

MONTEREY BAY FISHERIES TRUST
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)



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**MONTEREY BAY FISHERIES TRUST
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(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)**

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ACCOUNTANTS' COMPILATION REPORT

Members
Monterey Bay Fisheries Trust
Monterey, California

Management is responsible for the accompanying financial statements of Monterey Bay Fisheries Trust, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements as of and for the year ended December 31, 2021 were reviewed by Hayashi Wayland, LLP, whose partners and professional staff joined CliftonLarsonAllen, LLP, as of November 1, 2022, and has subsequently ceased operations. Hayashi Wayland's report was dated October 11, 2022. The 2021 summarized financial information was subject to review procedures applied in the 2021 review of the basic financial statements by Hayashi Wayland in which the report noted they were not aware of any material modifications that should be made to the financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Salinas, California
August 14, 2023

MONTEREY BAY FISHERIES TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 590,181	\$ 492,140
Accounts Receivable	99,931	135,094
Total Current Assets	<u>690,112</u>	<u>627,234</u>
INTANGIBLE ASSETS - NET	<u>1,169,187</u>	<u>1,210,237</u>
Total Assets	<u><u>\$ 1,859,299</u></u>	<u><u>\$ 1,837,471</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,811	\$ 5,464
Current Portion of Long-Term Debt	30,496	28,992
Other Liabilities	-	754
Total Current Liabilities	<u>37,307</u>	<u>35,210</u>
NOTES PAYABLE LONG-TERM	<u>239,018</u>	<u>269,507</u>
Total Liabilities	276,325	304,717
NET ASSETS		
Without Donor Restrictions	1,527,523	1,443,821
With Donor Restrictions	55,451	88,933
Total Net Assets	<u>1,582,974</u>	<u>1,532,754</u>
Total Liabilities and Net Assets	<u><u>\$ 1,859,299</u></u>	<u><u>\$ 1,837,471</u></u>

See accompanying Notes to Financial Statements.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)
(SEE ACCOUNTANTS' COMPILATION REPORT)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Program Service Revenue - Net	\$ 99,920	\$ -	\$ 99,920	\$ 52,693
Grants and Contributions	229,433	179,750	409,183	383,218
Interest Income	72	-	72	22
Net Assets Released from Restriction	213,232	(213,232)	-	-
Total Revenues, Gains, and Other Support	542,657	(33,482)	509,175	435,933
EXPENSES				
Program Services				
Quota	74,353	-	74,353	77,168
Consumer Awareness	115,348	-	115,348	92,858
Lost Gear Recovery	24,231	-	24,231	10,980
Industry Engagement and Support	71,467	-	71,467	44,476
Community Seafood	32,996	-	32,996	103,609
Total Program Services Expense	318,395	-	318,395	329,091
Support Services				
Administrative	66,082	-	66,082	55,833
Fundraising Expenses	74,478	-	74,478	70,461
Total Supporting Services	140,560	-	140,560	126,294
Total Expenses	458,955	-	458,955	455,385
CHANGE IN NET ASSETS	83,702	(33,482)	50,220	(19,452)
Net Assets - Beginning of Year	1,443,821	88,933	1,532,754	1,552,206
NET ASSETS - END OF YEAR	<u>\$ 1,527,523</u>	<u>\$ 55,451</u>	<u>\$ 1,582,974</u>	<u>\$ 1,532,754</u>

See accompanying Notes to Financial Statements.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)
(SEE ACCOUNTANTS' COMPILATION REPORT)

	Program Services						Support Services			2022 Total	2021 Total
	Quota	Consumer Awareness	Lost Gear Recovery	Business Support and Leadership	Seafood Program	Total Program Services	Administrative	Fundraising Expenses	Total Support Services		
Professional Fees	\$ 7,235	\$ 12,740	\$ 3,802	\$ 4,050	\$ -	\$ 27,827	\$ 33,395	\$ 35,059	\$ 68,454	\$ 96,281	\$ 144,452
Salaries and Related Expenses	9,756	93,405	11,261	58,450	14,009	186,881	17,653	29,189	46,842	233,723	135,517
Amortization	42,000	-	-	-	-	42,000	-	-	-	42,000	42,000
Interest and Fees	14,472	-	-	-	-	14,472	13	-	13	14,485	15,894
Travel and Meetings	-	666	309	2,401	38	3,414	1,468	5,389	6,857	10,271	4,046
Marketing Expenses and Supplies	-	472	1,730	-	686	2,888	31	95	126	3,014	955
Insurance	-	-	760	-	-	760	3,142	-	3,142	3,902	2,993
Program Expense	200	1,546	5,587	2,500	17,110	26,943	5,508	1,018	6,526	33,469	82,483
Office Expense	-	33	12	5	181	231	2,746	1,701	4,447	4,678	10,078
Occupancy Expense	690	6,486	770	4,054	972	12,972	1,217	2,027	3,244	16,216	13,331
Other Expense	-	-	-	7	-	7	909	-	909	916	3,636
Total Expenses	<u>\$ 74,353</u>	<u>\$ 115,348</u>	<u>\$ 24,231</u>	<u>\$ 71,467</u>	<u>\$ 32,996</u>	<u>\$ 318,395</u>	<u>\$ 66,082</u>	<u>\$ 74,478</u>	<u>\$ 140,560</u>	<u>\$ 458,955</u>	<u>\$ 455,385</u>

See accompanying Notes to Financial Statements.

MONTEREY BAY FISHERIES TRUST
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2021)
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 50,220	\$ (19,452)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Amortization Expense	41,050	42,000
(Gain) on Forgiveness of Debt	-	(46,946)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	35,163	(44,531)
Accounts Payable	1,347	644
Other Liabilities	(754)	-
Net Cash Provided (Used) by Operating Activities	<u>127,026</u>	<u>(68,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(28,985)</u>	<u>(27,563)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,041	(95,848)
Cash and Cash Equivalents - Beginning of Year	<u>492,140</u>	<u>587,988</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 590,181</u></u>	<u><u>\$ 492,140</u></u>

See accompanying Notes to Financial Statements.

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE ACCOUNTANTS' COMPILATION REPORT)

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.

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.

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 10-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, 2022, consisted of the following:

Quote Share	\$ 1,477,187
Less: Accumulated Amortization	<u>(308,000)</u>
Total	<u><u>\$ 1,169,187</u></u>

Amortization expense for the year ended December 31, 2022 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.

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Income Taxes

As a tax-exempt nonprofit 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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. As the Trust does not currently have any leases that meet the criteria for change in presentation, the adoption of this standard did not have a significant impact on the presentation of the financial statements.

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 accounting principles generally accepted in the United States of America (GAAP) by increasing the transparency of contributed nonfinancial assets for nonprofit (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 adoption of this standard did not have a significant impact on the presentation of the financial statements.

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Totals for 2021

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 GAAP.

Subsequent Events

Subsequent events have been evaluated through August 14, 2023, 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 \$340,180 at December 31, 2022.

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, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 30,496
2024	32,045
2025	33,741
2026	35,493
2027	37,334
Thereafter	100,405
Total	<u>\$ 269,514</u>

MONTEREY BAY FISHERIES TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specific purpose or time:

Local Gear and Recovery	\$ 5,451
Time Restriction	50,000
Total	<u>\$ 55,451</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, 2022 is as follows:

Industry Engagement and Support	\$ 32,852
Community Seafood Program	7,750
Time restriction	145,000
Lost Gear Recovery Program	24,231
Administrative Support	3,399
Total	<u>\$ 213,232</u>

NOTE 5 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	\$ 590,181
Accounts Receivable	99,931
Total	<u>\$ 690,112</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 6 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.

