

# Financial Report

National Marine Mammal Foundation, Inc.

December 31, 2022



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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
National Marine Mammal Foundation, Inc  
San Diego, California

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of National Marine Mammal Foundation, (NMMF), which comprise the statement of financial position as of December 31, 2022, 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 National Marine Mammal Foundation as of December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NMMF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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, that raise substantial doubt about NMMF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, misrepresentation, 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 judgement 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 judgement 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 NMMF's internal control. Accordingly, no such opinion is expressed.
- Evaluated 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about NMMF'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 Summarized Comparative Information**

We have previously audited NMMF's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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.

National Marine Mammal Foundation  
Board of Directors

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2023, on our consideration of NMMF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 NMMF'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 NMMF's internal control over financial reporting and compliance.



WEST RHODE & ROBERTS

San Diego, California  
June 13, 2023

**NATIONAL MARINE MAMMAL FOUNDATION, INC**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2022**

**(With Summarized Financial Information for December 31, 2021)**

	<u>2022</u>	<u>2021</u> <u>(Note 12)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,192,330	\$ 1,294,843
Grants and contracts receivable	1,297,331	666,398
Prepaid and other assets	154,718	141,332
Long term investments	1,645,293	1,904,070
Right of use assets	85,590	-
Property and equipment, net	25,622	25,648
Total assets	<u>\$ 4,400,884</u>	<u>\$ 4,032,291</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 591,598	\$ 174,556
Accrued expenses	284,866	253,074
Deferred revenue	146,005	35,454
Lease liability	88,273	-
Total liabilities	<u>1,110,742</u>	<u>463,084</u>
Net assets:		
Without donor restrictions	2,942,942	3,437,855
With donor restrictions	347,200	131,352
Total net assets	<u>3,290,142</u>	<u>3,569,207</u>
Total liabilities and net assets	<u>\$ 4,400,884</u>	<u>\$ 4,032,291</u>

**NATIONAL MARINE MAMMAL FOUNDATION, INC**

**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2022**

*(With Summarized Financial Information for the Year Ended December 31, 2021)*

	Without donor restrictions	With donor restrictions	Total	2021 (Note 12)
<u>Operating Activities:</u>				
<b>REVENUE AND SUPPORT</b>				
Grants and contracts	\$ 13,989,335	\$ -	13,989,335	\$ 12,997,640
Contributions	196,395	363,911	560,306	264,689
Net assets released from restrictions	<u>148,063</u>	<u>(148,063)</u>	-	-
Total operating revenue and support	<u>14,333,793</u>	<u>215,848</u>	<u>14,549,641</u>	<u>13,262,329</u>
<b>EXPENSES</b>				
Program services	13,330,977	-	13,330,977	12,136,698
Management and general	<u>1,239,250</u>	-	<u>1,239,250</u>	<u>1,181,184</u>
Total operating expenses	<u>14,570,227</u>	-	<u>14,570,227</u>	<u>13,317,882</u>
Operating revenue and support in (deficit) excess of expenses	<u>(236,434)</u>	<u>215,848</u>	<u>(20,586)</u>	<u>(55,553)</u>
<u>Non-operating activities</u>				
Investment income, net	18,421	-	18,421	12,131
Net realized and unrealized (loss) gain	<u>(276,900)</u>	-	<u>(276,900)</u>	<u>88,085</u>
Total nonoperating activities	<u>(258,479)</u>	-	<u>(258,479)</u>	<u>100,216</u>
Change in net assets	(494,913)	215,848	(279,065)	44,663
NET ASSETS AT BEGINNING OF YEAR	3,437,855	131,352	3,569,207	3,524,544
NET ASSETS AT END OF YEAR	<u>\$ 2,942,942</u>	<u>\$ 347,200</u>	<u>\$ 3,290,142</u>	<u>\$ 3,569,207</u>

**NATIONAL MARINE MAMMAL FOUNDATION, INC**

**STATEMENT OF FUNCTIONAL EXPENSE**

**Year Ended December 31, 2022**

**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	Program services	Management and general	Total	2021 (Note 12)
Salaries & wages	\$ 7,327,802	\$ 857,631	\$ 8,185,433	\$ 8,072,968
Payroll taxes and benefits	1,903,884	222,827	2,126,711	2,018,920
	<u>9,231,686</u>	<u>1,080,458</u>	<u>10,312,144</u>	<u>10,091,888</u>
Supplies and other direct costs	2,346,908	7,450	2,354,358	2,117,093
Outside services	901,633	34,377	936,010	608,733
Travel	546,017	37,340	583,357	157,314
Communications	101,920	11,928	113,848	115,435
Other expenses	21,182	51,236	72,418	35,671
Professional fees	60,788	2,318	63,106	51,096
Insurance	50,796	5,945	56,741	48,895
Depreciation and amortization	53,963	6,316	60,279	10,489
Occupancy	16,084	1,882	17,966	81,268
Total expenses	<u>\$ 13,330,977</u>	<u>\$ 1,239,250</u>	<u>\$ 14,570,227</u>	<u>\$ 13,317,882</u>

