



ONEREEF WORLDWIDE STEWARDSHIP

(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2023

ONEREEF WORLDWIDE STEWARDSHIP

TABLE OF CONTENTS

DECEMBER 31, 2023

INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to financial statements	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ONEREEF WORLDWIDE STEWARDSHIP

Opinion

We have audited the accompanying financial statements of ONEREEF WORLDWIDE STEWARDSHIP (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, statement of 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 ONEREEF WORLDWIDE STEWARDSHIP as of December 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. 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 ONEREEF WORLDWIDE STEWARDSHIP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ONEREEF WORLDWIDE STEWARDSHIP'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ONEREEF WORLDWIDE STEWARDSHIP'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 ONEREEF WORLDWIDE STEWARDSHIP'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.



Tryna Accountancy Corporation

Oakland, California

May 24, 2024

ONEREEF WORLDWIDE STEWARDSHIP

**STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 855,034	\$ 512,459	\$ 1,367,493
Account receivables	10,488	-	10,488
Contribution receivables	214,207	1,949,810	2,164,017
Other receivables	11,108	-	11,108
Investments	394	-	394
Prepaid expense	1,165	-	1,165
	<hr/>	<hr/>	<hr/>
Total current assets	1,092,396	2,462,269	3,554,665
Property and equipment, net	10,500	-	10,500
Security deposit	2,000	-	2,000
Operating lease right-of-use assets	19,403	-	19,403
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,124,299	\$ 2,462,269	\$ 3,586,568
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	\$ 82,939	\$ -	\$ 82,939
Payroll liabilities	5,156	-	5,156
Operating lease liabilities, current	15,403	-	15,403
	<hr/>	<hr/>	<hr/>
Total current liabilities	103,498	-	103,498
Operating lease liabilities, noncurrent	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	103,498	-	103,498
	<hr/>	<hr/>	<hr/>
Net assets			
Without donor restrictions			
Undesignated	1,020,801	-	1,020,801
With donor restrictions			
Purpose and time restrictions	-	2,462,269	2,462,269
	<hr/>	<hr/>	<hr/>
Total net assets	1,020,801	2,462,269	3,483,070
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,124,299	\$ 2,462,269	\$ 3,586,568
	<hr/>	<hr/>	<hr/>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

ONEREEF WORLDWIDE STEWARDSHIP

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and donations	\$ 1,547,903	\$ 2,004,034	\$ 3,551,937
In-kind contributions	71,932	-	71,932
Investment return	55,241	-	55,241
Net assets released from restrictions	<u>558,789</u>	<u>(558,789)</u>	<u>-</u>
Total support	<u>2,233,865</u>	<u>1,445,245</u>	<u>3,679,110</u>
Expenses			
Program services			
Regional reef protection	834,599	-	834,599
Innovations	343,594	-	343,594
Micronesia capacity building	435,703	-	435,703
Supporting services			
Management and general	121,657	-	121,657
Fundraising	<u>289,939</u>	<u>-</u>	<u>289,939</u>
Total expense	<u>2,025,492</u>	<u>-</u>	<u>2,025,492</u>
Change in net assets	208,373	1,445,245	1,653,618
Net assets at beginning of year	<u>812,428</u>	<u>1,017,024</u>	<u>1,829,452</u>
Net assets at end of year	\$ <u><u>1,020,801</u></u>	\$ <u><u>2,462,269</u></u>	\$ <u><u>3,483,070</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

ONEREEF WORLDWIDE STEWARDSHIP

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program Services			Support Services		Total
	Regional Reef Protection	Innovations	Micronesia Capacity Building	Management and General	Fundraising	
Salaries and wages	\$ 370,416	\$ -	\$ -	\$ 45,820	\$ 81,040	\$ 497,276
Payroll taxes and fees	22,975	-	21,334	16,631	5,907	66,847
Employee benefits	4,738	-	-	1,902	1,222	7,862
Advertising and marketing	-	-	125	-	6,850	6,975
Charitable contribution	50,000	21,412	1,150	-	50	72,612
Computer and telephone	1,848	-	8,909	53	300	11,110
Conference and entertainment	17,891	17,601	10,850	334	1,238	47,914
Conservation agreements	-	123,152	-	-	-	123,152
Contract services	-	16,250	279,520	-	-	295,770
Depreciation expense	-	-	-	2,871	-	2,871
Dues, fees, and other charges	4,315	46	3,588	3,844	3,617	15,410
Insurance	21,865	549	-	5,695	6,585	34,694
Licenses and permits	-	1,600	-	200	-	1,800
Office supplies	11,657	13,064	22,954	1,217	822	49,714
Postage and printing	13	232	1,576	328	-	2,149
Professional fees	230,146	103,216	45,430	38,342	175,677	592,811
Rent	1,650	9,300	21,098	-	-	32,048
Travel	97,085	37,172	19,169	4,420	6,631	164,477
Total	\$ 834,599	\$ 343,594	\$ 435,703	\$ 121,657	\$ 289,939	\$ 2,025,492

