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CALIFORNIA MARINE SANCTUARY FOUNDATION

FINANCIAL STATEMENTS

December 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Marine Sanctuary Foundation

Opinion

We have audited the accompanying financial statements of California Marine Sanctuary Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 California Marine Sanctuary Foundation (the Foundation) as of December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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, which raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 and *Government 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 the Foundation'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 the Foundation'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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2025 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited California Marine Sanctuary Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
July 9, 2025

CALIFORNIA MARINE SANCTUARY FOUNDATION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

ASSETS

	December 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,322,005	\$ 647,967
Restricted cash	1,896,639	2,315,111
Short-term investments	200,312	719,766
Grants and contributions receivable	1,579,753	761,833
Prepaid and other assets	16,412	4,558
TOTAL ASSETS	\$ 5,015,121	\$ 4,449,235

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 659,828	\$ 405,618
Accrued expenses	192,334	120,076
Agency liabilities	1,896,639	2,315,111
Deferred revenue	1,311,506	810,739
Total liabilities	4,060,307	3,651,544

COMMITMENTS AND CONTINGENCIES (Note 5)

NET ASSETS		
Without donor restrictions	873,112	760,038
With donor restrictions	81,702	37,653
Total net assets	954,814	797,691
TOTAL LIABILITIES AND NET ASSETS	\$ 5,015,121	\$ 4,449,235

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

CALIFORNIA MARINE SANCTUARY FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
SUPPORT AND REVENUE				
Federal grants and contracts	\$ 1,365,224	\$ -	\$ 1,365,224	\$ 468,195
State and local grants and contracts	2,911,209	-	2,911,209	2,046,344
Contributions	47,362	88,650	136,012	29,021
Donated professional services	76,633	-	76,633	-
Investment income	41,000	-	41,000	15,078
Net assets released from restrictions	44,601	(44,601)	-	-
Total support and revenue	<u>4,486,029</u>	<u>44,049</u>	<u>4,530,078</u>	<u>2,558,638</u>
EXPENSES				
Program services	3,792,446	-	3,792,446	1,757,280
Administrative	470,432	-	470,432	541,531
Fundraising	110,077	-	110,077	145,537
Total expenses	<u>4,372,955</u>	<u>-</u>	<u>4,372,955</u>	<u>2,444,348</u>
CHANGE IN NET ASSETS	113,074	44,049	157,123	114,290
NET ASSETS, BEGINNING OF YEAR	<u>760,038</u>	<u>37,653</u>	<u>797,691</u>	<u>683,401</u>
NET ASSETS, END OF YEAR	<u>\$ 873,112</u>	<u>\$ 81,702</u>	<u>\$ 954,814</u>	<u>\$ 797,691</u>

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

CALIFORNIA MARINE SANCTUARY FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Program	Supporting		Total	
	Services	Administrative	Fundraising	2024	2023
Salaries and wages	\$1,240,385	\$ 306,192	\$ 90,450	\$ 1,637,027	\$ 1,118,148
Payroll taxes and benefits	224,994	56,440	11,680	293,114	180,297
Total personnel expenses	1,465,379	362,632	102,130	1,930,141	1,298,445
Professional fees and contract services	1,745,543	53,840	-	1,799,383	824,721
Program expenses	286,788	-	159	286,947	112,867
Advertising and promotion	79,656	8,508	1,118	89,282	62,010
Dues and subscriptions	73,006	9,431	1,827	84,264	62,201
Travel	33,146	8,556	108	41,810	32,883
Conferences and meetings	11,243	-	357	11,600	19,035
Grants to others	1,900	-	-	1,900	-
Occupancy	1,582	8,725	3,529	13,836	11,762
Meals and entertainment	6,839	2,075	49	8,963	5,369
Miscellaneous	145	227	69	441	258
Office expense	10,586	3,543	731	14,860	10,507
Donated services - legal	76,633	-	-	76,633	-
Insurance	-	12,895	-	12,895	4,290
	<u>\$ 3,792,446</u>	<u>\$ 470,432</u>	<u>\$ 110,077</u>	<u>\$ 4,372,955</u>	<u>\$ 2,444,348</u>

