

GREATER FARALLONES ASSOCIATION

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2023

(with summarized comparative totals as of and
for the year ended March 31, 2022)



GREATER FARALLONES ASSOCIATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Farallones Association
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Greater Farallones Association ("GFA") (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023, 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 GFA as of March 31, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GFA 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 opinions.

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 GFA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 GFA'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 GFA'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the GFA's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) 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 basic 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited GFA's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 08, 2023, on our consideration of the GFA'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 the GFA'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 GFA's internal control over financial reporting and compliance.

Harskmal & Company LLP

Oakland, California
November 08, 2023

FINANCIAL STATEMENTS

GREATER FARALLONES ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023
(With summarized totals as of March 31, 2022)

	2023	2022
ASSETS		
Cash and cash equivalent	\$ 1,083,062	\$ 673,204
Accounts receivable	189,782	368,957
Grant & contract receivable	85,493	41,450
Benefits receivable	-	3,774
Inventory	3,835	2,346
Prepaid expenses	97,761	14,412
Property and equipment, net	31,615	8,865
Total assets	1,491,548	1,113,008
LIABILITIES AND NET ASSETS		
LIABILITIES		
Account payable	115,663	8,203
Accrued expenses	202,478	157,654
Deferred revenue	479,186	3,235
Credit card payable	217	1,735
Total liabilities	797,544	170,827
NET ASSETS		
Without donor restrictions	366,431	459,738
With donor restrictions	327,573	482,443
Total net assets	694,004	942,181
Total liabilities and net assets	\$ 1,491,548	\$ 1,113,008

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

GREATER FARALLONES ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023
(With summarized totals for the year ended March 31, 2022)

	Without donor restrictions	With donor restrictions	Total 2023	Total 2022
REVENUE AND SUPPORT				
Contributions	\$ 982,380	\$ 484,390	\$ 1,466,770	\$ 1,098,712
Contributions-in-kind	468,476	-	468,476	342,434
Contracts	674,059	-	674,059	734,199
Program services	60,268	-	60,268	39,929
Sales	608	-	608	-
Rental income	-	-	-	8,800
Interest	11,797	-	11,797	385
PPP loan forgiveness income	-	-	-	179,703
Other income	1,900	-	1,900	25,820
Net assets released from restrictions	<u>466,205</u>	<u>(466,205)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>2,665,693</u>	<u>18,185</u>	<u>2,683,878</u>	<u>2,429,982</u>
EXPENSES AND LOSSES				
Program services	2,249,212	-	2,249,212	1,567,986
Management and general	351,612	-	351,612	315,697
Fundraising	<u>146,757</u>	<u>-</u>	<u>146,757</u>	<u>188,257</u>
Total expenses and losses	<u>2,747,581</u>	<u>-</u>	<u>2,747,581</u>	<u>2,071,940</u>
Change in net assets	<u>(81,888)</u>	<u>18,185</u>	<u>(63,703)</u>	<u>358,042</u>
Net assets, beginning of year	459,738	482,443	942,181	584,139
<i>Restatement</i>	<u>(11,419)</u>	<u>(173,055)</u>	<u>(184,474)</u>	<u>-</u>
Net assets, beginning of the year- <i>restated</i>	<u>448,319</u>	<u>309,388</u>	<u>757,707</u>	<u>584,139</u>
Net assets, end of the year	<u>\$ 366,431</u>	<u>\$ 327,573</u>	<u>\$ 694,004</u>	<u>\$ 942,181</u>

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

GREATER FARALLONES ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023
(With summarized totals for the year ended March 31, 2022)

