,203</u>
Support services			
Management and general	1,298,209	-	1,298,209
Fundraising	<u>469,526</u>	<u>-</u>	<u>469,526</u>
Total support services	<u>1,767,735</u>	<u>-</u>	<u>1,767,735</u>
Total functional expenses	<u>10,626,938</u>	<u>-</u>	<u>10,626,938</u>
Change in net assets	(418,462)	(33,034)	(451,496)
Net assets, beginning of year	<u>2,495,052</u>	<u>155,058</u>	<u>2,650,110</u>
Net assets, end of year	<u><u>\$ 2,076,590</u></u>	<u><u>\$ 122,024</u></u>	<u><u>\$ 2,198,614</u></u>

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

BAY.ORG
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program	Support Services		Total Support Services	Total
		Management and General	Fundraising		
Salaries & benefits	\$ 3,211,929	\$ 678,497	\$ 107,892	\$ 786,389	\$ 3,998,318
Advertising and promotion	33,908	-	24,340	24,340	58,248
Office expenses	226,486	174,470	22,887	197,357	423,843
IT expenses	67,449	21,462	7,408	28,870	96,319
Occupancy and other administrative expenses	1,439,869	16,722	51,908	68,630	1,508,499
Travel	40,484	1,198	36,195	37,393	77,877
Interest expense	-	337,887	-	337,887	337,887
Depreciation and amortization	739,376	15,089	-	15,089	754,465
Insurance	155,708	3,242	3,178	6,420	162,128
Aquarium operating expenses	427,614	1,990	28,993	30,983	458,597
Taxes & licenses	3,613	14,860	-	14,860	18,473
Professional fees	-	17,995	-	17,995	17,995
	<u>\$ 6,346,436</u>	<u>\$ 1,283,412</u>	<u>\$ 282,801</u>	<u>\$ 1,566,213</u>	<u>\$ 7,912,649</u>

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

BAY.ORG
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program	Support Services		Total Support Services	Total
		Management and General	Fundraising		
Salaries & benefits	\$ 4,736,715	\$ 703,379	\$ 147,758	\$ 851,137	\$ 5,587,852
Advertising and promotion	233,518	-	43,900	43,900	277,418
Office expenses	353,270	93,471	37,957	131,428	484,698
IT expenses	102,997	25,481	9,585	35,066	138,063
Occupancy and other administrative expenses	1,704,434	199,088	63,843	262,931	1,967,365
Travel	144,861	2,222	122,446	124,668	269,529
Interest expense	-	159,233	-	159,233	159,233
Depreciation and amortization	787,445	15,800	270	16,070	803,515
Insurance	109,620	2,283	2,237	4,520	114,140
Aquarium operating expenses	683,956	11,711	41,509	53,220	737,176
Taxes & licenses	2,387	21,124	21	21,145	23,532
Professional fees	-	64,417	-	64,417	64,417
	<u>\$ 8,859,203</u>	<u>\$ 1,298,209</u>	<u>\$ 469,526</u>	<u>\$ 1,767,735</u>	<u>\$ 10,626,938</u>

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

BAY.ORG
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (5,015,355)	\$ (451,496)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	754,465	803,515
Noncash interest expense	123,255	31,174
Loss on disposal of property and equipment	6,373	-
Changes in operating assets and liabilities		
Accounts and grants receivable	176,275	3,026
Inventory	(10,047)	(42,837)
Prepays and other assets	74,345	80,056
Accounts payable	858,557	230,390
Accrued expenses	(207,959)	186,675
Deferred rent	115,162	-
Net cash provided by (used in) operating activities	<u>(3,124,929)</u>	<u>840,503</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	39,543
Purchases of property and equipment	(37,657)	(225,859)
Net cash used in investing activities	<u>(37,657)</u>	<u>(186,316)</u>
Cash flows from financing activities		
Payments on notes payable	-	(520,000)
Borrowings under loan payable (Paycheck Protection Program)	999,018	-
Borrowings under loan payable (Economic Injury Disaster Loan)	150,000	-
Borrowings under note payable	1,704,827	-
Net cash provided by (used in) financing activities	<u>2,853,845</u>	<u>(520,000)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(308,741)	134,187
Cash, cash equivalents and restricted cash, beginning of year	<u>1,202,590</u>	<u>1,068,403</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 893,849</u>	<u>\$ 1,202,590</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 556,363	\$ 587,233
Cash restricted for loan payments	<u>337,486</u>	<u>615,357</u>
	<u>\$ 893,849</u>	<u>\$ 1,202,590</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 208,171	\$ 127,788
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The accompanying notes are an integral part of these financial statements.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