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

CALIFORNIA MARINE SANCTUARY FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 157,123	\$ 114,290
Unrealized (gain) loss from short-term investments	(545)	234
Changes in operating assets and liabilities:		
Grants and contributions receivable	(817,920)	(555,100)
Prepaid and other assets	(11,854)	(4,158)
Accounts payable	254,210	365,681
Accrued expenses	72,258	55,462
Agency liabilities	(418,472)	(92,341)
Deferred revenue	500,767	138,737
Net Cash (Used In) Provided By Operating Activities	<u>(264,433)</u>	<u>22,805</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(200,001)	(720,000)
Sales of short-term investments	720,000	-
Net Cash Provided By (Used In) Investing Activities	<u>519,999</u>	<u>(720,000)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	255,566	(697,195)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>2,963,078</u>	<u>3,660,273</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,218,644</u>	<u>\$ 2,963,078</u>
AS REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,322,005	\$ 647,967
Restricted cash	<u>1,896,639</u>	<u>2,315,111</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,218,644</u>	<u>\$ 2,963,078</u>

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

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies

Nature of Foundation

Since 1995, California Marine Sanctuary Foundation (the Foundation) has worked to protect marine ecosystems while strengthening coastal resilience in the face of population growth, urban and industrial uses, climate change, and resource extraction. Working together with local communities, government agencies, tribal communities, and other NGOs and industries, the Foundation identifies and implements practical and effective solutions to lessen human impacts and increase stewardship of coastal resources.

The Foundation consistently enlists a strategic approach when connecting key stakeholders with real solutions. The Foundation's core focus is on improving ocean resilience through an interdisciplinary approach to marine and coastal conservation, science, and partner support. This approach drives creative, cutting-edge, and scalable solutions to some of the biggest environmental issues of today.

The Foundation's team of professional and passionate conservation leaders, scientists, and communicators, working alongside the board of directors, are committed to carrying out the mission of advancing the understanding and stewardship of coastal and ocean resources and achieving their vision of a more resilient Pacific Ocean that sustains the planet, healthy ecosystems, and coastal populations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Prior-Year Comparative Information

The financial statements include certain prior year summarized comparative 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 Foundation's financial statements for the year ended December 31, 1899, from which the summarized information was derived.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts related to the 2023 financial statements have been reclassified to conform to the 2024 financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported changes in the Foundation's net assets during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

With donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2024 and 2023, the Foundation had no net assets with donor restrictions that are restricted in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Restricted Cash and Agency Liabilities

The Foundation has entered into various multi-year agreements in which the Foundation has agreed to perform all financial administrative duties for funds held for others. Certain agreements require the Foundation to hold the cash received in a separate account. At December 31, 2024 and 2023, cash balances of \$1,896,639 and \$2,315,111, respectively, have been identified as restricted to satisfy future funding requirements. The Foundation is not granted variance power for the funds received and they must be distributed to the recipients in accordance with the terms of the contract. An offsetting liability is recognized for the amount of cash that is required to be paid out as part of the restricted cash, which is included in agency liabilities on the statement of financial position.

At December 31, 2024 and 2023, cash held for agency liabilities consists of:

	<u>2024</u>	<u>2023</u>
Funds held for others:		
California Coastal Commission	\$ 1,751,081	\$ 2,177,243
NOAA's Monterey National Marine Sanctuary	42,180	46,751
NOAA's Channel Islands National Marine Sanctuary	8,430	8,765
Pacific Grove Hyperbaric Chamber	55,290	52,667
Central Coast Climate Collaborative	29,614	15,029
International Union for Conservation of Nature	6,848	11,877
Center for Ocean, Art, Science, and Technology	<u>3,196</u>	<u>2,779</u>
 Total agency liabilities	 <u>\$ 1,896,639</u>	 <u>\$ 2,315,111</u>

Short-term Investments

Short-term investments are reported at their fair value in the statement of financial position. At December 31, 2024, short-term investments consisted of certificates of deposit totaling \$200,312, which mature within 9 to 12 months. Interest income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Grants and Contributions Receivable

Grants and contributions receivable are stated as unpaid balances, less an allowance for uncollectible receivables. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the collectability of the receivables. It is the Foundation's policy to write off uncollectible receivables when management determines the receivable will not be collected. The Foundation considers grants and contributions receivable to be fully collectible as of December 31, 2024 and 2023.

Revenue Recognition

Unconditional contributions, including promises to give, are recognized as revenue and support in the period received and recorded at estimated fair value. Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

Contributions that are restricted by the donor or grantor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At December 31, 2024, the Foundation is party to conditional grants with grant terms through September 2029 and additional funding of approximately \$94,000,000 that has not been recognized at December 31, 2024 because certain performance obligations have not yet been met.

