The Marine Mammal Center

Financial Statements

September 30, 2021
(With Comparative Totals for 2020)

armanino

TABLE OF CONTENTS

armanino

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Marine Mammal Center
Sausalito, California

We have audited the accompanying financial statements of The Marine Mammal Center (a California nonprofit corporation) (the "Center"), which comprise the statement of financial position as of September 30, 2021, 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 audit. 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 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 The Marine Mammal Center as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MOORE

An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Center has adopted ASU 2014-09, Revenue from Contracts with Customers. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Marine Mammal Center's 2020 financial statements, and our report dated February 5, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

January 28, 2022

The Marine Mammal Center
Statement of Financial Position
September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,014,352	$ 1,220,385
Restricted cash	368,503	373,601
Investments	19,047,859	16,749,573
Accounts receivable	250,098	192,601
Contributions receivable, net of discount	1,684,835	1,422,510
Employee retention tax credit receivable	1,183,164	-
Prepaid expenses and other assets	336,856	301,616
Property and equipment, net	23,750,912	24,596,930
Total assets	$ 47,636,579	$ 44,857,216
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,587,531	$ 1,114,690
Capital lease obligations	181,670	230,266
Deferred revenue	6,091	66,178
Note payable	-	10,000
Total liabilities	1,775,292	1,421,134
Net assets		
Without donor restrictions		
Undesignated	28,410,700	27,967,317
Board-designated	11,731,782	11,059,529
Total without donor restrictions	40,142,482	39,026,846
With donor restrictions	5,718,805	4,409,236
Total net assets	45,861,287	43,436,082
Total liabilities and net assets	$ 47,636,579	$ 44,857,216

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

The Marine Mammal Center
Statement of Activities
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions				
	Undesignated	Board-Designated	With Donor Restrictions	2021 Total	2020 Total
Support and revenues					
Support					
Contributions and grants	$ 9,060,308	$ -	$ 1,463,376	$ 10,523,684	$ 8,631,883
Bequests	2,171,986	-	-	2,171,986	5,709,405
Employee retention tax credit	1,817,427	-	-	1,817,427	-
Grant revenue - Paycheck Protection Program	-	-	-	-	1,281,291
Government contracts	287,675	-	-	287,675	228,069
Special events, net	-	-	-	-	79,988
Donated materials, services, property and equipment	261,724	-	-	261,724	663,354
Total support	13,599,120	-	1,463,376	15,062,496	16,593,990
Revenues					
Veterinary science contracts	153,985	-	-	153,985	948,500
Retail store sales, net	120,792	-	-	120,792	146,885
Education programs	20,904	-	-	20,904	35,465
Rent	82,678	-	-	82,678	108,066
Interest and dividends, net	3,884	81,314	69,769	154,967	199,264
Realized and unrealized gain (loss) on investments, net	(115)	1,157,052	465,900	1,622,837	1,043,235
Other	50,628	-	-	50,628	178,428
Net assets released from restriction	1,255,589	(566,113)	(689,476)	-	-
Total revenues	1,688,345	672,253	(153,807)	2,206,791	2,659,843
Total support and revenues	15,287,465	672,253	1,309,569	17,269,287	19,253,833
Functional expenses					
Program services					
Veterinary science	9,442,584	-	-	9,442,584	9,553,843
Education	2,307,479	-	-	2,307,479	2,775,750
Total program services	11,750,063	-	-	11,750,063	12,329,593
Fundraising	1,671,622	-	-	1,671,622	1,560,246
Management and general	1,422,397	-	-	1,422,397	1,719,088
Total functional expenses	14,844,082	-	-	14,844,082	15,608,927
Change in net assets	443,383	672,253	1,309,569	2,425,205	3,644,906
Net assets, beginning of year	27,967,317	11,059,529	4,409,236	43,436,082	39,791,176
Net assets, end of year	$ 28,410,700	$ 11,731,782	$ 5,718,805	$ 45,861,287	$ 43,436,082

