



National Marine Sanctuary Foundation

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2023

NATIONAL MARINE SANCTUARY FOUNDATION

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FINANCIAL STATEMENTS



**National
Marine Sanctuary
Foundation**

**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

NATIONAL MARINE SANCTUARY FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Marine Sanctuary Foundation
Silver Spring, Maryland

Opinion

We have audited the accompanying financial statements of the National Marine Sanctuary Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, 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 the Foundation as of December 31, 2023, and the change 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 *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 the Foundation 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 the Foundation'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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 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 the Foundation'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 the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages I-(18 - 19), 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 (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2024, on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

August 14, 2024

NATIONAL MARINE SANCTUARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,899,388	\$ 2,180,161
Investments		4,740,086	4,103,400
Accounts receivable, net		208,220	245,346
Grants receivable		515,689	1,223,435
Prepaid expenses		<u>264,554</u>	<u>138,038</u>
Total current assets		<u>7,627,937</u>	<u>7,890,380</u>
FIXED ASSETS			
Equipment		282,959	282,959
Leasehold improvements		<u>22,455</u>	<u>22,455</u>
Subtotal		305,414	305,414
Less: Accumulated depreciation and amortization		<u>(285,354)</u>	<u>(251,109)</u>
Net fixed assets		<u>20,060</u>	<u>54,305</u>
OTHER ASSETS			
Right-of-use assets, net		1,904,150	2,340,409
Deposits		<u>23,793</u>	<u>23,793</u>
Total other assets		<u>1,927,943</u>	<u>2,364,202</u>
TOTAL ASSETS		<u>\$ 9,575,940</u>	<u>\$ 10,308,887</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	1,420,233	\$ 1,426,493
Accrued salaries and related benefits		400,571	429,864
Deferred event revenue		64,791	37,800
Refundable advances		97,990	70,500
Operating lease liabilities		453,064	439,500
Amounts held for others		<u>142,006</u>	<u>-</u>
Total current liabilities		<u>2,578,655</u>	<u>2,404,157</u>
LONG-TERM LIABILITIES			
Operating lease liabilities, net		<u>1,611,051</u>	<u>2,064,115</u>
Total liabilities		<u>4,189,706</u>	<u>4,468,272</u>
NET ASSETS			
Without donor restrictions:			
Undesignated		651,825	510,930
Board designated		<u>1,880,076</u>	<u>1,880,076</u>
Total without donor restrictions		2,531,901	2,391,006
With donor restrictions		<u>2,854,333</u>	<u>3,449,609</u>
Total net assets		<u>5,386,234</u>	<u>5,840,615</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 9,575,940</u>	<u>\$ 10,308,887</u>

See accompanying notes to financial statements.

NATIONAL MARINE SANCTUARY FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants	\$ 18,644,684	\$ 1,216,850	\$ 19,861,534	\$ 13,256,784
Contributions	1,884,342	-	1,884,342	1,727,204
Contracts	-	-	-	277,200
Events	143,123	-	143,123	132,241
Net investment return	636,686	-	636,686	(887,621)
Miscellaneous revenue	25,549	-	25,549	21,130
In-kind contributions	33,458	-	33,458	42,351
Net assets released from donor restrictions	<u>1,812,126</u>	<u>(1,812,126)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>23,179,968</u>	<u>(595,276)</u>	<u>22,584,692</u>	<u>14,569,289</u>
EXPENSES				
Program Services	<u>19,278,614</u>	<u>-</u>	<u>19,278,614</u>	<u>13,335,838</u>
Supporting Services:				
Management and General	3,028,423	-	3,028,423	2,587,709
Fundraising	<u>732,036</u>	<u>-</u>	<u>732,036</u>	<u>834,942</u>
Total supporting services	<u>3,760,459</u>	<u>-</u>	<u>3,760,459</u>	<u>3,422,651</u>
Total expenses	<u>23,039,073</u>	<u>-</u>	<u>23,039,073</u>	<u>16,758,489</u>
Change in net assets	140,895	(595,276)	(454,381)	(2,189,200)
Net assets at beginning of year	<u>2,391,006</u>	<u>3,449,609</u>	<u>5,840,615</u>	<u>8,029,815</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,531,901</u>	<u>\$ 2,854,333</u>	<u>\$ 5,386,234</u>	<u>\$ 5,840,615</u>