1. NATURE OF OPERATIONS

BAY.ORG (the "Organization") (dba Bay Ecotarium) is a nonprofit benefit corporation incorporated in 2008 under the laws of the State of California. During 2014 the assets and activities of the Bay Institute of San Francisco were merged into the Bay Institute Aquarium Foundation, which then changed its name to BAY.ORG to reflect the larger scope of its activities.

The mission of the Organization is to protect, restore, and inspire conservation of San Francisco Bay and its watershed, from the Sierra to the sea. The Organization achieves its mission and programs through its five divisions:

Aquarium of the Bay (the "Aquarium") is located at PIER 39 in San Francisco. Throughout its 50,000 square foot building, the Aquarium provides a window to the San Francisco Bay that reveals its distinctive ecosystems and seeks to educate and inspire preservation.

The Bay Institute is the leader in protecting and restoring the watershed which drains into San Francisco Bay. The Bay Institute develops and leads research, education, and advocacy programs to preserve the watershed which includes Suisun Bay, San Pablo Bay, San Francisco Bay, and the Sacramento and San Joaquin rivers and their tributaries.

Sea Lion Center is located on PIER 39 in San Francisco. It provides free interpretive and educational programs about the sea lions and their history at PIER 39 and in the San Francisco Bay.

EcoCenter at Heron's Head Park is a facility located near Bayview Hunter's Point in San Francisco. The facility is an educational research center and serves as a model for green building, sustainable resource use, environmental justice, and experiential learning for the students and teachers of the San Francisco Unified School District. The Organization ceased its participation in this activity in February 2019.

Bay Model Alliance provides a comprehensive learning center by showcasing a working hydriodic model of the San Francisco Bay and Sacramento - San Joaquin river delta system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Organization uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and reports information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* - represents the portion of net assets that is neither subject to time or donor-imposed restrictions. Net assets without donor restrictions may be designated for use by the Board of Directors.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* - represents the portion of net assets subject to donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Contributions with donor-imposed restrictions whose restriction are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

Revenue recognition

The management of the Organization estimates that the cost of memberships equals the fair value of goods and services received by members. Accordingly, the Organization recognizes membership sales as revenue over the membership period, using the straight-line basis. Virtually all memberships sold cover a period of one year.

The Organization recognizes revenue from admissions and discounted admissions coupons upon the visit to the Organization. The Organization participates in various combined ticket packages with other local attractions. The Organization recognizes as revenue only its portion of these combined packages.

The Organization earns revenue from its various programs, including school and community partnerships, a variety of experience enrichment classes and camps. The Organization recognizes program revenue when the related activity occurs.

The Organization recognizes retail revenue upon sale of the merchandise. Estimated returns are not material.

Cash and cash equivalents

The Organization maintains cash and cash equivalents with major financial institutions. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash restricted for long-term purposes consists of cash required to be held for future loan payments.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and grant receivables

Accounts and grant receivables, all due within one year, consist principally of amounts due for various entertainment partnerships. An allowance for doubtful accounts and grants receivable is provided based upon management's judgment including such factors as prior collection history, type of receivable and current aging of receivable. At December 31, 2020 and 2019, management determined no allowance was necessary.