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

The Marine Mammal Center
Statement of Functional Expenses
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	Program Services		Support Services			
	Veterinary Science	Education	Fundraising	Management and General	2021 Total	2020 Total
Salaries	$ 3,942,177	$ 1,317,526	$ 887,258	$ 790,957	$ 6,937,918	$ 7,129,078
Depreciation and amortization	1,529,531	308,075	4,754	25,019	1,867,379	1,846,345
Professional services	474,976	276,499	84,171	176,640	1,012,286	756,218
Employee benefits	621,799	127,761	127,064	77,710	954,334	941,048
Animal care costs	694,684	-	-	2,832	697,516	960,790
Payroll taxes	283,993	91,109	68,038	60,977	504,117	497,097
Information technology	228,208	7,773	96,261	60,407	392,649	421,117
Lettershop and acknowledgements	104,020	45,075	231,318	-	380,413	273,824
Utilities	315,984	-	-	-	315,984	305,428
Repairs and maintenance	278,568	78	-	252	278,898	275,670
Donated materials and services	64,116	32,387	9,248	155,973	261,724	534,353
Insurance	225,418	181	-	290	225,889	180,921
Telephone	200,848	-	-	1,025	201,873	165,227
Bank charges	37,115	18,738	102,029	42,224	200,106	156,122
Staff housing and rent	159,568	-	-	-	159,568	270,595
Other	50,357	14,144	31,018	9,020	104,539	129,813
Travel, conference and training	72,394	9,142	5,245	5,183	91,964	215,098
Supplies	58,380	18,069	3,010	2,390	81,849	174,292
Postage and publications	20,843	19,908	12,715	4,099	57,565	53,765
Services district charges	43,632	-	-	-	43,632	42,750
Dues and subscriptions	20,646	12,065	5,070	4,447	42,228	17,344
Outreach and marketing	6,984	4,462	1,260	408	13,114	202,465
Volunteer and donor relations	6,328	890	2,792	764	10,774	37,353
Interest expense	1,773	793	349	279	3,194	2,680
Merchandising expense	-	2,799	-	-	2,799	5,689
Meetings	242	5	22	1,501	1,770	13,845
	$ 9,442,584	$ 2,307,479	$ 1,671,622	$ 1,422,397	$ 14,844,082	$ 15,608,927

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

The Marine Mammal Center
Statement of Cash Flows
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,425,205	$ 3,644,906
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,867,379	1,846,345
Donation of stock	(243,472)	(142,145)
Realized and unrealized gain on investments, net	(1,622,837)	(1,043,235)
Loss on sale and disposal of property and equipment	6,778	34,295
Property and equipment acquired through in-kind donations	-	(129,000)
Forgiveness of note payable	(10,000)	-
Contributions restricted for long-term purposes	(102,500)	-
Changes in operating assets and liabilities		
Accounts receivable	(57,497)	258,119
Contributions receivable, net	(262,325)	304,676
Employee retention tax credit receivable	(1,183,164)	-
Prepaid expenses and other assets	(35,240)	70,775
Accounts payable and accrued expenses	472,841	90,074
Deferred revenue	(60,087)	(85,946)
Net cash provided by operating activities	1,195,081	4,848,864
Cash flows from investing activities		
Purchase of investments	(2,045,805)	(6,669,412)
Proceeds from sale of investments	1,613,828	3,621,776
Purchase of property and equipment	(1,061,162)	(629,578)
Proceeds from sale of fixed asset	72,000	-
Net cash used in investing activities	(1,421,139)	(3,677,214)
Cash flows from financing activities		
Long-term borrowings	-	10,000
Principal payments on capital lease obligations	(87,573)	(80,551)
Cash received from contributions restricted for long-term purposes	102,500	-
Net cash provided by (used in) financing activities	14,927	(70,551)
Net increase (decrease) in cash	(211,131)	1,101,099
Cash, cash equivalents and restricted cash, beginning of year	1,593,986	492,887
Cash, cash equivalents and restricted cash, end of year	$ 1,382,855	$ 1,593,986