	2023			2022	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Compensation	\$ 1,198,657	\$ 149,213	\$ 102,892	\$1,450,762	\$ 1,276,747
Employee benefits	118,971	36,370	11,148	166,489	126,237
Payroll taxes	97,448	12,474	8,139	118,061	95,477
Bank service charges	9	3,625	-	3,634	4,502
Conferences	1,802	-	-	1,802	605
Dues and subscriptions	13,254	494	792	14,540	7,979
Insurance	-	9,109	99	9,208	8,707
Occupancy	96,069	12,334	12,334	120,737	104,423
Postage and delivery	1,930	144	499	2,573	2,094
Printing and reproduction	548	1,654	2,886	5,088	4,678
Professional services	613,453	118,389	2,926	734,768	391,644
Supplies	64,450	1,696	34	66,180	8,717
Telephone	-	3,503	3,000	6,503	5,492
Travel	41,681	157	441	42,279	28,638
Other	510	1,357	-	1,867	3,340
Depreciation	430	1,093	1,567	3,090	2,660
Total expenses 2023	<u>\$ 2,249,212</u>	<u>\$ 351,612</u>	<u>\$ 146,757</u>	<u>\$2,747,581</u>	
Total expenses 2022		<u>\$ 315,697</u>	<u>\$ 188,257</u>		<u>\$ 2,071,940</u>

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

GREATER FARALLONES ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
(With summarized totals for the year ended March 31, 2022)

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ (63,703)	\$ 358,042
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Restatement	(184,474)	-
PPP loan forgiveness income	-	(179,703)
Depreciation	3,090	2,660
Changes in operating assets and liabilities:		
Accounts receivable	179,175	(172,362)
Inventory	(1,489)	-
Grant & contributions receivable	(44,043)	(41,450)
Benefits receivable	3,774	(3,774)
Credit card payable	(1,518)	1,735
Prepaid expenses	(83,349)	(253)
Accounts payable	107,460	(536)
Accrued expenses	44,824	4,490
Unearned revenue	<u>475,951</u>	<u>2,435</u>
Net cash provided by/ (used in) operating activities	<u>435,698</u>	<u>(28,716)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(25,840)</u>	<u>-</u>
Net cash provided by/ (used in) investing activities	<u>(25,840)</u>	<u>-</u>
Change in cash and cash equivalents	409,858	(28,716)
Cash and cash equivalents, beginning of year	<u>673,204</u>	<u>701,920</u>
Cash and cash equivalents, end of year	<u>\$ 1,083,062</u>	<u>\$ 673,204</u>

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

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 - NATURE OF ACTIVITIES

Greater Farallones Association ("GFA") is the primary nonprofit organization partnering with the Greater Farallones and Cordell Bank National Marine Sanctuaries ("the Sanctuaries") to conserve the wildlife and habitats of the Sanctuaries through ecosystem monitoring, environmental education, and community-based conservation. Through high-impact programs rooted in science, GFA reaches thousands of adults and youth each year in ocean conservation, manages ecosystem monitoring by highly-trained community members, tracks population trends for globally significant wildlife in the Sanctuaries, restores vital habitats like kelp forests, and supports coastal resilience to climate challenges like sea-level rise through nature-based solutions. In addition, GFA supports climate change vulnerability and blue carbon research across the entire system of the National Oceanic and Atmospheric Administration's (NOAA) Office of National Marine Sanctuaries.

The significant programs of GFA are as follows:

Conservation

Working with the Sanctuaries, GFA restores coastal and marine habitats, conserves vulnerable wildlife and ecosystems, and assists coastal communities in preparing for climate change. GFA coordinates a large-scale project to map and restore bull kelp forests along 200 miles of coastline. Promoting nature-based solutions, GFA manages work to increase the resilience of ecologically important coastal habitats to climate change, supporting the long-term health of migrating shorebirds and complex wetland ecosystems that are vital to the Sanctuary's health. GFA also leads collaborative efforts to better manage sediment on California beaches to protect humans and wildlife. Through targeted outreach, GFA also significantly reduces boat and aircraft disturbances to endangered whales and key seabird colonies.