Contributions and promises to give

Contributions received are reported as without donor restrictions or with donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, which contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, shall be recognized when the condition or conditions on which they depend are substantially met; that is, when the conditional promise becomes unconditional. There are no outstanding promises to give at December 31, 2020 and 2019.

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No donated services from unpaid volunteers have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Property and equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Asset lives range from three years to forty years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of products such as educational books, toys, crafts, and branded merchandise. Inventory is valued at the lower of cost or net realizable value. The Organization utilizes the first in, first out method of inventory valuation.

Advertising costs

Advertising costs are charged to operations when incurred. The Organization incurred advertising costs of \$55,147 and \$270,494 for the years ended December 31, 2020 and 2019, respectively.

Functional expenses

The direct costs of providing the Organization's programs and other activities have been presented in the statements of functional expenses. During the year such costs are accumulated into separate groupings as either direct or indirect. Direct costs are recorded as program or supporting services based on the nature of the expense. Indirect or shared costs are allocated among program and support services by a method that measures the relative degree of benefit. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employees' estimated time spent by function. Facility related costs such as depreciation and maintenance have been allocated based on estimated square footage used by various departments.

Income tax status

The Organization is a qualified charitable organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2020 and 2019, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Uses of estimates include, but are not limited to, the allocation of functional expenses, the allowance for doubtful accounts, and depreciation. Actual results could differ from those estimates.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Organization adopted the standard as of January 1, 2020.

The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The majority of the Organization's program revenue arrangements consist of a single performance obligation to transfer goods or services. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 7,999,173	\$ 7,999,173
Leasehold improvements	1,539,298	1,530,629
Exhibits	1,547,209	1,547,209
Computer equipment	431,870	431,870
Furniture and fixtures	475,017	475,017
Automobiles	220,360	257,427
Construction in progress	166,568	304,583
Other	<u>590,858</u>	<u>431,575</u>
	12,970,353	12,977,483
Accumulated depreciation and amortization	<u>(8,225,528)</u>	<u>(7,509,477)</u>
	<u>\$ 4,744,825</u>	<u>\$ 5,468,006</u>

Depreciation and amortization expense for the year ended December 31, 2020 and 2019 was \$754,465 and \$803,515, respectively.

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

4. PAYCHECK PROTECTION PROGRAM

On April 24, 2020, the Organization received loan proceeds of \$999,018 from a promissory note issued by City National Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The term of the loan was two years and the annual interest rate was 1.00%. Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness was determined based on the use of the loan proceeds for payroll costs, rent, and utility expenses and the maintenance of workforce and compensation levels within certain limitations. The Organization applied for and was granted forgiveness in the amount of \$845,083 of the first PPP loan in 2020. The Organization continues to seek forgiveness for the remaining amount.

Subsequent to year end, the Organization obtained a second draw PPP loan in the amount of \$999,017. See Note 12.

5. LOAN PAYABLE (ECONOMIC INJURY DISASTER LOAN)

On November 16, 2020, the Organization executed the standard loan documents required for securing a Economic Injury Disaster Loan from the SBA under its assistance program in light of the impact of the COVID-19 pandemic on the Organization's business. The principal amount of the loan is up to \$150,000, with proceeds to be used for working capital purposes. As of December 31, 2020, the Organization has requested and received the full \$150,000 disbursement under the loan. Interest accrues at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning November 16, 2021 (twelve months from the date of the advance) in the amount of \$641. Each payment will be applied first to interest accrued through the date of receipt of each payment, and then the balance, if any will be applied to principal. The balance of principal and interest is due and payable thirty years from the date of the advance.

The future maturities of the loan payable (Economic Injury Disaster Loan) are as follows:

Year ending December 31,

2021	\$	584
2022		3,629
2023		3,730
2024		3,833
2025		3,940
Thereafter		134,284
		\$ 150,000

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Notes to Financial Statements
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6. NOTES PAYABLE

In connection with the purchase of the assets of the Aquarium, the California Infrastructure and Economic Development Bank (the "Bank") issued variable rate revenue bonds in the aggregate amount of \$6,500,000. The proceeds from these bonds were loaned to the Organization.