A portion of revenue, including government grants, is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are deferred and are included in deferred revenue in the statement of financial position.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Donated Professional Services

Contributions of noncash assets are recorded at fair value in the period received. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2024, in-kind revenue and corresponding expenses related to pro-bono legal services rendered totaled \$76,633. The estimated fair value of these pro-bono legal services is based on the date, time, and market in which each service is rendered.

Concentration of Credit Risk and Support

The Foundation maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation. In the event of insolvency by the financial institutions, deposits in excess of insured amounts are potentially subject to unrecoverable loss. The Foundation has not experienced any such loss as of December 31, 2024 and 2023 and believes it is not exposed to any significant credit risk.

For the years ended December 31, 2024 and 2023, revenue from federal, state, and local grants and contracts represented approximately 94% and 98% of total support and revenue, respectively. Given the current economic conditions, a decision by governmental agencies to decrease or delay reimbursement, or the Foundation's inability to collect grants and contributions receivable, could have a material adverse effect on the Foundation's financial position and results of operations.

Advertising Costs

Advertising costs are expensed as incurred and are primarily used to promote vessel speed reduction programs in the community. Advertising costs for the years ended December 31, 2024 and 2023, amounted to \$9,626 and \$3,764, respectively.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or service. Expenses that are associated with more than one program or supporting service are allocated based on management's review of time and effort spent.

Income Taxes

The Foundation is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

In the financial statements, the Foundation is required to recognize the impact of a tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

Subsequent Events

Management has evaluated significant events or transactions that have occurred since the statement of financial position date through July 9, 2025, which represents the date that the financial statements were available to be issued and determined no additional items need to be disclosed.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Financial Assets and Liquidity Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,322,005	\$ 647,967
Short-term investments	200,312	719,766
Grants and contributions receivable	<u>1,579,753</u>	<u>761,833</u>
	3,102,070	2,129,566
Less amounts not available to be used for operations within one year due to:		
Donor-imposed purpose restrictions	<u>(81,702)</u>	<u>(37,653)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,020,368</u>	<u>\$ 2,091,913</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

General expenditures include exchange-like transaction grants, which may at times include advanced cash funding recognized as deferred revenue until the Foundation has satisfied future performance obligations in compliance with those applicable grant provisions.

NOTE 3 – Retirement Plan

The Foundation maintains a 401(k) plan that covers substantially all employees. The plan allows for discretionary contributions based on a participant's compensation. Effective May 2024, the Foundation began offering a 3% matching contribution to the plan. For the year ended December 31, 2024, the Foundation made \$21,942 in matching contributions to the plan. There were no discretionary contributions in 2024.

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	<u>December 31,</u> <u>2023</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2024</u>
Whale protection	\$ 20,101	\$ 88,650	\$ (32,101)	\$ 76,650
Marine conservation	12,500	-	(12,500)	-
Legacy contaminants	5,000	-	-	5,000
Coastal restoration	<u>52</u>	<u>-</u>	<u>-</u>	<u>52</u>
	<u>\$ 37,653</u>	<u>\$ 88,650</u>	<u>\$ (44,601)</u>	<u>\$ 81,702</u>

NOTE 5 – Commitments and Contingencies

Operating Leases

The Foundation leases office spaces in three locations on a month-to-month basis. There are no future minimum rental payments under the office space leases. For each of the years ended December 31, 2024 and 2023, total rent expense incurred was approximately \$12,000.

Grants and Contracts

Support and revenue from grants and contracts are subject to audit by the grantor. The ultimate determination of amounts received is generally based upon allowable costs reported to and audited by the grantor. Until any such audit has been completed and a final settlement reached, there exists a contingent liability to refund any amount received in excess of allowable costs. Management believes unallowable costs, if any, would not be material to the financial statements.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
California Marine Sanctuary Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Marine Sanctuary Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Marine Sanctuary Foundation's (the Foundation) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Foundation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the finding identified in our report and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
July 9, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE, REQUIRED BY THE
UNIFORM GUIDANCE**

To the Board of Directors
California Marine Sanctuary Foundation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited California Marine Sanctuary Foundation's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2024. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, provisions of contracts, or grant agreements applicable to the Foundation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended December 31, 2024, and have issued our report thereon dated July 9, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Windes, Inc." in a cursive, flowing script.

