

BAY.ORG

Financial Statements

December 31, 2021 and 2020

armanino 

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20



INDEPENDENT AUDITOR'S REPORT

Board of Directors
BAY.ORG
San Francisco, California

Opinion

We have audited the accompanying financial statements of BAY.ORG (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 BAY.ORG as of December 31, 2021 and 2020, 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 of 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 BAY.ORG 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 BAY.ORG's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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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, including omissions, 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 BAY.ORG'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 BAY.ORG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
San Ramon, California

April 10, 2023

BAY.ORG
 Statements of Financial Position
 December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,813,483	\$ 556,363
Cash restricted for loan payments	30,425	337,486
Accounts and grants receivable, net	201,466	152,473
Inventory	85,662	108,780
Prepays and other assets	77,834	39,299
Property and equipment, net	4,009,954	4,744,825
Total assets	\$ 6,218,824	\$ 5,939,226
LIABILITIES AND NET DEFICIT		
Liabilities		
Accounts payable	\$ 1,925,583	\$ 1,707,000
Accrued expenses	426,377	347,244
Deferred rent	-	115,162
Loan payable (Paycheck Protection Program)	999,017	999,018
Loan payable (Economic Injury Disaster Loan)	150,000	150,000
Notes payable, net	5,444,060	5,437,543
Total liabilities	8,945,037	8,755,967
Net deficit		
Without donor restrictions	(2,727,213)	(2,816,741)
With donor restrictions	1,000	-
Total net deficit	(2,726,213)	(2,816,741)
Total liabilities and net deficit	\$ 6,218,824	\$ 5,939,226

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

BAY.ORG
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions and grants	\$ 877,352	\$ 59,500	\$ 936,852
Tickets and other operating revenues	7,004,482	-	7,004,482
Retail revenues, net of cost of sales of \$316,645	465,565	-	465,565
Special events	14,980	-	14,980
Gain on forgiveness of loan payable (Paycheck Protection Program)	999,018	-	999,018
Other income	136,957	-	136,957
Net assets released from restriction	<u>58,500</u>	<u>(58,500)</u>	<u>-</u>
Total revenues, gains, and other support	<u>9,556,854</u>	<u>1,000</u>	<u>9,557,854</u>
Functional expenses			
Program	<u>7,741,311</u>	<u>-</u>	<u>7,741,311</u>
Support services			
Management and general	980,512	-	980,512
Fundraising	<u>745,503</u>	<u>-</u>	<u>745,503</u>
Total support services	<u>1,726,015</u>	<u>-</u>	<u>1,726,015</u>
Total functional expenses	<u>9,467,326</u>	<u>-</u>	<u>9,467,326</u>
Change in net assets	89,528	1,000	90,528
Net deficit, beginning of year	<u>(2,816,741)</u>	<u>-</u>	<u>(2,816,741)</u>
Net assets (deficit), end of year	<u>\$ (2,727,213)</u>	<u>\$ 1,000</u>	<u>\$ (2,726,213)</u>

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
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 income	42,684	-	42,684
Net assets released from restriction	<u>122,024</u>	<u>(122,024)</u>	<u>-</u>
Total revenues, gains, and other support	<u>3,019,318</u>	<u>(122,024)</u>	<u>2,897,294</u>
 Functional expenses			
Program	<u>6,677,715</u>	<u>-</u>	<u>6,677,715</u>
Support services			
Management and general	952,133	-	952,133
Fundraising	<u>282,801</u>	<u>-</u>	<u>282,801</u>
Total support services	<u>1,234,934</u>	<u>-</u>	<u>1,234,934</u>
Total functional expenses	<u>7,912,649</u>	<u>-</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 assets (deficit), end of year	<u>\$ (2,816,741)</u>	<u>\$ -</u>	<u>\$ (2,816,741)</u>