See Independent Auditor's Report and Accompanying Notes to Financial Statements

ONEREEF WORLDWIDE STEWARDSHIP

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

Cash flows from operating activities

Change in net assets	\$ 1,653,618
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation expense	2,871
Unrealized (gain)/ loss on investments	(53,214)
Operating lease right-of-use assets	18,528
(Increase) decrease in operating assets	
Account receivables	(10,488)
Contribution receivables	(1,642,685)
Note receivables	(9,826)
Prepaid expense	5,762
Security deposit	-
Increase (decrease) in operating liabilities	
Accounts payable	74,584
Payroll liabilities	5,156
Operating lease liabilities	(22,528)
Net cash provided/(used) by operating activities	<u>21,778</u>

Cash flows from investing activities

Proceeds from the sales of investments	<u>341,181</u>
Net cash provided/(used) by investment activities	<u>341,181</u>

Net change in cash and cash equivalents

	<u>362,959</u>
--	----------------

Beginning cash and cash equivalents

Cash and cash equivalents with donor restrictions	\$ 515,692
Cash and cash equivalents without donor restrictions	<u>488,842</u>

Beginning cash and cash equivalents, total	<u>1,004,534</u>
--	------------------

Ending cash and cash equivalents

Cash and cash equivalents with donor restrictions	855,034
Cash and cash equivalents without donor restrictions	<u>512,459</u>

Ending cash and cash equivalents, total	<u>\$ 1,367,493</u>
---	---------------------

See Independent Auditor's Report and Accompanying Notes to Financial Statements

ONEREEF WORLDWIDE STEWARDSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACTIVITIES

ONEREEF WORLDWIDE STEWARDSHIP (the Organization) was formed in 2012 under the Nonprofit Public Benefit Corporation laws of the State of California for public and charitable purposes. ONEREEF WORLDWIDE STEWARDSHIP is California nonprofit organization founded on the insight that local communities are the most effective environmental stewards when armed with the right partnerships and resources. When communities commit to protecting their coral reefs, the Organization is committed to providing the services and tools communities need to enforce managed fishing zones, measure impact, and build social cohesion around effective stewardship. The Organization is achieving this by creating marine management and sustainable financing plans; delivering trainings, tools, and infrastructure to protect reefs; collaborating with partnered organizations such as Scripps Institution of Oceanography that provide science-based monitoring for impact and reef health; and building local capacity to recover reefs for future generations. Also, the Organization invests alongside local communities with resources and support they need to manage their own coral reefs. Since 2012, the Organization have protected about 500,000 acres in the Micronesian region, one of the richest coral reef areas in the world.

NOTE 2 – DESCRIPTION OF PROGRAMS

Regional Reef Protection

The Organization supports management programs across two countries in Micronesia by providing scientific, financial, and technical experience that local communities need to protect their coral reefs and livelihoods. The Organization's formal community partnership agreements provide key assistance to communities for protection of more than 400,000 acres of coral reef. The Organization works closely with national governments, local leadership, and community groups to implement the Micronesia Challenge, a region-wide initiative to conserve 30% of the marine environment and 20% of terrestrial environment.

Innovations

The Organization's Community Partnership Model effectively provides key services and trainings to communities. A key component of the scalable model provides innovative ways to reduce costs and increase efficiency of the programs. In 2016, the Organization began work with the Scripps Institution of Oceanography to develop innovative reef imaging and visualization technology, which continues today. In 2017, the Organization piloted a marine monitor radar unit in Palau to support local enforcement efforts. The Organization continues to test and refine on-the-ground solutions that can help communities protect and monitor their reefs.

Micronesia Capacity Building

The Organization's scalable model builds local capacity and expertise in Palau and the Federated States of Micronesia (FSM). It ensures that communities can sustainably manage their reefs into the future. The Organization's high-capacity local staff provide key services such as management planning, enforcement trainings and certifications for conservation officers, and building community capacity to implement local and national conservation goals. The Organization operates under several Memoranda of Understanding with Palau's National Marine Sanctuary and Ministry of Justice. It works at a community and national level to support the Micronesia Region's ambitious coral conversation legislation.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Leases

The Organization adopted Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842"), using the modified retrospective transition method and used the effective date as the date of initial application. The Organization elected the "package of practical expedients," which permits not to reassess under ASC 842 prior conclusions about lease identification, lease classification and initial direct costs. The Organization made a policy election not to separate non-lease components from lease components, therefore, the Organization accounts for lease and non-lease components as a single lease component. The Organization elected the short-term lease recognition exemption for all leases that qualify.

