

MONTEREY BAY FISHERIES TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

MONTEREY BAY FISHERIES TRUST

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HAYASHI | WAYLAND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Members
Monterey Bay Fisheries Trust
Monterey, California**

We have reviewed the accompanying statement of financial position of **Monterey Bay Fisheries Trust** (a nonprofit organization) as of December 31, 2021, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Hayashi Wayland, LLP

Salinas, California
October 11, 2022



MONTEREY BAY FISHERIES TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 492,140	\$ 587,988
Accounts receivable	<u>135,094</u>	<u>90,563</u>
Total current assets	<u>627,234</u>	<u>678,551</u>
INTANGIBLE ASSETS – NET	<u>1,210,237</u>	<u>1,252,237</u>
TOTAL ASSETS	<u>\$ 1,837,471</u>	<u>\$ 1,930,788</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,464	\$ 4,820
Current portion of long-term debt	28,992	27,562
SBA- refundable advance	–	47,700
Other liabilities	<u>754</u>	<u>–</u>
Total current liabilities	<u>35,210</u>	<u>80,082</u>
NOTES PAYABLE LONG TERM	<u>269,507</u>	<u>298,500</u>
Total liabilities	<u>304,717</u>	<u>378,582</u>
NET ASSETS:		
Without donor restrictions	1,443,821	1,353,249
With donor restrictions	<u>88,933</u>	<u>198,957</u>
Total net assets	<u>1,532,754</u>	<u>1,552,206</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,837,471</u>	<u>\$ 1,930,788</u>

See Notes to Financial Statements
and Independent Accountant's Review Report.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUES, GAINS AND OTHER SUPPORT:				
Program service revenue – net	\$ 52,693	\$ –	\$ 52,693	\$ 93,061
Grants and contributions	199,483	183,735	383,218	439,262
Interest income	22	–	22	32
Net assets released from restriction	<u>293,759</u>	<u>(293,759)</u>	<u>–</u>	<u>–</u>
Total revenues, gains and other support	<u>545,957</u>	<u>(110,024)</u>	<u>435,933</u>	<u>532,355</u>
EXPENSES:				
Program services:				
Quota	77,168	–	77,168	73,385
Consumer Awareness	92,858	–	92,858	154,030
Lost Gear Recovery	10,980	–	10,980	21,593
Industry Engagement and Support	44,476	–	44,476	73,861
Community Seafood	103,609	–	103,609	11,774
Support services:				
Administrative	55,833	–	55,833	94,646
Fundraising expenses	<u>70,461</u>	<u>–</u>	<u>70,461</u>	<u>47,569</u>
Total expenses	<u>455,385</u>	<u>–</u>	<u>455,385</u>	<u>476,858</u>
CHANGE IN NET ASSETS	<u>90,572</u>	<u>(110,024)</u>	<u>(19,452)</u>	<u>55,497</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,353,249</u>	<u>198,957</u>	<u>1,552,206</u>	<u>1,496,709</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,443,821</u>	<u>\$ 88,933</u>	<u>\$ 1,532,754</u>	<u>\$ 1,552,206</u>

See Notes to Financial Statements
and Independent Accountant's Review Report.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

	Program Services					Support Services				
	Quota	Consumer Awareness	Lost Gear Recovery	Industry Engagement	Community Seafood	Total Program	Admin	Fundraising	Total Support Services	2021 Total
EXPENSES:										
Professional fees	\$ 6,930	\$ 48,162	\$ 5,365	\$ 16,135	\$ 2,935	\$ 79,527	\$ 31,314	\$ 33,611	\$ 64,925	\$ 144,452
Salaries and related expenses	10,819	40,460	2,705	25,698	16,393	96,075	13,744	25,698	39,442	135,517
Amortization	42,000	—	—	—	—	42,000	—	—	—	42,000
Interest and fees	15,894	—	—	—	—	15,894	—	—	—	15,894
Travel and meetings	—	130	369	239	350	1,088	109	2,849	2,958	4,046
Marketing expenses	—	—	—	—	—	—	—	—	—	—
and supplies	—	356	—	—	—	356	—	599	599	955
Insurance	—	—	696	—	—	696	2,121	176	2,297	2,993
Program expense	—	—	—	—	82,483	82,483	—	—	—	82,483
Office expense	—	—	1,198	29	—	1,227	5,808	3,043	8,851	10,078
Occupancy expense	1,000	3,750	250	2,375	1,338	8,713	2,243	2,375	4,618	13,331
Other expense	525	—	397	—	110	1,032	494	2,110	2,604	3,636
Total expenses	\$ 77,168	\$ 92,858	\$ 10,980	\$ 44,476	\$ 103,609	\$ 329,091	\$ 55,833	\$ 70,461	\$ 126,294	\$ 455,385