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

The Marine Mammal Center
Statement of Cash Flows
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 1,014,352	$ 1,220,385
Restricted cash	368,503	373,601
	$ 1,382,855	$ 1,593,986

Supplemental disclosure of cash flow information

	2021	2020
Cash paid during the year for interest	$ 3,194	$ 2,680

Supplemental schedule of noncash investing and financing activities

	2021	2020
Property and equipment acquired with capital lease financing	$ 38,977	$ 178,466

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

The Marine Mammal Center
Notes to Financial Statements
September 30, 2021

1. NATURE OF OPERATIONS

The Marine Mammal Center (the "Center") is a California nonprofit organization and was founded in 1975 by three local citizens: Lloyd Smalley, Pat Arrigoni and Paul Maxwell. Since then, and thanks to their vision, the Center is now a global leader in marine mammal health, science and conservation and is the largest marine mammal hospital in the world. The Center operates physical locations in Sausalito, Morro Bay and Moss Landing, California, as well as in Kona, Hawai'i, and has an annual operating budget of more than $16 million. A team of 110 staff and 1,200 actively engaged volunteers make the Center's impact possible and keep it operating 24 hours a day, 365 days a year.

Mission and Vision

The Center is guided and inspired by a shared vision of a healthy ocean for marine mammals and humans alike. The Center's mission is to advance global ocean conservation through marine mammal rescue and rehabilitation, scientific research and education.

Need

The ocean is in trouble. From the depletion of fish stocks to increasing ocean temperatures, human activity threatens marine ecosystems that are vital to the health of the ocean and all life on earth. As a critical first responder to these threats, the Center leads the field in ocean conservation through marine mammal rescue, veterinary science and education. Marine mammals are ecosystem indicators, and these animals provide insights into human and ocean health threats. The Center takes action by supporting a network of scientists and stewards to protect our shared ocean environment for future generations.

Programs

To advance its mission, the Center engages in many program areas, some of which are highlighted below. For a complete overview of the Center's programs and impact, please visit https://www.marinemammalcenter.org.

- *Animal Care* - Since 1975, the Center has rescued more than 24,000 marine mammals along 600 miles of California coastline and the Big Island of Hawai'i. With 1,200 actively engaged volunteers and the support of the concerned public, the Center is able to respond to marine mammals in distress. Sick and injured animals are treated and rehabilitated at the Center's state-of-the-art veterinary facilities where they are cared for until they can be released back to their ocean home.

- *Scientific Research* - The Center's veterinary experts develop new clinical techniques to improve marine mammal rehabilitation and care and investigate the reasons why marine mammals strand and how these factors are connected to the ecosystem as well as human health. The Center's scientists also investigate how marine mammals use and interact with their ocean environment to better understand and protect them from many threats.

1. NATURE OF OPERATIONS (continued)

Programs (continued)

- *Education* - The Center's innovative school and public education programs build a sense of responsibility through a connection to marine mammals and the marine environment, inspiring the future ocean stewards and promoting action to protect the ocean. Each year, these education programs and hands-on trainings reach more than 100,000 children and adults, supporting the next generation of informed scientists and engaged citizens who will care for and ensure the health of our ocean and environment.

- *Community Engagement* - As a conservation leader, the Center seeks to promote meaningful action among its supporters. At the core of their work is the recognition that the Center's mission cannot be achieved without the understanding, commitment and participation of the public. The Center's community engagement goal is to share information, while also creating experiences that motivate, inspire and equip people to take concrete actions to protect the ocean and marine mammals.

- *Teaching Hospital* - The Center is the largest marine mammal teaching hospital and a critical training ground for veterinary professionals from around the world, combining high-quality animal care with a hands-on learning environment. Veterinary professionals can apply for a competitive months-long internship or externship, residency or international veterinary fellowship, giving veterinarians and marine science students worldwide a chance to learn and train alongside experts onsite at the Center. The Center's teaching hospital combines practical experience, innovative medicine and meaningful professional collaboration between the Center's staff and visiting veterinary and marine science students, interns and residents.