Ecosystem Monitoring

GFA monitors the health of wildlife ecosystems in the coastal and marine habitats of the Sanctuary. Working with the Sanctuaries, GFA coordinates skilled volunteers in conducting monthly monitoring of more than 200 miles of beaches monthly for changes in wildlife populations. GFA has included in its financial statements the value of volunteer labor that supports the 30-year-old Beach Watch program, demonstrating the leveraging power of donations to GFA. In addition, through the program Long-term Monitoring Program and Experiential Training for Students (LiMPETS), GFA engages high school students in scientific fieldwork in intertidal areas. GFA also assists the Sanctuaries in monitoring marine wildlife distribution and abundance, zooplankton prey availability, and oceanographic conditions. Data gathered and analyzed by GFA staff help federal and state resource managers make the best science-based decisions to protect the Sanctuaries.

Education and Outreach

GFA engages thousands of youth and adults each year, connecting communities and students from California coastal communities to their local ocean environment. Working with the GFNMS, GFA supports the Sanctuaries' Visitor Center, caring for animals in saltwater aquaria and managing field trips on the sandy beaches of Crissy Field in the Presidio, where the Visitor Center (and joint offices) are located. With support from private funders and local governments, GFA delivers inquiry-based lessons to Bay Area students that inspire curiosity and wonder, help students discover the ocean, and spark an interest in science, nature, and a stewardship ethic. A key focus in determining student audiences is reaching underserved students and encouraging a racially diverse next generation of marine stewards.

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 - NATURE OF ACTIVITIES - CONT'D

Office of National Marine Sanctuary Memorandum of Agreement

GFA operates as the primary nonprofit partner of the Greater Farallones and Cordell Bank National Marine Sanctuaries delivering joint ecosystem monitoring, environmental education, and community-based conservation programs under a Memorandum of Agreement (MOA) with U.S. Department of Commerce, NOAA, National Ocean Service, Office of National Marine Sanctuaries (ONMS). The latest MOA became effective on November 18, 2019, and is scheduled to expire on December 31, 2024, unless terminated earlier by any party. In addition, ONMS provides financial assistance to GFA through annexes to the MOA for specific joint projects and statements of work.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

A. Basis of Accounting

The financial statements of GFA are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GFA applies all relevant FASB pronouncements.

The Financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards codification (ASC) 958 dated august 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) " Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective from January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, GFA classifies the net assets and changes in net assets as follows:

- 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 GFA. GFA's board may designate assets without restrictions for specific operational purposes from time to time.
- 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 GFA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds 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 March 31, 2023 and 2022, GFA has net assets with donor restrictions of \$327,573 and \$482,443 respectively.

B. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposit with commercial banks and money market mutual fund with a regulated investment company.

C. Contributions Receivable

Contributions receivable consist principally of amounts expended by GFA under cost-reimbursement contracts and foundation grants, but not reimbursed by contractors or collected from grantors. All contributions receivables are due within one year.

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Accounts Receivable

Accounts receivable consist of amounts due under fee for services contracts and programs. All accounts receivables are due within one year.

E. Allowance for Uncollectible Receivables

GFA uses the allowance method to estimate any uncollectible receivables. GFA estimates the allowance by analyzing specific receivables and previous collection experience. Using these methods, as of March 31, 2023 and 2022, management estimated that any allowance would be immaterial to the financial position of GFA.

F. Property and Equipment

GFA capitalizes the cost (or fair value, if contributed) of property and equipment that equals or exceeds \$5,000 and expenses the cost of property and equipment that is less than \$5,000. GFA estimates the depreciation of capitalized property and equipment using the straight-line method over the estimated useful lives.

Under the MOA with NOAA, GFA may occupy and use certain buildings without paying rent. However, the National Park Services owns the buildings and leases them directly to NOAA, not GFA.

G. Revenue Recognition

As per Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of goods at a point in time based on shipping terms and transfer of title. Revenue is measured as the amount of consideration expect to be received in exchange for transferring goods. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue

H. Contributions

Contributions consist of unconditional promises to give, which GFA records at fair value, and classifies based on the existence or absence of any donor restrictions.