NATIONAL MARINE SANCTUARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023				2022	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 3,667,931	\$ 1,463,932	\$ 270,098	\$ 1,734,030	\$ 5,401,961	\$ 4,819,444
Payroll taxes and benefits	752,318	300,263	55,399	355,662	1,107,980	936,439
Accounting and audit	5,000	66,127	-	66,127	71,127	45,767
Advertising and promotion	14,939	51,746	51	51,797	66,736	27,594
Conferences, conventions and meetings	489,564	76,795	247,245	324,040	813,604	551,383
Consulting fees	4,217,789	354,316	64,400	418,716	4,636,505	2,052,633
Depreciation and amortization	31,626	2,619	-	2,619	34,245	45,263
Equipment, rental and maintenance	270,215	41,335	296	41,631	311,846	272,855
Exhibits and kiosks	222,506	-	14,999	14,999	237,505	823,032
Information technology	202,336	232,218	2,061	234,279	436,615	391,737
In-kind contributions	2,085	-	31,373	31,373	33,458	42,351
Insurance	1,889	15,502	-	15,502	17,391	21,693
Legal fees	20	19,009	-	19,009	19,029	33,269
Occupancy	373,322	153,473	-	153,473	526,795	551,370
Office expenses	425,993	11,482	3,020	14,502	440,495	431,729
Other expenses	253,962	113,008	7,373	120,381	374,343	337,499
Printing and reproduction	52,956	14,493	13	14,506	67,462	30,277
Subgrants	7,269,711	-	-	-	7,269,711	4,426,543
Travel	680,692	96,676	13,395	110,071	790,763	502,348
Vessel operations	176,139	-	-	-	176,139	158,542
Video/media production	167,621	15,429	22,313	37,742	205,363	256,721
TOTAL	\$ 19,278,614	\$ 3,028,423	\$ 732,036	\$ 3,760,459	\$ 23,039,073	\$ 16,758,489

See accompanying notes to financial statements.

NATIONAL MARINE SANCTUARY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (454,381)	\$ (2,189,200)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	34,245	45,263
Unrealized (gain) loss on investments	(639,101)	1,137,982
Realized loss on sales of investments	61,551	75,938
Receipt of contributed securities	(11,292)	(10,042)
Proceeds from the sale of contributed securities	11,305	10,149
Amortization of right-of-use assets	436,259	429,366
Decrease (increase) in:		
Accounts receivable	37,126	91,009
Grants receivable	707,746	(494,340)
Prepaid expenses	(126,516)	(74,294)
Deposits	-	(1,788)
(Decrease) increase in:		
Accounts payable and accrued expenses	(6,260)	500,719
Accrued salaries and related benefits	(29,293)	44,716
Deferred event revenue	26,991	37,800
Refundable advances	27,490	70,500
Operating lease liability	(439,500)	(395,329)
Amounts held for others	<u>142,006</u>	<u>-</u>
Net cash used by operating activities	<u>(221,624)</u>	<u>(721,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(59,149)	(326,299)
Proceeds from sales/maturities of investments	<u>-</u>	<u>215,515</u>
Net cash used by investing activities	<u>(59,149)</u>	<u>(110,784)</u>
Net decrease in cash and cash equivalents	(280,773)	(832,335)
Cash and cash equivalents at beginning of year	<u>2,180,161</u>	<u>3,012,496</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,899,388</u>	<u>\$ 2,180,161</u>

NATIONAL MARINE SANCTUARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Marine Sanctuary Foundation (the Foundation) is a not-for-profit organization, incorporated under the Nonprofit Corporation Act of the Michigan Corporation, Securities and Land Development Bureau on July 31, 2000, and is located in Silver Spring, Maryland. The Foundation is a leading voice for U.S. protected waters, working with communities to conserve and expand those special places for a healthy ocean, coasts, and Great Lakes. Working together, we safeguard species and the places they call home and preserve America's maritime resources.