The Organization determines if a contract contains a lease at inception of the arrangement based on whether there is the right to obtain substantially all of the economic benefits from the use of an identified asset and whether the Foundation have the right to direct the use of an identified asset in exchange for consideration. Right of use ("ROU") assets represents the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets are recognized as the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is risk-free discount rate, which is determined using a period comparable with lease term, because the interest rate implicit in most of the leases is not readily determinable. Lease payments may be fixed or variable; however, only fixed payments or in-substance fixed payments are included in the lease liability calculation.

Variable lease payments may include costs such as common area maintenance, utilities, real estate taxes or other costs. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on the statement of financial position. Finance leases are included in property and equipment, net, accrued and other current liabilities, and other long-term liabilities on the statement of financial position. For operating leases, lease expense is recognized on a straight-line basis in operations over the lease term. For finance leases, lease expense is recognized as depreciation and interest; depreciation on a straight-line basis over the lease term and interest using the effective interest method.

Net Assets

Financial statement presentation follows the requirement of the Financial Accounting Standard Board. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. There was no board-designated endowment as of December 31, 2023.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701 (d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended December 31, 2023.

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the management estimate. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which the Organization delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the management's best estimate.

Major functional expense categories are allocated using the following methods:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and related	Time and effort
Conservation agreements	Function and usage
Contract services	Function and usage
Professional fees	Time and effort
Travel	Function and usage

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Marketable securities include stocks that are treated as short term investment based on management's intent.

Contributions and Contribution Receivables

Contributions are recognized as revenue when received or unconditionally promised. Contributions received are recorded with donor restriction or without donor restriction support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Conditional pledges are recognized as receivables and revenue when the conditions on which they depend are substantially met.

Contribution receivables are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on prior years' experience and management's analysis of specific promises made.

As of December 31, 2023, contribution receivables were \$2,164,017. There is a management belief that contribution receivables are fully collectable.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Service income is recognized as revenue in the period in which the service is provided. Grants are recognized as revenue when unconditional and awarded in writing, if not conditional. The Organization's primary revenue sources are grants from corporations and donations from individuals.

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: the customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period, the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

Contributions In-kind

Donated goods are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their market value at the time the services are rendered. Donated services that do not meet the criteria for recognition, but which are, nonetheless, central to the Organization's operations are not reflected in the financial statements.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Donated property and equipment are also recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. The Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to six years.

Advertising Expenses

Advertising costs are expensed when the advertising first occurs. During the year ended December 31, 2023, advertising expense is \$6,975.

Prepaid Expenses

Prepaid expenses are amortized over the period of future benefit.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Organization adopted the provisions for fair value measurements contained in the Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157, Fair Value Measurements). This standard applies to financial instruments and defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).”

The standard establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820, among other things, requires to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value.

The following methods and assumptions were used by the Organization in establishing the fair value of its financial statements: the carrying amounts of cash, short-term investments, contribution receivables, prepaid expenses, accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables and payables are approximate fair value as these receivables and payables earn or are charged interest based on the prevailing rates.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Cash and cash equivalents	\$	1,367,493
Account receivables		10,488
Contribution receivables		2,164,017
Note receivables		11,108
Investments		394
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions		<u>(2,462,269)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>1,091,231</u>

As of December 31, 2023, \$1,091,231 of financial assets are available to cover the Organization’s liquidity needs within next twelve months. It is the Organization’s liquidity management to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that will come due.

The Organization has a goal to maintain sufficient financial assets on hands, which consist of cash and cash equivalents, receivables, and short-term investments to meet the total of next year’s projected management/general and fundraising expenses, which are expected to be approximately \$411,596 (assuming similar expenses as of the year ended December 31, 2023).

Based on projected estimate, the Organization has sufficient liquid assets to cover its current liabilities.

NOTE 5 – OPERATING LEASE

The Organization leases its office space in Palau, under a two-year noncancelable operating lease expiring in August 2024.