I. Contributed Services and Space

Scientists, field observers and other professionals contribute substantial professional services to GFA. GFA determines the fair value of those services based on actual and estimated costs to obtain the services in markets available to GFA. In addition, under various agreements with ONMS, ONMS provides free office space, utilities, personnel and use of government vehicles to GFA. GFA determines the fair value of those items based on cost information provided by ONMS.

GFA uses the contributed services and space in its activities. GFA allocates contributed services to the programs benefiting and contributed space based on personnel counts.

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

J. Contracts

Contract support consists of conditional cost-reimbursement contracts. GFA does not recognize support from these contracts until it fulfills the conditions; generally, by expending costs and performing services to accomplish the requirements of the contracts.

GFA receives contract and grant support pursuant to agreements with agencies of the United States, California and local governments. The agreements provide the agencies the opportunity to review or audit the expenditure of contract support to establish compliance with laws, regulations and the specific terms of the agreements. Management believes that GFA has complied with the various requirements under these agreements and that any adjustments, if they were to occur, would be immaterial to the financial position of GFA.

K. Program Service Fees

Program service fees consist of amounts earned under fee for services contracts providing program services, including use of facilities, educational visits and summer camps. GFA recognizes program service fees when providing the contracted services or upon completion of the use, visit or camp.

L. Cost Allocation

GFA summarizes the costs of providing its various programs and supporting activities on a functional basis. Accordingly, GFA allocates certain costs between programs and supporting services. GFA allocates direct costs to the activity benefited. GFA allocates direct costs that benefit more than one activity on the basis of relative usage. GFA allocates indirect costs on the basis of actual and estimated personnel time spent and space used.

M. Accrued Vacation

GFA provides paid vacation benefits to eligible employees on completion of one or more months of continuous employment. Regular employees are awarded vacation time at the following rate:

<u>Employment terms (in years)</u>	<u>Hours per year</u>	<u>Maximum hours</u>
0 to 2 (except first 30 days)	104	150
2 to 5	156	240
More than 5	182	350

N. Income Taxes

GFA is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and from California bank and corporation taxes under the California Revenue and Taxation Code 23701(d). In addition, the Internal Revenue Service (IRS) has classified GFA as other than a private foundation, i.e., a "public" charity. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. The management of GFA believes that none of the activities of GFA jeopardized this tax-exempt status.

GFA addresses the accounting for uncertainties in income tax recognized in its financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions, including the position that GFA is tax-exempt, taken or expected to be taken in its tax returns. The management of GFA believes adjustments for uncertain tax positions, if any, would be immaterial to the financial position of GFA. Although GFA is not subject to income taxation currently, its tax filings are still open for examination by the IRS and the Franchise Tax Board.

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Comparative Information

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with GFA's financial statements for the year ended March 31, 2022, from which the summarized information was derived. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of March 31, 2023, and 2022, the GFA's cash and cash equivalents consisted of the following:

	<u>2023</u>	<u>2022</u>
Checking account	\$ 199,862	\$ 391,039
Petty cash, paypal & bill com	1,620	2,250
Cash, money funds and bank deposits	<u>881,580</u>	<u>279,915</u>
Total	<u>\$ 1,083,062</u>	<u>\$ 673,204</u>

Cash and cash equivalents are potentially subject to concentrations of credit risk. GFA's cash and checking account balance are insured by the Federal Deposit Insurance Corporation (FDIC). As of March 31, 2023, the carrying amount of checking account and the bank balance both were \$199,862. As of March 31, 2022, the carrying amount of checking account and the bank balance both were also \$391,039.