See Notes to Financial Statements
and Independent Accountant's Review Report.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (19,452)	\$ 55,497
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization expense	42,000	42,000
Gain)/loss on forgiveness of debt	(46,946)	–
(Increase) decrease in –		
Accounts receivable	(44,531)	136,689
Increase (decrease) in –		
Accounts payable	<u>644</u>	<u>(8,526)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(68,285)</u>	<u>225,660</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(27,563)	(356,794)
Proceeds from long-term debt	–	341,428
SBA – refundable advance	<u>–</u>	<u>47,700</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(27,563)</u>	<u>(22,078)</u>
NET CHANGE IN CASH	(95,848)	257,994
CASH AT BEGINNING OF YEAR	<u>587,988</u>	<u>329,994</u>
CASH AT END OF YEAR	<u>\$ 492,140</u>	<u>\$ 587,988</u>

See Notes to Financial Statements
and Independent Accountant's Review Report.

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Monterey Bay Fisheries Trust (the “Trust”) is a 501(c)(3) nonprofit Trust with a mission to advance the social, economic, and environmental sustainability of Monterey Bay fisheries. The Trust acquires fishing rights (individual fishing quota and permits), holds them in trust for the local fishing community, and leases the quota annually to fishermen. The Trust is also working to rebuild local and regional seafood markets for local, sustainable seafood, strengthen the resilience of fishing businesses, promote stakeholder engagement in fisheries conservation and management, and donate local seafood to community members in need. The Trust partners with the fishing industry, municipal leaders, and conservation organizations to achieve a balance between a healthy ocean ecosystem and a healthy seafood economy.

Basis of Presentation – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Trust and changes therein are classified as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for endowment and other purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time, or net assets that are perpetual in nature and subject to donor-imposed restrictions that they be maintained in perpetuity by the Trust.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “Net assets released from restriction.”

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Trust considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for money market funds held in investment accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition – Revenue is primarily derived from lease income from the leasing of fishing quota pounds owned or leased by the Trust and contributions. Lease income is generally available for unrestricted use and is recognized when earned.

Pledges Receivable – Pledges receivable represents unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using an estimated discount rate applicable to the years in which the promises are received.

The Trust uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management analysis of specific contributions made. The allowance has been estimated at zero for the year ended December 31, 2021.

Intangible Assets – Net – Intangible assets are comprised of quota share ("QS") licenses. These QS licenses were recorded at fair market value on the date of acquisition based on standard and customary QS valuations in effect. Amortization is computed using the straight-line method over the estimated useful lives of the assets. Part of the Trust's QS is encumbered under a ten-year clause wherein the seller has a right to buy back this portion of the quotas from the Trust. Therefore, that QS portion that is encumbered is being amortized on a straight-line basis over the estimated useful life of ten years. The remaining QS assets are infinite-lived intangibles and therefore are not amortized.

Intangible assets, net at December 31, 2021, consisted of the following:

Quota Share	\$ 1,476,237
Less: Accumulated Amortization	<u>(266,000)</u>
Total	<u>\$ 1,210,237</u>

Amortization expense for the year ended December 31, 2021 was \$42,000.