Long Beach, California
July 9, 2025

CALIFORNIA MARINE SANCTUARY FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor / Pass-Through Grants / Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
U.S. DEPARTMENT OF COMMERCE				
<i>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)</i>				
Office for Coastal Management				
Regional Adaptation for Climate Resilience of Monterey Bay Coastal Communities	11.473	NA24NOSX473C0102-T1-01	\$ 534,256	\$ 233,749
Amendment 002 to Joint Project Agreement Between U.S. Department of Commerce National Oceanic and Atmospheric Administration National Ocean Service Office of National Marine Sanctuaries and the California Marine Sanctuary Foundation	11.473	MOA-2021-162 (Amendment 002)/12660	134,943	-
Memorandum of Agreement Establishing a Joint Project Between the National Oceanic and Atmospheric Administration National Ocean Service Office of National Marine Sanctuaries and the California Marine Sanctuary Foundation	11.473	MOA-2024-082/12896	55,863	-
<i>Passed through University of California, San Diego</i>				
Sea Grant Support				
Commercially Scalable End-of-Life Solutions for Agriculture Field Plastic Films Used in Watersheds Draining to National Marine Sanctuaries	11.417	NA23OAR4170176	532,542	-
From Watershed to Whales: Tracking the Source and Transport of Microplastics in the Greater Monterey Bay Region to Inform Risk Assessments	11.417	NA24OARX417C0028-T1-01	53,869	-
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1,311,473</u>	<u>233,749</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Washington State University</i>				
Speciality Crop Research Initiative				
PMU: Improving End-of-Life Management of Plastic Mulch in Strawberry Systems	10.309	2022-51181-38325	53,751	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>53,751</u>	<u>-</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,365,224</u>	<u>\$ 233,749</u>

CALIFORNIA MARINE SANCTUARY FOUNDATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of California Marine Sanctuary Foundation (the Foundation) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in the notes to the financial statements of the Foundation as of and for the year ended December 31, 2024. In the Schedule, where expenditures exceed the federal award amount, the difference is funded with state, local, or other non-federal funds. Pass-through entity identifying numbers are presented where available.

The Foundation elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the year ended December 31, 2024.

The Foundation did not receive federal insurance, loans, or noncash assistance for the year ended December 31, 2024 that are required to be reflected on the Schedule.

CALIFORNIA MARINE SANCTUARY FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

The independent auditors' report expresses an unmodified opinion on whether the financial statements of the Foundation were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – Yes
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors' report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs:
 - #11.473 – Office for Coastal Management
 - #11.417 – Sea Grant Support
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

CALIFORNIA MARINE SANCTUARY FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)**

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

The following item is considered to be a significant deficiency:

2024-01 Recognition of Revenue

Condition:	The Foundation operates as a fiscal administrator under many contracts in which revenue is recognized as funds are passed through to outside organizations and administrative services are performed. These awards are considered to be exchange transactions. However, the Foundation also receives reimbursement-based grants, in which money is passed through to subrecipients. For reimbursement-based awards, revenue and expenses should be recognized as the Foundation incurs the expenses allowable for reimbursement as determined in the grant agreement. As part of the audit, we noted several reimbursement-based grants that were treated as agency transactions, resulting in an understatement of revenue and expense. Adjustments were made as part of the audit.
Criteria:	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting, which includes controls over existence and accuracy of revenue.
Cause:	The Foundation receives many contracts and grants with complex and varying terms, which makes recognizing revenue properly across all contracts difficult.
Effect:	Revenue may not be recognized accurately or in the proper period.
Recommendation:	We recommend management implement more robust procedures and policies around tracking of grants, grant requirements, and revenue recognition to ensure revenue is recognized in the proper period and based on applicable accounting principles, in line with each grant's revenue-earning criteria.

CALIFORNIA MARINE SANCTUARY FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)**

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

Management's

Response:

Accounting closing procedures will be amended to ensure proper reconciliations of agency and non-agency expenditures. Management will enhance the close and reconciliation processes and strengthen the review and approval of revenue and expenditure items. Additional training will be conducted on the new procedures for existing and new staff in the accounting, programs, and billing areas. The Foundation will continue to review its processes in place to ensure revenue is recognized appropriately.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None noted.