**NATIONAL MARINE MAMMAL FOUNDATION, INC**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2022**

**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	2022	2021 (Note 12)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (279,065)	\$ 44,663
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,191	10,489
Right of use asset amortization	52,088	-
Realized and unrealized losses (gains)	276,900	(88,085)
Change in operating assets and liabilities:		
Grants and contracts receivable	(630,933)	333,051
Prepaid and other assets	(13,386)	66,921
Accounts payable	417,042	762
Accrued expenses	31,792	(12,099)
Deferred revenue	110,551	(300,495)
Decrease in lease liability obligations	(49,405)	-
Net cash (used in) provided by operating activities	(76,225)	55,207
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(8,165)	(3,811)
Net purchases of long term investments	(261,798)	(15,884)
Net cash used in investing activities	(269,963)	(19,695)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments on Paycheck Protection Program Loan	-	(1,283,124)
Net cash used in financing activities	-	(1,283,124)
Change in cash and cash equivalents	(346,188)	(1,247,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,541,809	2,789,421
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,195,621	\$ 1,541,809
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash and cash equivalents	1,192,330	1,294,843
Cash and cash equivalents included in investments	3,291	246,966
	\$ 1,195,621	\$ 1,541,809

**Note 1. Organization and Significant Accounting Policies**

**Organization and Activities**

National Marine Mammal Foundation, Inc. (NMMF) is a nonprofit public benefit corporation. NMMF was founded and incorporated in 2007. The NMMF has a mission to improve and protect life for marine mammals, humans, and our shared oceans through science, service, and education. Our vision is to be the leading laboratory in marine mammal science, where critical questions about marine mammal health, welfare and conservation are answered by an unparalleled team of experts, and significant contributions are made locally and globally through science and education.

**Significant Accounting Policies**

**Method of Accounting** – The financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** – The financial statements of NMMF have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require NMMF to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of NMMF's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NMMF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to NMMF's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

**Revenue Recognition** – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance as deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-kind Contributions** – Volunteers contribute significant amounts of time to NMMF's program services, administration, and fundraising and development activities, however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles. Donated professional services are recognized at fair value of the services received. At December 31, 2022, no significant contributions of such goods or services were received during the year.

**Cash and Cash Equivalents** – NMMF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

NATIONAL MARINE MAMMAL FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

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**Long Term Investments** – NMMF reports investments at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment expenses, such as custodial, commission, and investment advisory fees, are netted against investment income in the statement of activities.

**Grants and Contracts Receivable** – Accounts receivable is primarily comprised of reimbursements due from contracted services pursuant to contractual agreements. The allowance for doubtful accounts balance represents management’s estimate of uncollectible accounts based upon historical information and examination of specific individual accounts. Management has determined that no allowance is needed for the year ended December 31, 2022.

**Prepaid and other assets** – Certain deposits and payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Property and equipment**– Property and equipment purchased by NMMF are recorded at cost. In-kind contributions of property and equipment are recorded at their fair market value at the date of gift. NMMF capitalizes all fixed assets over \$1,500. Depreciation is provided over the estimated useful lives over the related assets on a straight-line basis as follows:

Furniture and equipment	3 to 5 years
Buildings	39 years

Depreciation expense totaled \$8,191 for the year ended December 31, 2022.

**Leases** – Under ASC 842, NMMF determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. NMMF does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Functional Allocation of Expenses** – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of NMMF are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

**Income Taxes** – NMMF, a California not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. NMMF has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

**Use of Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently Adopted Accounting Standards** – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) that requires a lessee to recognize on the statement of financial position, a liability to make these payments and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. NMMF adopted ASU 2016-02 on January 1, 2022, using the modified retroactive approach for operating leases with a term greater than 12 months. NMMF also elected the package of practical expedients permitted under the new standard that allowed NMMF to carry forward historical lease classification for existing leases on the adoption date, and allowed NMMF not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of this standard resulted in recognition of operating right-of-use assets and lease liabilities of \$6,561 on the statement of financial position as of January 1, 2022. There was no material impact on the statement of activities, statement of functional expenses or statement of cash flows.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. NMMF recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. NMMF's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

NMMF has evaluated subsequent events through June 13, 2023, which is the date the financial statements are available for issuance and concluded that there are no events or transactions that need disclosed.