Promise to Give – Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Methods Used for Allocation of Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Trust. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the following: salaries and benefits; which are allocated on the basis of time spent on programs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – As a tax-exempt not-for-profit Trust, the Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d), but is subject to taxes on unrelated business income when earned.

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Trust tax returns are more likely than not to be sustained upon examination. The Trust's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Effects of New Accounting Pronouncements –The Trust has adopted Accounting Standards Update (ASU 2014 09- Revenue from Contracts with Customers (Topic 606), as amended. Management believes the adoption of the standard did not have a significant impact on financial reporting.

Accounting Standards Issued but Not Yet Adopted – In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, a lessee recognizes in the balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Trust is still evaluating the impact this statement will have on financial reporting.

In September 2020, the FASB issues ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 was issued to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The Trust is still evaluating the impact this statement will have on financial reporting.

Summarized Totals For 2020 – The financial statements include certain summarized comparative information for the prior year. This information is not presented by net asset class and does not include sufficient detail to be in conformity with accounting principles generally accepted in the United States of America.

Subsequent Events – Subsequent events have been evaluated through October 11, 2022, which is the date the financial statements were available to be issued.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Trust maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000. The total amount by which the Trust's cash on deposit exceeded the federally insured limits was approximately \$242,320 at December 31, 2021.

NOTE 3. NOTES PAYABLE

In April 2020, the Trust entered into a promissory note (the "CVCC Agreement") with Community Vision Capital & Consulting ("CVCC") for a total debt commitment of \$341,428. The note payable carries an interest rate of 5% per annum and matures in May 2030. Equal installments of principal and interest are due monthly with principal payments beginning on June 1, 2020. The note is secured by a first position security interest in West Coast /Pacific Coast Groundfish Quota Shares.

Total future minimum payments under the promissory note at December 31, 2021 are as follows:

2022	\$	28,992
2023		30,496
2024		32,045
2025		33,741
2026		35,492
Thereafter		<u>137,733</u>
Total	\$	<u>298,499</u>

NOTE 4. SBA REFUNDABLE ADVANCE

The Trust received Round 2 funding under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA) in the amount of \$39,149. The loan accrues interest at 1% per annum but payments are not required to begin until the date that the SBA remits the borrower's loan forgiveness amount to the lender. The Trust has determined to record the loan as a refundable advance in accordance with the guidance in ASC 958-605 in which the loan proceeds would be considered a conditional contribution.

In the current fiscal year, an application was filed with the lender and the lender legally approved the granting of forgiveness for the first and second round of PPP funding. The Trust recognized a contribution in the amount of \$85,139 reconciling forgiveness for both rounds in accordance with ASC 958-605.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specific purpose or time:

COVID Relief Awareness	\$	
Local Gear and Recovery		7,682
Industry Engagement		7,852
Administrative Support		3,399
Time restriction		<u>70,000</u>
Total	\$	<u>88,933</u>

During the course of the year, net assets that were subject to donor-imposed restrictions were fulfilled by actions of the Trust pursuant to those restrictions. These assets are shown in the Statement of Activities as "Net assets released from restriction." A detail of the net assets released from restrictions at December 31, 2021 is as follows:

Consumer Awareness	\$	49,998
COVID Relief		15,000
Industry Engagement and Support		12,499
Community Seafood Program		87,041
Time restriction		105,000
Lost Gear Recovery Program		3,318
Administrative Support		<u>20,903</u>
Total	\$	<u>293,759</u>

NOTE 6. LIQUIDITY

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

Cash	\$	479,207
Accounts receivable		<u>59,094</u>
Total	\$	<u>538,301</u>

Monterey Bay Fisheries Trust has \$538,301 of financial assets available within one year of the statement of financial position. In addition to financial assets available to meet general expenditures over the next 12 months, the Trust operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 7. ACCOUNTING STANDARDS UPDATES ISSUED BUT NOT YET ADOPTED

On February 25, 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This guidance is effective for the Trust in fiscal year 2022 with early adoption permitted. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. This will significantly gross-up many entities balance sheets. At this time, the Trust is still evaluating the impact of this guidance on the accompanying financial statements.