NOTE 4 - GRANT & CONTRACT RECEIVABLE

Grant & contract receivable at March 31, 2023 and 2022 consist of following:

	<u>2023</u>	<u>2022</u>
NFWF:NFWF Kelp Grant - SF Bay Conservation	\$ 21,830	\$ -
NFWF: National Fish and Wildlife Foundation:Seabird (SPN) NFWF Grant	10,048	-
PSMFC Fishery Disaster Relief for West Coast and Tribal Fisheries	5,337	-
National Oceanic Atmospheric Administration (GFNMS)	35,691	-
Lynker Technologies	12,587	-
Hellman Foundation	-	40,000
Others	<u>-</u>	<u>1,450</u>
Total grant & contract receivable	<u>\$ 85,493</u>	<u>\$ 41,450</u>

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5 - PROPERTY AND EQUIPMENT

As of March 31, 2023 and 2022, GFA's equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 62,793	\$ 36,953
Less: accumulated depreciation	<u>(31,178)</u>	<u>(28,088)</u>
Equipment, net	<u>\$ 31,615</u>	<u>\$ 8,865</u>

Depreciation expense for the years ended March 31, 2023 and 2022 were \$3,090 and \$2,660, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

During the year ended March 31, 2023, net assets with donor restrictions reconcile as follows:

<u>Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Beginning Balance Adjustment</u>	<u>Ending Balance</u>
Ecosystem monitoring	\$ 35,395	\$ 36,047	\$ (48,842)	\$ -	\$ 22,600
JEDI	3,007	40,000	(37,717)	-	5,290
Conservation	239,280	177,915	(85,164)	(173,055)	158,976
LiMPETS	143,256	87,675	(150,543)	-	80,388
Volunteer appreciation event	5,122	6,700	(11,632)	-	190
NOAA, GFNMS, CBNMS	35,703	17,159	(13,118)	-	39,744
Education and outreach	<u>20,680</u>	<u>118,894</u>	<u>(119,189)</u>	<u>-</u>	<u>20,385</u>
Totals 2023	<u>\$ 482,443</u>	<u>\$ 484,390</u>	<u>\$ (466,205)</u>	<u>\$ (173,055)</u>	<u>\$ 327,573</u>
Totals 2022	<u>\$ 311,901</u>	<u>\$ 872,817</u>	<u>\$ (702,275)</u>	<u>\$ -</u>	<u>\$ 482,443</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at March 31, 2023 and 2022, consist of following:

	<u>2023</u>	<u>2022</u>
Restoring Kelp Forest Habitat in Greater Farallones National Marine Sanctuary	\$ 400,590	\$ -
Turning the Tide: Advancing Natural Solutions to Sea Level Rise Impacts	18,981	-
Advancing Ship Strike and Blue Carbon Management Strategies for the Protection of Whales	37,000	-
Collaborate for Ocean Stewardship	2,504	-
Engaging Coastal Communities in Kelp Forest Recovery	20,111	-
Bay Area Community Resources & others	<u>-</u>	<u>3,235</u>
Total deferred revenue	<u>\$ 479,186</u>	<u>\$ 3,235</u>

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 8 - CONTRACT SUPPORT

During the year ended March 31, 2023, GFA met the conditions under certain contracts and recognized support as follows:

	<u>2023</u>	<u>2022</u>
University of California, Santa Barbara	\$ 7,217	\$ 12,240
State Lands Commission	4,215	10,785
National Oceanic Atmospheric Administration (GFMMS)	510,112	562,134
Lynker Technologies, LLC	149,225	111,266
Marin County Parks	-	9,774
Ventura County Air Pollution	<u>3,290</u>	<u>28,000</u>
Total contract support	<u>\$ 674,059</u>	<u>\$ 734,199</u>

NOTE 9 - CONTRIBUTIONS-IN-KIND

During the year ended March 31, 2023, GFA utilized and allocated in-kind contributions of professional services and space to the following activities:

	<u>Services</u>	<u>Space</u>	<u>2023</u>	<u>2022</u>
Ecosystem monitoring/Science	\$ 357,470	\$ 30,835	\$ 388,305	\$ 266,272
Education and outreach	-	18,501	18,501	17,576
Conservation	-	24,668	24,668	29,293
Development/Fundraising	-	12,334	12,334	17,576
Management/Finance	-	12,334	12,334	11,717
Kelp restoration	<u>-</u>	<u>12,334</u>	<u>12,334</u>	<u>-</u>
Total contributions-in-kind	<u>\$ 357,470</u>	<u>\$ 111,006</u>	<u>\$ 468,476</u>	<u>\$ 342,434</u>