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

BAY.ORG
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program	Support Services		Total Support Services	Total
		Management and General	Fundraising		
Salaries & benefits	\$ 3,275,207	\$ 557,843	\$ 186,202	\$ 744,045	\$ 4,019,252
Advertising and promotion	55,773	-	11,440	11,440	67,213
Office expenses	327,834	289,875	103,719	393,594	721,428
IT expenses	91,881	26,269	11,578	37,847	129,728
Occupancy and other administrative expenses	1,933,329	13,471	218,395	231,866	2,165,195
Travel	218,166	2,952	194,411	197,363	415,529
Interest expense	312,836	6,240	-	6,240	319,076
Depreciation	713,656	21,215	-	21,215	734,871
Insurance	164,833	3,433	3,364	6,797	171,630
Aquarium operating expenses	642,883	4,950	11,091	16,041	658,924
Taxes & licenses	4,913	2,193	-	2,193	7,106
Professional fees	-	52,071	5,303	57,374	57,374
	<u>\$ 7,741,311</u>	<u>\$ 980,512</u>	<u>\$ 745,503</u>	<u>\$ 1,726,015</u>	<u>\$ 9,467,326</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	331,279	6,608	-	6,608	337,887
Depreciation	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>\$ 6,677,715</u>	<u>\$ 952,133</u>	<u>\$ 282,801</u>	<u>\$ 1,234,934</u>	<u>\$ 7,912,649</u>

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

BAY.ORG
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 90,528	\$ (5,015,355)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	734,871	754,465
Amortization of debt issuance costs	6,517	123,255
Loss on disposal of property and equipment	-	6,373
Gain on forgiveness of loan payable (Paycheck Protection Program)	(999,018)	-
Changes in operating assets and liabilities		
Accounts and grants receivable, net	(48,993)	176,275
Inventory	23,118	(10,047)
Prepays and other assets	(38,535)	74,345
Accounts payable	218,583	858,557
Accrued expenses	79,133	(207,959)
Deferred rent	(115,162)	115,162
Net cash used in operating activities	(48,958)	(3,124,929)
Cash flows from investing activities		
Purchases of property and equipment	-	(37,657)
Net cash provided by (used in) investing activities	-	(37,657)
Cash flows from financing activities		
Borrowings under loan payable (Paycheck Protection Program)	999,017	999,018
Borrowings under loan payable (Economic Injury Disaster Loan)	-	150,000
Borrowings under note payable	-	1,704,827
Net cash provided by financing activities	999,017	2,853,845
Net increase (decrease) in cash, cash equivalents and restricted cash	950,059	(308,741)
Cash, cash equivalents and restricted cash, beginning of year	893,849	1,202,590
Cash, cash equivalents and restricted cash, end of year	\$ 1,843,908	\$ 893,849
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,813,483	\$ 556,363
Cash restricted for loan payments	30,425	337,486
	\$ 1,843,908	\$ 893,849

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 312,559	\$ 208,171
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The accompanying notes are an integral part of these financial statements.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

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.

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.
- *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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

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.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 with a date of the initial application of January 1, 2021, using the full retrospective method.

The adoption of ASU 2020-07 did not have a significant impact on the Organization's financial position, result of operations, or cash flows.

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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Accounts and grant receivables, net

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. The allowance for doubtful accounts at December 31, 2021 amounted to \$77,158. There was no allowance for doubtful accounts at December 31, 2020.

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 are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give. There was no allowance for uncollectible contributions at December 31, 2021 and 2020 as all balances were considered collectible.

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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Organization reviews long-lived property and equipment for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

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 \$67,213 and \$58,248 for the years ended December 31, 2021 and 2020, 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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2021 and 2020, 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.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 7,999,173	\$ 7,999,173
Leasehold improvements	1,539,298	1,539,298
Exhibits	1,547,209	1,547,209
Computer equipment	431,870	431,870
Furniture and fixtures	475,016	475,017
Automobiles	220,360	220,360
Construction in progress	160,715	166,568
Other	<u>596,711</u>	<u>590,858</u>
	12,970,352	12,970,353
Accumulated depreciation	<u>(8,960,398)</u>	<u>(8,225,528)</u>
	<u>\$ 4,009,954</u>	<u>\$ 4,744,825</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$734,871 and \$754,465, respectively.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

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 full forgiveness of the first PPP loan in 2021. A gain on forgiveness of loan payable (Paycheck Protection Program) in the amount of \$999,018 is reflected in the statement of activities for the year ended December 31, 2021.