- *Whale and Smaller Cetacean Conservation* - Research, entanglement response, and finding and implementing solutions to the threats these species face is the focus of the Center's cetacean conservation work. The Center's expert team is already a leading first responder to cetaceans - whales, dolphins and porpoises - in distress. With the expansion of its large whale entanglement response efforts, the Center is now creating the capacity and infrastructure to collaboratively advance whale entanglement response on the West Coast of the United States. The Center has also partnered with the Benioff Ocean Initiative to deploy a technology-based system in the waters off San Francisco to address the growing threat of ship strikes with whales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - represent resources without restrictions available to support the Center's operations. These included undesignated and Board-designated net assets. Board-designated net assets represent resources without restrictions that are designated by the Board of Directors to be invested long-term or to be set aside for the cash operating reserve fund.
- *Net assets with donor restrictions* - represent contributions whose use by the Center is limited in accordance with donor-imposed stipulations. These stipulations may expire with time and/or may be satisfied by the actions of the Center according to the intention of the donors. These net assets also include amounts to be held in perpetuity as directed by the donors. Income from amounts to be held in perpetuity is available to support activities of the Center as designated by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor restricted contributions received and expended in the same accounting period are recorded in the category of net assets without donor 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 net assets released from restrictions.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In effect, entities are required to exercise further judgment and make more estimates prospectively. This may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The Center adopted ASU 2014-09 with a date of initial application of October 1, 2020. The adoption of ASU 2014-09 did not have a significant impact on the Center's financial position, result of operations or cash flows.

Cash and cash equivalents

Cash and cash equivalents consist of funds in checking and money market accounts with original maturities of three months or less from dates of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash

Restricted cash includes assets held by a bank as collateral under a security agreement related to the Center's commercial credit card agreement.

Accounts receivable

Accounts receivable primarily represent amounts billed to customers for program service contracts and amounts due from governmental agencies under cost reimbursement agreements and are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained, based on historical experience, overall economic conditions and the current aging status of its customers. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for doubtful accounts as of September 30, 2021 as all accounts are considered collectible.

Contributions and contributions receivable

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions with donor restrictions are reflected in net assets without donor restrictions if the restriction is released and expended during the same fiscal year the contribution was received.

Contributions, including unconditional promises to give, are recognized as revenue in the period 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 of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. At September 30, 2021, management has determined that no allowance for uncollectible contributions was required, as all balances are considered fully collectible.

Unconditional promises to give with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported within net assets with donor restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable (continued)

Contributions from bequests are recognized as contributions receivable when the will has dictated the valuation, the Center has an irrevocable right to the bequest and the amount is measurable.

Inventory

Inventory, which consists of gift store merchandise, is recorded at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventory totaled $77,268 as of September 30, 2021 and is included as a component of prepaid expenses and other assets on the accompanying statement of financial position.

Investments

Investments are recorded at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Dividend and interest income are accrued when earned.

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. For purposes of determining realized gains or losses, the cost of securities sold is computed based on the weighted average method. Investments include the beneficial interest in the perpetual trust. Realized and unrealized gains (losses) on investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the donor stipulations impose restrictions on the use of income or require that they be added to (deducted from) the principal of a donor-restricted endowment fund;
- As increases (decreases) in net assets without donor restrictions in all other cases.

Beneficial interest in perpetual trust

The Center is the irrevocable beneficiary of a perpetual trust held by a foundation. The beneficial interest in the trust is included in investments on the statement of financial position and reported at its net asset value, which is estimated as the fair value of the underlying trust assets.

The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value. Those changes in value, as well as interest income, are reported as changes in net assets with donor restrictions. The beneficial interest in the trust is part of the Center's donor-restricted endowment funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Center determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. There have been no changes in valuation techniques for the year ended September 30, 2021.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Investments (Level 1). Money market and mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. Government and corporate bond securities are valued based upon the most recent bid quotation for identical obligations provided by independent pricing services and from broker quotations. The mutual funds and government and corporate bond securities held are deemed to be actively traded.