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

GFA's financial assets as of March 31, 2023 and 2022, and those available to meet cash needs for general expenditures reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalent	\$ 1,083,062	\$ 673,204
Account receivables	189,782	368,957
Grant & contract receivable	<u>85,493</u>	<u>45,224</u>
Total financial assets	<u>1,358,337</u>	<u>1,087,385</u>
Less: Amounts unavailable for general expenditures within one year		
Net assets with donor restrictions	<u>327,573</u>	<u>482,443</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,030,764</u>	<u>\$ 604,942</u>

GREATER FARALLONES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - CONT'D

GFA manages its cash using a cash flow tool, monitored and updated regularly, to identify future cash needs. In addition, GFA reviews key performance indicators for each program, including those that may impact liquidity. As part of its liquidity management, GFA invests cash in excess of daily requirements in short-term investments, typically interest-bearing demand deposits with commercial banks and savings accounts and a money market mutual fund with a regulated investment company.

NOTE 11 - RETIREMENT PLAN

GFA also provides access to custodial (non-ERISA) 403(b) retirement plan accounts that employees may use to deposit deferred salary pre-tax contributions. Eligible employees may defer up to 100% of their eligible salary to the 403(b) Plan, subject to limits imposed under the IRC.

NOTE 12 - ACCRUED EXPENSES

Accrued expenses consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Accrued vacation pay (annual leave)	\$ 128,820	\$ 113,203
Accrued salaries and wages	<u>73,658</u>	<u>44,451</u>
Total accrued expenses	<u>\$ 202,478</u>	<u>\$ 157,654</u>

NOTE 13 - RESTATEMENT

During the fiscal year ended March 31, 2023, the GFA determined that changes to the beginning of year net position were necessary due to incorrect accounts receivables balance in the prior year. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment that resulted in a prior period adjustment to its financial statements is as follows:

	<u>Net Asset With Donor Restriction</u>	<u>Net Asset Without Donor Restriction</u>
Net asset balance as previously reported at March 31, 2022	\$ 482,443	\$ 459,738
Prior period adjustments due to:		
Accounts receivables	<u>(173,055)</u>	<u>(11,419)</u>
Net asset balance as restated, April 1, 2022	<u>\$ 309,388</u>	<u>\$ 448,319</u>

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

The management of GFA has reviewed the results of operations for the period of time from its year ended March 31, 2023, through November 08, 2023, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

GREATER FARALLONES ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal/Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S Department of Commerce			
Direct			
Restoring Kelp Forest Habitat in Greater Farallones National Marine Sanctuary	11.469	NA22NOS4690210	\$ 374,410
Turning the Tide: Advancing Natural Solutions to Sea Level Rise Impacts	11.478	NA22NOS4780173	46,594
Engaging Coastal Communities in Kelp Forest Recovery	11.429	NA21NOS4290075	15,271
Memorandum of Agreement for Enhancing the ability of National Marine Sanctuaries to conduct research, develop and deliver education and outreach programming and coordinate coastal and marine resource protection efforts		MOA-2018-123 (Annex005)	510,112
Pass through from Lynker Technologies, LLC			
ProTech Oceans ONMS Greater Farallones National Marine Sanctuaries (GFNMS) Support Services		2020-1001-022	149,224
Pass-through from Pacific States Marine Fisheries Commission			
Fishery Disaster Relief For West Coast and Tribal Fisheries	11.477		5,338
Pass-through from National Fish and Wildlife Foundation (NFWF)			
Investigation of Kelp Forest Restoration Method and interconnectivity in Coastal habitats		73759	103,714
Seabird Protection Network	3002.15.051026/51026		<u>191,537</u>
Total U.S Department of Commerce			<u>1,396,200</u>
U.S Department of Interior			
Direct			
Collaborate for Ocean Stewardship	15.944	P21AC11856	<u>3,496</u>
Total U.S Department of Interior			<u>3,496</u>
Total Federal Assistance and Expenditures			<u>\$ 1,399,696</u>

See accompanying notes to schedule of expenditures of federal awards.