Under the terms of the agreement with the Bank, the Organization was required to make annual payments to a custodial bank through 2025 which was to be used to retire the bonds, as well as maintain required segregated cash reserves and other specified levels of current and total net assets. During the period the bonds were outstanding the Organization also paid interest at a variable rate and other loan fees to the custodial bank which administered the loan on behalf of the Bank. The outstanding balance on this note payable amounted to \$3,609,461, net of related loan fees) at December 31, 2019. Interest expense on this note payable amounted to \$159,233 during the year ended December 31, 2019. Interest expense on this note payable amounted to \$235,374 during the year ended December 31, 2020.

In July 2020, the Organization paid off the aforementioned note payable agreement in full through a refinancing with Clearinghouse Community Development Financial Institution. The amount borrowed under the new note payable agreement amounted to \$5,500,000. Interest only payments at 5.50% per annum are payable monthly through March 2022, at which time payments of principal and interest are required to be made monthly through the maturity date of August 1, 2030. The note payable agreement is secured by a leasehold deed of trust on the Organization's leased property and related leasehold improvements.

The agreement requires the Organization to be in compliance with certain covenants. At December 31, 2020, management believes the Organization to be in compliance with all covenants or has obtained a waiver to remedy any instances of noncompliance. Interest expense on this note payable amounted to \$102,513 during the year ended December 31, 2020. The agreement also required a certain portion of cash received at loan funding to be restricted for future loan payments. The cash restricted for future loan payments under this agreement amounted to \$337,486 at December 31, 2020.

The future maturities of the note payable are as follows:

<u>Year ending December 31,</u>	
2022	\$ 61,607
2023	76,680
2024	80,214
2025	85,656
Thereafter	<u>5,195,843</u>
	5,500,000
Less: unamortized debt issuance costs	<u>(62,457)</u>
	<u>\$ 5,437,543</u>

BAY.ORG
Notes to Financial Statements
December 31, 2020 and 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Purpose restricted	\$ -	\$ 106,949
Time restricted	-	15,075
	\$ -	\$ 122,024

All donor-restricted contributions were released from restriction during 2020. There are no outstanding net assets with donor restrictions at December 31, 2020.

8. COMMITMENTS AND CONTINGENCIES

The Organization leases the site on which it operates the Aquarium from unrelated parties under operating leases. Under the principal lease agreement, rent is payable to the Port of San Francisco annually, calculated as 4% of adjusted gross revenues or \$150,000, whichever is greater.

A sublease agreement with PIER 39 provides for a base rental charge of \$250,000 per year plus 2% of gross earned revenue above \$11,850,000.

Concurrent with the sublease arrangement with PIER 39, the Organization also leases the Sea Lion Center at PIER 39. The lease does not provide for separate rent payments.

The current term of these leases expires in March 2034. The Organization has the option to renew the leases for various periods through December 2042, and the leases may be subject to further renewals.

The Organization leased office space on a month-to-month basis under a sublease agreement with Alliant International University. The monthly rent was approximately \$33,000 and the lease was terminated in November 2019.

In November 2019, the Organization entered into a lease agreement for office space that expires in November 2029. This lease requires escalating monthly lease payments ranging from approximately \$55,000 to \$73,000 over the term of the lease agreement. The Organization has recorded lease payments on a straight-line basis and accordingly has a deferred rent liability amounting to \$115,162 at December 31, 2020.

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Notes to Financial Statements
December 31, 2020 and 2019

8. COMMITMENTS AND CONTINGENCIES (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2021	\$ 929,300
2022	949,696
2023	970,654
2024	992,307
2025	1,014,580
Thereafter	<u>5,272,536</u>
	<u><u>\$ 10,129,073</u></u>

Lease expense amounted to \$1,160,356 and \$1,058,278 for the years ended December 31, 2020 and 2019, respectively.