- Investments (net asset value). The perpetual trust represents an interest in pooled investment funds that are valued at NAV per unit or percentage of ownership as reported by the funds. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the inherent uncertainty of valuation of non-marketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

At September 30, 2021, the Center has no financial instruments that are valued using Level 2 or Level 3 inputs.

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years. The Center capitalizes all property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Work in progress is depreciated only after the assets are completed and have been placed into service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Donated property and equipment is recorded at the estimated fair value at the date the contribution is received and considered to be without donor restrictions when placed into service by the Center, unless restricted as to use by explicit donor stipulation. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Center, using its best estimates and projections, reviews for impairment of the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. There was no impairment loss recognized for the year ending September 30, 2021.

Deferred revenue

Deferred revenue includes funds received in advance for which the Center has not performed the services necessary to earn the revenue. Deferred revenue totaled $6,091 as of September 30, 2021.

Revenue recognition

Veterinary science contracts, education programs and other revenues are recognized when the services are provided and the performance obligation fulfilled.

Government contracts

Government grants are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. The Center has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as a component of deferred revenue. The Center received cost-reimbursable grants of $370,938 that have not been recognized at September 30, 2021 because qualifying expenditures have not yet been incurred. There was no advance payments received under these contracts as of September 30, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials, services, and property and equipment

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Donated services include advertising, public relations, design, IT services, and legal services and are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Retail store sales, net

Retail store sales are recorded when products are sold to customers. Retail store sales revenue is presented on the statement of activities net of cost of goods sold. For the year ended September 30, 2021, revenue from store sales was $172,872 and the related product cost was $52,080.

Functional expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on employee time incurred and management's estimate of the usage of resources.

Income tax status

The Center is a qualified 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 Center has evaluated its current tax positions and has concluded that as of September 30, 2021, the Center 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Uses of estimates include, but are not limited to, depreciation and useful lives of property and equipment, investment fair values, inventory valuation, the recorded value of beneficial interests, functional expense allocations and the determination of the allowance for uncollectible receivables.

Concentrations of credit risk

Financial instruments that potentially subject the Center to credit risk consist principally of cash and cash equivalents greater than $250,000 with each financial institution, contributions receivable and investments. The Center periodically reviews its cash and investment policies, evaluates its donors' financial condition and maintains adequate reserves for potential losses, which are based on management's expectations, estimates and historical experience.

As of September 30, 2021, approximately 41% of total contributions receivable are comprised of amounts due from two donors. Approximately 13% of total contribution and grant revenue is comprised of amounts from one donor and approximately 40% of total bequest revenue is comprised of amounts from three donors for the year ended September 30, 2021.

Comparative totals

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements as of, and for the year ended, September 30, 2020, from which it was derived.

Subsequent events

The Center has evaluated subsequent events through January 28, 2022, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Center's financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected after one year are recorded at present value.

3. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable consist of the following:

Receivable in less than one year	$ 928,285
Receivable in one to five years	808,629
	1,736,914
Less: discount on pledges receivable	(52,079)
	$ 1,684,835

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	$ 18,276,465
Mechanical systems, structures and pools	17,977,576
Office equipment	2,964,404
Furniture and fixtures	1,808,035
Automobiles	1,080,210
Work-in progress	650,502
Computer equipment	677,318
Land improvements	106,687
Software	655,187
	44,196,384
Accumulated depreciation and amortization	(20,445,472)
	$ 23,750,912

Depreciation and amortization expense for the year ended September 30, 2021 was $1,867,379.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, Center's assets at fair value as of September 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 181,290	$ -	$ -	$ 181,290
Money market funds	8,636,691	-	-	8,636,691
Mutual funds	8,746,525	-	-	8,746,525
Corporate bonds	1,230,032	-	-	1,230,032
U.S. Treasury notes	98,817	-	-	98,817
	$ 18,893,355	$ -	$ -	18,893,355
Investments measured at net asset value				154,504
				$ 19,047,859

The cash and cash equivalents included in investments as of September 30, 2021 represent investments that have been liquidated and pending reinvestment.