GREATER FARALLONES ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Greater Farallones Association ("GFA") under programs of the federal government for the year ended March 31, 2023. The information in this 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). Because the schedule presents only a selected portion of the operations of GFA, it is not intended to and does not present the financial position, changes in net assets or cash flows of GFA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATE

GFA has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The GFA reported no subrecipients grants.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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,
Greater Farallones Association
San Francisco, 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 Greater Farallones Association ("GFA"), (a nonprofit organization), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 08, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GFA's 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 GFA's internal control. Accordingly, we do not express an opinion on the effectiveness of GFA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GFA'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 financial statements. 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*.

GFA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the GFA's responses to the findings identified in our audit and described in the accompanying schedule of findings and costs. The GFA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 organization'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.

Harshmal & Company LLP

Oakland, California
November 08, 2023

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

To the Board of Directors
Greater Farallones Association
San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Greater Farallones Association's ("GFA") 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 GFA's major federal programs for the year ended March 31, 2023. GFA'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, GFA 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 March 31, 2023.

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 GFA 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 GFA'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 GFA'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 GFA'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 GFA'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 GFA'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 GFA'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 GFA'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.

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.

Harshmal & Company LLP

Oakland, California
November 08, 2023

**GREATER FARALLONES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified that are not considered to be material weakness?	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 2 CFR section 200.516(a)?	No

Identification of major programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
11.469	Restoring Kelp Forest Habitat in Greater Farallones National Marine Sanctuary
MOA-2018-123(ANNEX005)	Memorandum of Agreement for Enhancing the ability of National Marine Sanctuaries to conduct research, develop and deliver education and outreach programming and coordinate coastal and marine resource protection efforts

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**GREATER FARALLONES ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2023**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS

2023-001 Internal Control over Accounting Records (Material Weakness)

Criteria or Specific Requirement:

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. The OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations requires that GFA accurately identify all federal awards expended on the schedule of expenditures of federal awards (SEFA).

Condition:

GFA lacks a consistent system of internal controls over financial reporting to ensure the accurate preparation of the Schedule of Federal Expenditures (the Schedule). Adjustments to the SEFA were needed to correctly report the federal awards that were expended. Corrections to the GFA's SEFA schedule were necessary due to adjustments to the financial statements.

Cause:

Internal controls were not in place to ensure proper preparation of the Schedule. Procedures and controls were not properly implemented to comply with federal compliance requirements in the preparation of the SEFA.

Effect:

GFA had to make a significant revision to its SEFA during the audit to properly report expenditures at year-end.

Auditor's Recommendation:

We recommend that GFA evaluate all aspects of the financial close and reporting processes, and establish effective internal controls and procedures to ensure accurate financial statements and supporting schedules. GFA should establish comprehensive procedures to report all expenditures that correspond to federal grants.

Management responses:

GFA has strong systems to accurately track expenditures of federal grants. The revisions to the SEFA were a result of a change in revenue recognition procedures that affected which expenditures were included during the reporting period. Revenue treatment policy was based on guidance from our prior accounting firm, whose contract was terminated March 31, 2023. GFA has changed accountants, moving to a larger accounting firm that is better qualified and more experienced in correctly accounting for federal awards.

GFA provided an accurate SEFA prior to the close of the audit. In addition, GFA has new procedures to reconcile its SEFA on a quarterly basis, ensuring accurate reporting of federal expenditures.

Anticipated Completion Date:

Complete. An accurate SEFA was reported prior to the close of the audit.

Responsible Party:

GFA

**GREATER FARALLONES ASSOCIATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED MARCH 31, 2023**

There were no findings reported in the prior year that require a status update.