## **Note 2. Liquidity and Availability of Resources**

The following reflects NMMF's financial assets at the date of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, available within one year of the statement of financial position date for general expenditures.

Financial Assets	
Cash and cash equivalents	\$ 1,192,330
Grants and contracts receivable	1,297,331
Investments	<u>1,645,293</u>
Total financial assets available within one year	4,134,954
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>347,200</u>
Total amounts unavailable for general expenditures within one year	<u>347,200</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,787,754</u>

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

## **Note 3. Concentrations and Uncertainties**

Concentration of Credit Risk – NMMF maintains its cash in bank accounts which at times may exceed federally insured deposit limits. NMMF has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

**NATIONAL MARINE MAMMAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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Concentration of Revenue – NMMF has a contract with the Department of Defense that represents approximately 71% of its revenues for the year ended December 31, 2022.

COVID-19 Risks – In 2020, the COVID-19 virus was declared a global pandemic. NMMF has implemented extensive measures to protect the health and safety of its employees and continues to adapt day to day operations and processes to safely carry out its mission. NMMF continues to monitor and assess the implications to its business and take necessary actions to mitigate potential adverse consequences.

**Note 4. Investments and Fair Value Measurements**

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NMMF uses a fair value hierarchy that to maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that NMMF utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

NMMF's statement of financial position includes investments in publicly traded mutual funds that have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The following table summarizes NMMF's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2022, Using:			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Equities and mutual funds	\$ 1,642,002	\$ 1,642,002	\$ -	\$ -
Money market	3,291	3,291	-	-
	<u>\$ 1,645,293</u>	<u>\$ 1,645,293</u>	<u>\$ -</u>	<u>\$ -</u>

Management of NMMF is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of NMMF has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with accounting principles generally accepted in the United States of America.

NATIONAL MARINE MAMMAL FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

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Total investment income shown on the statement of activities at December 31, 2022, is made up of interest and dividends of \$29,917, realized and unrealized losses of \$276,900, and investment expenses of \$11,496.

**Note 5. Leases**

NMMF evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represents NMMF's right to use underlying assets for the lease term, and the lease liabilities represent NMMF's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. NMMF has made an accounting policy election to use US treasury rate as of January 1, 2022, to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 0.78%.

For the year ended December 31, 2022, total operating lease cost was \$17,966, and is included with occupancy on the statement of functional expenses.

Right-of-use assets consists of the following at December 31, 2022:

Right of use asset	\$ 137,678
Less: right of use asset depreciation	(52,088)
	<u>\$ 85,590</u>

Future minimum base lease payments required under the lease agreement for the years ended December 31 is as follows:

<u>Years Ending December 31,</u>	
2023	\$ 68,252
2024	20,509
Total lease payments	<u>88,761</u>
Less interest	(488)
Present value of lease liability	<u>\$ 88,273</u>

**Note 6. Property and Equipment**

Property and equipment consist of the following on December 31, 2022:

Equipment	\$ 75,840
Vehicles and vessels	29,000
	<u>104,840</u>
Less accumulated depreciation	(79,218)
	<u>\$ 25,622</u>

**Note 7. Line of Credit**

NMMF has line of credit with a maximum borrowing limit of \$1,000,000 that expires in September 2023. Borrowings under the line bear interest, payable monthly, at 3.526% plus the LIBOR rate. Any borrowings under the line are secured by accounts receivable and other assets. At December 31, 2022, NMMF did not have any outstanding balance on the line of credit.

**Note 8. Contingencies**

Legal – NMMF is subject to lawsuits and claims arising out of the normal conduct of its activities. NMMF believes it has adequate insurance coverage to provide for claims and related damages that may arise from these matters. Management believes that there are no significant claims outstanding as of December 31, 2022.

**Note 9. Net Assets with Donor Restrictions**

Net assets with donor restrictions represent contributions and other inflows received by NMMF, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

Marine mammal conservation	\$ 292,133
Scientific research	45,616
Community engagement	6,279
Scholarships	<u>3,172</u>
	<u>\$ 347,200</u>

**Note 10. Net Assets Released from Restriction**

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors. Accomplishments of donor-specified purposes are as follows for the year ended December 31, 2022:

Marine mammal conservation	\$ 125,221
Scientific research	21,208
Scholarships	<u>1,634</u>
	<u>\$ 148,063</u>

**Note 11. Employee Benefit Plans**

NMMF sponsors a 401(k) plan for its employees. The eligibility conditions are for all employees who have a service period of 3 months. The employer match will be a maximum of 100% of an employee's salary deferral up to 6% of that salary. In addition, NMMF has the option to provide discretionary contributions each year to employees with a maximum match of 4% of employee's salary. During the year ended December 31, 2022, NMMF made matching contributions totaling \$414,896 to the 401(k) plan and NMMF did not make a discretionary contribution.