6. CAPITAL LEASE OBLIGATIONS

The Center has entered into capital lease agreements to finance the acquisition of IT equipment with a total value of $299,495 as of September 30, 2021, based upon the present value of future minimum lease payments. The capital lease agreements require monthly payments ranging from $857 to $3,945, expiring at various dates through April 2024. As of September 30, 2021, the Center had outstanding borrowings of $181,670 relating to these capital lease agreements.

Future maturities of capital lease obligations are as follows:

Year ending September 30,	
2022	$ 85,814
2023	79,739
2024	19,687
	185,240
Imputed interest	(3,570)
Present value of minimum lease payments	181,670
Current portion	(83,364)
	$ 98,306

7. LINE OF CREDIT

In April 2020, the Center entered into an agreement with a bank and one of its investment portfolio managers for a revolving line of credit in the amount of $5,000,000. The line of credit is a demand facility which allows the bank to demand repayment in full at any time. Additionally, it is an uncommitted facility as the bank has no obligation to make loans. As collateral at the time a loan is made on the facility, the Center will pledge non-endowment securities held by the investment manager. The facility allows for three types of advances, (1) variable rate advances, (2) fixed rate advances, and (3) term advances. Variable rate advances bear finance charges at a variable rate of interest equal to the LIBOR Rate, as defined, plus a spread as determined by the bank. Fixed rate and term advances bear finance charges at a fixed rate of interest as agreed to by the bank and borrower, plus a spread as determined by the bank. As of September 30, 2021, there was no outstanding balance on the Center's line of credit.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors designated operating reserves to help ensure the long-term financial stability of the Center, by creating a resource to manage cash flow and maintain financial flexibility, meet unfunded, critical and unexpected organization needs, and to promote public and donor confidence in the long-term sustainability of the Center.

In May 2018, the Board of Directors approved a policy to maintain in reserve the equivalent of six months of operating expenses and one year of capital expenses to ensure continuity of operations, should funds become otherwise unavailable. The amount held in reserve is determined each year in September when the annual budget is approved by the Board of Directors, and remains at that set point for the following fiscal year.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Restricted for a specified purpose		
Veterinary Science	$	2,054,253
Teaching Hospital		284,471
El Niño Emergency Fund		57,642
Morro Bay Operations Capital		49,010
Education		10,000
Conservation		7,560
		2,462,936
Restricted for passage of time		
Accumulated endowment earnings		711,817
		711,817
To be held in perpetuity		
Donor-restricted endowment funds		2,544,052
		2,544,052
	$	5,718,805

Net assets with donor restrictions released from restriction during the year were as follows:

Veterinary science	$	536,865
Teaching Hospital		20,911
Education		2,000
Endowment distribution		129,700
	$	689,476

10. ENDOWMENT

The Center's endowments totaling $3,255,869 are included in investments on the statement of financial position. The endowment is comprised of donor restricted funds with a principal balance totaling $2,544,052 as of September 30, 2021.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements.

10. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Directors of the Center has interpreted the California enacted version of UPMIFA as allowing the Center to appropriate for expenditure or accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor restricted endowment fund that is not classified as held in perpetuity is restricted for the passage of time, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Center has one donor-restricted endowment fund comprised of a perpetual trust. Both the principal balance and earnings are to be held in perpetuity, other than the annual distribution from the perpetual trust which is reflected as a release from restriction.

Spending policy

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Center

(7) The investment policies of the Center

Each year, the Center makes available for appropriation the earnings from the investment balance. The Center's objective is to maintain the original fair value of the endowment assets held in perpetuity as well as to provide additional growth through new gifts and investment returns. For the year ending September 30, 2021 the Board of Directors approved an appropriation in the amount of $129,700.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies of this nature as of September 30, 2021.