On January 29, 2021, the Organization obtained a second draw PPP loan in the amount of \$999,017 from a promissory note issued by City National Bank under comparable terms as the first draw PPP loan. The Organization was granted full forgiveness of the second draw PPP loan on April 7, 2022. (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 had 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. Interest expense for the years ended December 31, 2021 and 2020 was \$4,098 and \$516, respectively.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

5. LOAN PAYABLE (ECONOMIC INJURY DISASTER LOAN) (continued)

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

<u>Year ending December 31,</u>		
2022	\$	584
2023		3,629
2024		3,730
2025		3,833
2026		3,940
Thereafter		134,284
	<u>\$</u>	<u>150,000</u>

6. NOTES PAYABLE

In connection with the purchase of the assets of the Aquarium in 2014, 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. 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. Interest expense on this note payable amounted to \$302,500 and \$102,513 during the years ended December 31, 2021 and 2020, respectively.

The agreement requires the Organization to be in compliance with certain covenants. At December 31, 2021 and 2020, management believes the Organization to be in compliance with all covenants or has obtained a waiver to remedy any instances of noncompliance. 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 \$30,425 and \$337,486 at December 31, 2021 and 2020, respectively.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

6. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending December 31,</u>		
2023	\$	61,607
2024		76,680
2025		80,214
2026		85,656
Thereafter		<u>5,195,843</u>
		5,500,000
Less: unamortized debt issuance costs		<u>(55,940)</u>
		<u><u>\$ 5,444,060</u></u>

Amortization of debt issuance costs for the years ended December 31, 2021 and 2020 were \$6,517 and \$123,255, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Purpose restricted	<u>\$ 1,000</u>	<u>\$ -</u>
	<u><u>\$ 1,000</u></u>	<u><u>\$ -</u></u>

In 2021 and 2020, the Organization had releases of donor-restricted contributions amounting to \$58,500 and \$122,024, respectively, due to purpose restrictions being met.

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 4.00% 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 2.00% 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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

8. COMMITMENTS AND CONTINGENCIES (continued)

The current terms of this lease expire 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.

In November 2019, the Organization entered into a lease agreement for office space that was set to expire in November 2029. This lease required escalating monthly lease payments ranging from approximately \$55,000 to \$73,000 over the term of the lease agreement. Due to escalating payments under this lease, the Organization had recognized a deferred rent liability of \$115,162 at December 31, 2020.

In October 2021, the Organization amended the original lease and relocated to a smaller office space under a new lease that expires in October 2029. The amended lease includes a rent waiver for the first two months of the lease. Additionally, as part of the amended lease agreement, delinquent rent payments in the aggregate amount of \$542,719 will be forgiven, provided that the Organization does not default under the terms of the amended lease during the first eighteen full calendar months following the relocation date. The Organization recorded the delinquent rent as a component of the accounts payable in the accompanying statement of financial position as of December 31, 2021. A gain on rental payment forgiveness will be recognized in future years if the terms of that forgiveness is met.

The amended lease requires escalating monthly lease payments ranging from approximately \$42,000 to \$52,000 over the term of the lease agreement. The Organization has recorded lease payments on a straight-line basis and accordingly has a deferred rent asset amounting to \$23,450 as of December 31, 2021 that is recorded as a component of prepaids and other assets on the statements of financial position.

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

<u>Year ending December 31,</u>	
2022	\$ 664,287
2023	774,758
2024	790,501
2025	806,716
2026	823,417
Thereafter	<u>3,593,518</u>
	<u>\$ 7,453,197</u>

Lease expense amounted to \$1,169,424 and \$803,056 for the years ended December 31, 2021 and 2020, respectively.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

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:

	2021	2020
Cash and cash equivalents	\$ 1,813,483	\$ 556,363
Accounts and grants receivable, net	201,466	152,473
	\$ 2,014,949	\$ 708,836

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 still considerable uncertainty. 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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

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

While the length and severity of the effects of COVID-19 are still uncertain, the Organization's business operations remained impacted throughout 2021. The Organization conducted a complete and objective evaluation of its operations based on all information and expertise available to it and took aggressive action to mitigate the financial effect of COVID-19. Among those actions were: 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, were 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 that amounted to approximately \$2,000,000 of which has all since been 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 recognized a positive change in net assets of approximately \$90,000 during 2021. Additional increases in revenues have occurred during 2022 and the Organization is projecting a surplus of approximately \$326,000 (unaudited) in 2022.

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 still 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.

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.

BAY.ORG
Notes to Financial Statements
December 31, 2021 and 2020

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 10, 2023, 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.

On April 7, 2022, the Organization was granted a full forgiveness on the second round PPP loan in the amount of \$999,017. (see Note 4).