**Note 12. December 31, 2021, Financial Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such prior year information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NMMF's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

***SUPPLEMENTARY INFORMATION***

**NATIONAL MARINE MAMMAL FOUNDATION, INC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Document Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Defense</b>				
Basic and Applied Scientific Research	12.300*	N00014-20-1-2295	\$ -	\$ 10,237
Basic and Applied Scientific Research	12.300*	N00014-21-1-2414	-	223,735
Basic and Applied Scientific Research	12.300*	N00014-22-1-2461	-	66,690
Basic and Applied Scientific Research	12.300*	N00014-21-1-2619	146,887	253,217
Basic and Applied Scientific Research	12.300*	N00014-22-1-2706	-	7,900
Basic and Applied Scientific Research	12.300*	N00014-22-1-2833	-	22,621
<b>U.S. Department of Defense</b>				
<b>Pass-through Office of Naval Research</b>				
Basic and Applied Scientific Research	12.300*	N00014-21-1-2173	-	4,238
Basic and Applied Scientific Research	12.300*	N00014-22-1-2707	-	19,341
Total US Department of Defense			<u>146,887</u>	<u>607,979</u>
<b>National Science Foundation</b>				
Biological Sciences	47.074	1656077	-	34,724
Total National Science Foundation			<u>-</u>	<u>34,724</u>
<b>US Department of Commerce</b>				
Marine Mammal Data Program	11.439	NA20NMF4390132	-	47,324
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.439	NA22NMF4390263	-	5,856
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	NA21NOS4510183	-	51,759
Unallied Management Projects	11.454	NA21NMF4540492	-	24,461
<b>US Department of Commerce</b>				
<b>Pass-through National Oceanic and Atmospheric Administration</b>				
NOAA Mission-Related Education Awards	11.008	NA20NMF0080281	-	1,003
Climate and Atmospheric Research	11.431	NA18OAR4310253	113,909	159,422
NOAA Cooperative Institutes	11.432	NA19OAR4320074	-	334
Total U.S. Department of Commerce			<u>113,909</u>	<u>290,159</u>
<b>Marine Mammal Commission</b>				
Marine Mammal Commission	NONE	MMC19167	-	27,952
Total Marine Mammal Commission			<u>-</u>	<u>27,952</u>
<b>Total expenditures of federal awards</b>			<u>\$ 260,796</u>	<u>\$ 960,814</u>

\* - Denotes major federal program

**Note A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of NMMF under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operation of NMMF, it is not intended to and does not present the financial position, changes in net assets and cash flows of NMMF.

**Note B. Basis of Accounting**

This Schedule is prepared on the same basis of accounting as NMMF financial statements. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements**

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards on the Schedule does not agree to the total grant and contract revenue on the Statement of Activities and Changes in Net Assets.

**Note D. Indirect Cost Rate**

NMMF did not elect to use the 10% de minimis cost rate as allowed under the uniform guidance.



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

Board of Directors  
National Marine Mammal Foundation, Inc.  
San Diego, California

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 National Marine Mammal Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements 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 June 13, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Marine Mammal Foundation (NMMF) internal control over financial reporting (internal control) to determine the 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 NMMF's internal control. Accordingly, we do not express an opinion on the effectiveness of NMMF'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NMMF'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*.

Board of Directors  
National Marine Mammal Foundation

**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 NMMF'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WEST RHODE & ROBERTS

San Diego, California  
June 13, 2023



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

Board of Directors  
National Marine Mammal Foundation, Inc.  
San Diego, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited National Marine Mammal Foundation, Inc's (NMMF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NMMF's major federal programs for the year ended December 31, 2022. NMMF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NMMF 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, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NMMF and to meet our other 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 NMMF'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, and provisions of contracts or grant agreements applicable to NMMF's federal programs.

### ***Auditor's 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 NMMF'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 NMMF'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 NMMF'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 NMMF'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 NMMF'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 Auditor's 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.

Board of Directors  
National Marine Mammal Foundation

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.



WEST RHODE & ROBERTS

San Diego, California  
June 13, 2023

**NATIONAL MARINE MAMMAL FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2022**

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**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
- Non-compliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified?  Yes  No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFE Section 200.516(a)?  Yes  No

**Identification of Major Programs**

**CFDA Numbers** \_\_\_\_\_

**Name of Federal Programs or Cluster**

**U. S. Department of Defense**

CFDA 12.300

Basic and Applied Scientific Research

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**NATIONAL MARINE MAMMAL FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**Year Ended December 31, 2022**

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**B. Findings – Financial Statements Audit**

No reportable findings were noted during NMMF's financial statements audit.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

A single audit was not required for the prior year ended December 31, 2021.