10. ENDOWMENT (continued)

Investment policy, strategies, and objectives

The Center adopted an investment policy that is monitored by the Board of Directors for the endowment funds, as well as the short-term and long-term operating reserves (see Note 8). The Board subscribes to the modern portfolio theory of prudent investment, and thus may cause the principal of the endowment to be invested in real or personal property mortgages, deeds of trust, stocks, bonds, debentures, and other securities both government and private. The Board of Directors may also direct that the principal of endowment be invested, in whole or in part, in a pooled income fund, mutual fund, or other form of common fund. The investment policy sets ranges for asset allocation.

Endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,255,869	$ 3,255,869

Changes in endowment net assets for the fiscal year ended September 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, September 30, 2020	$ -	$ 2,747,400	$ 2,747,400
Endowment activity			
Contributions received for endowment principal	-	102,500	102,500
Realized and unrealized gains	-	465,900	465,900
Interest and dividends, net	-	69,769	69,769
Total investment return	-	638,169	638,169
Released from expenditure	-	(129,700)	(129,700)
	-	508,469	508,469
Balance, September 30, 2021	$ -	$ 3,255,869	$ 3,255,869

In June 1990, The Marine Mammal Center Endowment Fund of the Marin Community Foundation (the "Marin Community Foundation") was established. The purpose of the endowment fund was to receive contributions for the benefit of the Center. This endowment is not reflected on the Center's financial statements as the Marin Community Foundation has variance power and requires oversight over the endowment.

10. ENDOWMENT (continued)

Investment policy, strategies, and objectives (continued)

Activity in the Marin Community Foundation Fund during the year was as follows:

Balance, beginning of year	$ 1,028,137
Net income	200,815
Interest and dividends	7,440
Investment fees	(2,647)
Administrative fees	(5,815)
Distributions	(46,742)
Balance, end of year	$ 1,181,188

11. LIQUIDITY AND FUNDS AVAILABLE

As part of the Center's liquidity management, financial assets are structured so that they are available as its general expenditures, liabilities and other obligations come due. To meet liquidity needs, the Center has available: cash and cash equivalents, net of any restricted cash held for collateral; accounts receivable and contributions receivable that will be collected from customers and donors within one year and that are not subject to donor-imposed restrictions; and investments considered current, net of investments restricted by donor restrictions or board designations. While board-designated net assets are not available for general expenditure, they can be drawn upon with Board of Director's approval. Of the total board-designated net asset balance of $11,731,782 as of September 30, 2021, the Board of Director's approved up to $5,000,000 for use for expenditure in fiscal year 2021.

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of September 30, 2021 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 1,014,352
Restricted cash	368,503
Investments	19,047,859
Accounts receivable	250,098
Employee retention tax credit receivable	1,183,164
Contributions receivable, net of discount	928,285
	22,792,261
Less: amounts unavailable for general expenditures within one year	
Restricted cash held for collateral purposes	(368,503)
Donor-imposed restrictions for a specified purpose	(2,462,936)
Donor-imposed restrictions for passage of time - accumulated endowment earnings	(711,817)
Donor-imposed restrictions to be held in perpetuity	(2,544,052)
Board-designated reserves, less amounts approved for expenditure in one year	(6,731,782)
	(12,819,090)
	$ 9,973,171

The Center also has a line of credit available for use. The balance available at September 30, 2021 is $5,000,000 (see Note 7).

12. DONATED MATERIALS, SERVICES, PROPERTY AND EQUIPMENT

Donated materials, services, property and equipment during the year were valued as follows:

Legal and other services	$ 100,173
Advertising and public relations	83,622
Software and IT	68,854
Other	9,075
	$ 261,724

Volunteer service hours were valued using the Bureau of Labor Statistics' value of volunteer time for the State of California and were estimated at approximately $2,631,877. The value of this contributed time is not reflected in these financial statements as the services don't meet the recognition criteria.

12. DONATED MATERIALS, SERVICES, PROPERTY AND EQUIPMENT (continued)

Volunteer services hours during the year were as follows:

Animal care	39,992
Animal rescue	30,977
Education	1,503
Other	5,835
	78,307

13. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to $10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before January 1, 2022. The Center determined it was eligible to apply for the ERC and calculated a total ERC of $1,817,427 for the wages paid during the period March 13, 2020 through June 30, 2021. As the Center met the conditions to receive the ERC credits, the Center has recognized other income for the calculated ERC for the year ended September 30, 2021. During 2021, the Center collected $634,263 of the total tax credits with the remaining $1,183,164 recorded as a receivable as of September 30, 2021.