9. RETIREMENT PLANS

The Organization allows its employees to defer a portion of their salary into a defined contribution plan under section 403(b) of the Internal Revenue Code. The Organization does not make any contributions to this plan.

10. LIQUIDITY AND FUNDS AVAILABLE

The Organization's financial assets are available to meet its general expenditures, liabilities, and other obligations as they come due. Accounts and grants receivable will be collected within one year and are available for general expenditure. Monthly, management reviews the Organization's financial position and ensures that a reasonable cash position is being maintained.

The following is a quantitative disclosure which describes financial assets that are available within one year of December 31 to fund general expenditures and other obligations when they become due:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 556,363	\$ 587,233
Accounts and grants receivable	<u>152,473</u>	<u>328,748</u>
	<u><u>\$ 708,836</u></u>	<u><u>\$ 915,981</u></u>

In March 2021, the Organization received a second round PPP loan in the amount of \$999,017 which has strengthened the Organization's liquidity. See Note 12.

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11. GOING CONCERN AND IMPLICATIONS OF COVID-19 ON THE ORGANIZATION'S FINANCIAL STATEMENTS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. The Organization closed to the general public beginning March 12, 2020 to comply with mandated shelter in place orders and did not reopen until March 2021. While the Organization was able to reopen, it was required to do so at a reduced capacity to comply with state and local governmental authorities until July 2021. As a result of the shutdown in 2020, the Organization was forced to reduce or furlough a portion of its staff and program related revenues dropped significantly to approximately 75% of 2019 program related revenues. As noted in Notes 4 and 5, the Organization took advantage of the government relief programs available and has actively explored various liquidity options.

While the length and severity of the effects of COVID-19 are uncertain, the Organization's business operations have remained impacted throughout 2021. The Organization has conducted a complete and objective evaluation of its operations based on all information and expertise available to it and has taken aggressive action to mitigate the financial effect of COVID-19. Among those actions are: significantly reducing staff, program services, general and administrative, and fundraising expenses, including reducing payroll costs, restructuring staff assignments, and furloughing employees. As a result, operating expenses for the year ended December 31, 2021, are projected to be significantly reduced as compared to historical operating expenses.

In an effort to weather this moment of uncertainty, management instituted a number of strategies to maximize cash flow. A new financing arrangement was entered into with a more favorable payment structure that does not require principal payments until March 2022. The Organization received two draws under the PPP (the second of which was received after year end and not reflected in these financial statements) that amounted to approximately \$2,000,000 combined in which the vast majority has or is expected to be forgiven. The Organization also received an Economic Injury Disaster Loan in the amount of \$150,000 that has favorable repayment terms. As a result of the reopening in 2021 and combined with a reduction in historical operating expenses as discussed above, the Organization is projecting a surplus in the amount of approximately \$450,000 (unaudited) for 2021.

COVID-19 has and could continue to adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Organization in a variety of ways. The Organization cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

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11. GOING CONCERN AND IMPLICATIONS OF COVID-19 ON THE ORGANIZATION'S FINANCIAL STATEMENTS (continued)

The financial statements were prepared on a going concern basis in accordance with U.S. GAAP. The going concern basis assumes the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. Based on indicators outlined within U.S. GAAP, the COVID-19 pandemic's limitation on the Organization's ability to operate in the normal course of business created substantial doubt about its ability to continue as a going concern, in response to which the Organization developed multiple strategies to support its operation, as previously discussed. Although there can be no assurance all of these strategies will be successful, management believes the actions outlined above have successfully alleviated doubts about the Organization's ability to continue as a going concern for at least one year as of the date the financial statements were available to be issued.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 25, 2022, the date the financial statements were available to be issued and has determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements except as discussed below.

In March 2021, the Organization received a second round PPP loan in the amount of \$999,017 (see Note 4).