The Organization's right-of-use (ROU) assets and lease liabilities consist of:

Operating lease right-of-use assets	\$ <u>19,403</u>
Operating lease liability, current	\$ 15,403
Operating lease liabilities, non-current	<u>-</u>
Total operating lease liabilities	\$ <u>15,403</u>
Weighted average remaining lease term	1 years
Weighted average discount rate	3.88%

The Organization's scheduled maturities of the lease liabilities are as follows:

For the year ended December 31, 2024	\$ <u>15,403</u>
Total lease liabilities	\$ <u>15,403</u>

The total rent expense for the year ended December 31, 2023 was \$32,048.

NOTE 6 – FAIR VALUE MEASUREMENTS

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flows models and similar techniques.

Financial assets required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy for fair value investments. The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The Organization's assets recognized at fair value are as follows: Investments \$394.

Fair values of assets measured on a recurring basis at December 31, 2023 are at Level 1 and invested in stock that valuation is available in active markets.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 consisted of the following:

Furniture and fixtures	\$	15,000
Accumulated depreciation		<u>(4,500)</u>
Total	\$	<u>10,500</u>

The depreciation expense was \$2,871 for the year ended December 31, 2023.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions and grants designated for specific purposes or time. The composition of net assets with donor restrictions at December 31, 2023 and the changes in these net assets are as follows:

<u>Restricted purpose</u>	<u>12/31/2022</u>	<u>Additions</u>	<u>Releases</u>	<u>12/31/2023</u>
Jennifer O'Leary	\$ 1,258	\$ -	\$ -	\$ 1,258
Traditional Stewardship in Micronesian Atolls	60,384	-	(60,384)	-
OurFish OurFuture	131,332	-	(96,268)	35,064
Coral reef 3D imaging	60,000	-	(60,000)	-
Ngarchelong	10,720	-	(10,720)	-
Traditional Stewardship in Palau and FSM	700,000	-	(197,909)	502,091
Communication - Traditional Stewardship	5,000	-	(443)	4,557
Palau Fishers	48,330	-	(48,330)	-
Community compliance and surveillance in Palau	-	30,000	(1,210)	28,790
Traditional Canoe and Canoe House	-	5,000	(5,000)	-
MiCoast - development of fisheries management	-	1,969,034	(78,525)	1,890,509
Total	\$ <u>1,017,024</u>	\$ <u>2,004,034</u>	\$ <u>(558,789)</u>	\$ <u>2,462,269</u>

NOTE 9 – IN-KIND DONATIONS AND VOLUNTEER SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

For the year ending December 31, 2023 the Organization received and recognized the following in-kind donations:

Legal services	\$	66,793
Professional services		4,439
Supplies		<u>700</u>
Total	\$	<u>71,932</u>

Donated services

The Organization received legal services worth \$66,793, valued at \$859 per hour, for 78.2 hours based on the actual fair market value rate. Additionally, the Organization received 56 hours of administrative support, valued at a fair market value of \$79 per hour, totaling \$4,439.

NOTE 9 – IN-KIND DONATIONS AND VOLUNTEER SERVICES

Donated goods

The Organization received donated goods totaling \$700, consisting of satellite phones valued at their respective fair market value at the time of donation, during the year ended December 31, 2023.

During the years ended December 31, 2023, the Organization received donated services from unpaid volunteers that do not satisfy the criteria for recognition under *FASB ASC 958-605-25-16*.

NOTE 10 – CONCENTRATION OF CREDIT RISK

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Financial instruments that potentially subject the Organization to concentrations of credit risk are primarily cash and accounts receivable. The Organization places its cash and in banks that are insured in limited amounts by the U.S. Government. Due to operational requirements, the Organization's checking and other deposit accounts may be maintained with a balance in excess of the \$250,000 federally insured limit. As of December 31, 2023, the uninsured amount was \$1,088,617.

NOTE 11 – RETIREMENT PLAN

The Organization offers 401(k) pension plan for all eligible employees after two months of employment. The Organization matches 100% of the first 1% of the employee contributions and 50% of additional employee contributions up to 6%. For the year ended December 31, 2023, the match contribution was \$7,862.

NOTE 12 – CONTINGENCIES

Conditions contained within the various contracts awarded to the Organization are subject to the donors' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency or be subject to reductions of future funding. Management does not anticipate any material questioned costs for the contracts and grants administered during the year ended December 31, 2023.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. During the year ended December 31, 2023, the total contingent revenue upon:

Appropriate use of funds	\$	<u>3,361,420</u>
Total	\$	<u><u>3,361,420</u></u>

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through May 24, 2024, the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in such financial statements.

IRYNA ACCOUNTANCY CORPORATION

1000 Broadway 200-C
Oakland, CA 94607
(510) 467-9506 Tel
(510) 280-9756 Fax
info@irynacpa.com
www.irynacpa.com