14. RETIREMENT PLAN

On January 1, 2009, the Center established a retirement plan (the "Plan") adopted under the Internal Revenue Code Section 401(k) and covering substantially all eligible employees. The Center may make discretionary matching contributions to the Plan. The Center made no contributions during the year ended September 30, 2021.

15. COMMITMENTS AND CONTINGENCIES

Cooperative agreement

The Center occupies most of its land through license agreements, the largest of which is the seven-acre site in the Marin Headlands, Golden Gate National Recreation Area ("Marin Headlands"). In 2002, the National Park Service ("NPS") issued a memorandum regarding the imposition of service district charges on an annual basis. In August 2007, the NPS and the Center finalized a twenty-five (25) year Cooperative Agreement (the "Agreement"), which requires the Center to pay monthly service district charges to cover common area maintenance services. Monthly service district charges are determined upon obtaining a special use permit every year. During the year ended September 30, 2021, the Center received notification from NPS that the service district charges would be waived from October 1, 2020 through March 31, 2021 in response to the COVID-19 pandemic. The total service district charges were $43,632 during the year ended September 30, 2021.

15. COMMITMENTS AND CONTINGENCIES (continued)

Land license agreements

In 2001, the Center entered into agreements with LSP Morro Bay, LLC (the "Morro Licensor") and LSP Moss Landing (the "Moss Licensor") (collectively, the "Licensors") to construct, operate and maintain two triage facilities for twenty (20) years commencing June 1, 2001. The Center paid $20 to each Licensor for the right to occupy the property where the triage facilities were constructed, and fund the property improvements which are included in the statement of financial position. The Center shall also pay an annual licensor fee of $1 per year to each licensor for occupancy. The Licensors reserve the right to terminate the agreements at any time during the term of the agreements, with or without cause and without obligation to the Center, by having written notice delivered to the Center ninety days prior to the termination date specified in the notice.

In 2007, the original Moss Licensor sold the Moss Landing property to Dynegy Moss Landing, LLC ("Dynegy"). In April 2018, Dynegy merged with Vistra Energy Corp. ("Vistra"). The Licensor agreement with the Center transferred with the sale of the property. During 2021, the Center entered into a new agreement with Dynegy, extending the license to occupy the property through December 31, 2023.

Operating leases

The Center has one long-term operating lease with the Natural Energy Laboratory of Hawai'i Authority ("NELHA") in Kona, Hawai'i, where it constructed a healthcare facility for the Hawaiian monk seal. The lease has operating payments of $805 per month and has two successive options to renew the term of the lease for periods of five years per renewal option, upon written notice by the Center. The Center executed a renewal option through October 2023 and anticipates executing the subsequent renewal options to secure operations through October 2033. Total rent expense under this lease was $9,664 during the year ended September 30, 2021.

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

Year ending September 30,	
2022	$ 9,664
2023	9,664
2024	805
	$ 20,133

The total staff housing and rent expense incurred by the Center was $159,568 for the year ended September 30, 2021, which includes rent expense for the NELHA operating lease, operating leases for staff housing held under monthly cancelable lease arrangements, and the utility expenses paid as part of the leasing agreements.

15. COMMITMENTS AND CONTINGENCIES (continued)

Operating leases (continued)

The scheduled minimum lease payments under the lease terms for the remaining staff housing leases are as follows:

Year ending September 30,	
2022	$ 90,212
	$ 90,212

Contingent liabilities

The Center's buildings, structures, pools, and current work-in-progress are located on land that is not owned by the Center. The Center occupies the land through various agreements with government and private entities. Many of these agreements are subject to termination at any time and without cause. The Center may recognize a loss of the net book value for buildings, structures, pools, and current work-in-progress located on unowned property if occupancy agreements were terminated and the Center was forced to relocate.