Program services -

The Foundation is the only official nonprofit partner to the National Marine Sanctuary System and directly support programs and projects at individual sites, across the System, and in the watersheds that connect to them. The Foundation's programs center around science and conservation, connecting people and communities to sanctuaries, and creating the next generation of ocean stewards through in- and out-of-school education. The Foundation invests in preparing the next generation of conservationists to tackle the challenges facing our ocean and Great Lakes. The Foundation aims to create AHA! Moments that lead to a lifelong passion for the ocean and Great Lakes by providing students, educators, and lifelong learners with opportunities to explore and discover connections to the natural world, no matter where they live. National marine sanctuaries belong to the American people. The Foundation connects people to their sanctuaries and provides opportunities to get involved at local, state, and national levels. The Foundation encourages local stewardship and national engagement that leads to big differences for our ocean and Great Lakes, including supporting volunteer opportunities, hosting community events, and promoting national policies to support marine conservation. Our national marine sanctuaries are hotspots for biodiversity. They are home to iconic species like migratory whales and majestic sea birds, and habitats like massive coral reefs and towering kelp forests; and, they preserve our historical and cultural remains like shipwrecks, aircraft, and artifacts that define our nation's maritime history. The Foundation's work aids in the conservation, restoration, and protection of these special places.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NATIONAL MARINE SANCTUARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Foundation implemented the ASU on January 1, 2023, using a modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosure only.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents and excluding money market funds held by investment managers in the amounts of \$3,776,158 for the year ended December 31, 2023.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisor, in the Statement of Activities and Change in Net Assets.

Accounts receivable, net -

Accounts receivable primarily consists of amounts due within one year related to events. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

NATIONAL MARINE SANCTUARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

The Foundation capitalizes all fixed asset expenditures over \$5,000 with a useful life of greater than one year. Fixed assets are depreciated using a three to five-year straight line method. Exceptions include (1) equipment purchases funded through a short-duration grant may be expensed in full; and (2) equipment funded through a grant with fewer than five years available may be depreciated at an expedited rate. All fixed asset expenditures under \$5,000 are expensed in the period purchased. Depreciation and amortization expense during the year ended December 31, 2023 totaled \$34,245.

Income taxes -

The Foundation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Support from grants and contributions, including Federal awards -

The Foundation receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Foundation's refundable advances totaled \$97,990 as of December 31, 2023.

In addition, the Foundation has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Foundation's unrecognized conditional contributions to be received in future years totaled \$22,066,000 as of December 31, 2023.

NATIONAL MARINE SANCTUARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

In-kind contributions -

In-kind contributions are recorded at their fair value as of the date of the gift and consisted of contributed services, experiences, and food and beverages. Contributed 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 Foundation.

Revenue from contracts with customers -

The Foundation's events are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met; for events revenue, this is when the related event has occurred. The Foundation has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Foundation's contracts with customers generally have initial terms of one year or less.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort.

Investment risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NATIONAL MARINE SANCTUARY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2023.

Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC). This funds are required to publish its daily net asset value (NAV) and to transact at that price. The money market funds are deemed to be actively traded.
- *Corporate and Government Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities or funds are traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	\$ 3,776,158	\$ -	\$ -	\$ 3,776,158
Corporate and government bonds	-	381,290	-	381,290
Equities	582,638	-	-	582,638
TOTAL	\$ 4,358,796	\$ 381,290	\$ -	\$ 4,740,086

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2023, net assets without donor restrictions have been designated by the Board of Trustees for the following purposes:

Operational Activities Fund, including Community Service Payment (CSP) Fund	<u>\$ 1,880,076</u>
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NATIONAL MARINE SANCTUARY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to expenditure for specified purpose:	
American Samoa NMS Programs	\$ 938,415
Bo Li	62,868
California NMS Programs	64,312
Channel Islands Programs	3,970
Florida Keys Coral Restoration	371,996
Flower Garden Banks NMS Programs	55,356
Gray's Reef	585,084
Hawaiian Islands NMS Programs	70,461
Monterey Bay NMS Program	44,000
Multiple programs	327,500
National Marine Sanctuary Conservation Program	36,322
Olympic Coast Capital Campaign	9,115
Sea Turtle Convention	80,353
Stellwagen Bank NMS Programs	<u>204,581</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,854,333</u>

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors.

Purpose restrictions accomplished:	
American Samoa NMS Programs	\$ 3
Bo Li	1,474
Channel Islands Programs	6,515
California NMS Programs	144,487
Florida Keys NMS Programs	199,956
Florida Keys Buoy Program	26,400
Florida Keys Coral Restoration	232,881
Flower Garden Banks NMS Programs	126,715
Gray's Reef	47,130
Hawaiian Islands NMS Programs	90,493
Multiple programs	94,278
National Marine Sanctuary Conservation Program	158,550
Olympic Coast Capital Campaign	4,270
Sea Turtle Convention	132,797
Stellwagen Bank NMS Programs	<u>546,177</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,812,126</u>

NATIONAL MARINE SANCTUARY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at December 31, 2023:

Cash and cash equivalents	\$ 1,899,388
Investments	4,740,086
Accounts receivable	208,220
Grants receivable	<u>515,689</u>
Subtotal financial assets available within one year	7,363,383
Less: Donor restricted funds	(2,854,333)
Less: Board designated funds	<u>(1,880,076)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 2,628,974**

The National Marine Sanctuary Foundation derives most of its revenue from grants awarded directly by agencies of the United States Government. These are annual commitments that the Foundation uses to support marine conservation programs. The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due.

In addition, the Board Designated Operational Activities Funds, which was \$1,880,076 as of December 31, 2023, is a fund that may be drawn down upon in the event of financial distress or an immediate liquidity need which results from events outside the typical life cycle and can convert financial assets to cash for settling financial liabilities.

7. LEASE COMMITMENTS

The Foundation follows FASB ASC 842 for leases. The Foundation has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Foundation has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Operating Leases:

The Foundation leases office space under the following arrangements:

- An eight-year agreement in Silver Spring, Maryland, which originated in April 2021. Base rent is \$151,220 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per year.
- A five-year agreement in Hawaii, which originated in May 2021. Base rent is \$238,305 per year, plus a proportionate share of expenses.
- A ten-year agreement in Georgia, which originated in December 2021. Base rent is \$79,750 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.

For the year ended December 31, 2023, total lease cost was \$472,921 and total cash paid was \$476,162 for all operating leases. As of December 31, 2023, the weighted-average remaining lease term and rate for operating leases is 5.07 years and 4.24%, respectively.

NATIONAL MARINE SANCTUARY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

7. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2024	\$	484,531
2025		491,050
2026		319,012
2027		266,309
2028		273,367
Thereafter		<u>331,335</u>
		2,165,604
Less: Imputed interest		<u>(101,489)</u>
LONG-TERM PORTION	\$	<u>2,064,115</u>

8. ECONOMIC DEPENDENCY

Approximately 83% of the Foundation's total support and revenue for the year ended December 31, 2023 was derived from grants awarded directly by agencies of the United States Government.

The Foundation has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Foundation's ability to finance ongoing operations.

9. CONTINGENCY

The Foundation receives grants from the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2023.

10. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2023, the Foundation was the beneficiary of donated goods which allowed the Foundation to provide greater resources toward various programs. Event planning is valued based on cost the Foundation would have paid in the marketplace; experiences are based on the vendor's typical sales price; food and beverage is valued at the cost the Foundation would have paid if they were to purchase the items. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended December 31, 2023. Documentation used to support the value includes: a vendor invoice, letter signed by the donor attesting to the value, or a published catalog or web page with a similar item.

NATIONAL MARINE SANCTUARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. IN-KIND CONTRIBUTIONS (Continued)

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2023.

Event planning	\$ 7,693
Experiences	9,020
Food and beverage	<u>16,745</u>
TOTAL	<u>\$ 33,458</u>

The following programs have benefited from these donated services:

Fundraising	<u>\$ 33,458</u>
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11. RETIREMENT PLAN

The Foundation provides retirement benefits to its employees through a 403(b) plan (the Plan) covering all eligible employees. The Plan is funded by employee contributions, pursuant to a salary reduction agreement. Employer contributions are discretionary. The Foundation's contributions to the Plan for the year ended December 31, 2023 totaled \$123,850 and is included in payroll taxes and benefits in the accompanying Statement of Functional Expenses.

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 14, 2024, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

NATIONAL MARINE SANCTUARY FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Granting Agency and Program Title	Pass-Through Identification Number	Assistance Listing Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Commerce - National Oceanic and Atmospheric Administration:				
Mission-Related Education Awards	N/A	11.008	\$ -	\$ 36,993
Ocean Exploration	N/A	11.011	387,623	802,347
Marine Sanctuary Program	N/A	11.429	819,230	7,636,783
Unallied Management Projects	N/A	11.454	547,283	1,271,988
Restoring Hawaii	N/A	11.419	113,161	152,096
Mapping Initiative	N/A	11.469	-	75,457
Habitat Conservation	N/A	11.463	3,249,068	5,702,956
Building Resilience through Community Stewardship of Coral Reefs	N/A	11.473	2,049,750	2,299,053
Developing Capacity to Recycle Fishing Debris in The Florida Keys	N/A	11.482	50,000	145,421
Marine Debris Program	N/A	11.999	-	179,843
Subtotal United States Department of Commerce - National Oceanic and Atmospheric Administration			7,216,115	18,302,937
United States Department of the Interior - Fish and Wildlife Service:				
Marine Turtle Conservation Fund	N/A	15.645	-	96,889
Subtotal United States Department of the Interior - Fish and Wildlife Service			-	96,889
Environmental Protection Agency -				
Restoring Reefs	N/A	66.436	-	136,272
Subtotal Environmental Protection Agency -			-	136,272
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,216,115	\$ 18,536,098

NATIONAL MARINE SANCTUARY FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Foundation under programs of the United States Government for the year ended December 31, 2023. Information on the 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)*. The Schedule presents only a selected portion of the operations of the Foundation; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures on 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Foundation has elected to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Revenue Reconciliation

The following is a reconciliation for Federal grant revenue to unrestricted grants revenue included in the Statement of Activities and Change in Net Assets:

Federal Grants	\$ 18,536,098
Corporate, Foundation Non-Federal Government Grants	<u>108,586</u>
TOTAL GRANTS REVENUE WITHOUT DONOR RESTRICTIONS	<u>\$ 18,644,684</u>

NATIONAL MARINE SANCTUARY FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

5). Type of auditor's report issued on compliance for major Federal programs: Unmodified

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

7). Identification of major federal programs:

Program Title	Assistance Listing Number
Habitat Conservation	11.463
Marine Sanctuary Program	11.429

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

9). Auditee qualified as a low-risk auditee? Yes No

NATIONAL MARINE SANCTUARY FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

There were no prior year reportable findings.



CPAs & ADVISORS

**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 Trustees
National Marine Sanctuary Foundation
Silver Spring, Maryland

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 the National Marine Sanctuary Foundation (the Foundation) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated August 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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*.

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

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

August 14, 2024



CPAs & ADVISORS

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

To the Board of Trustees
National Marine Sanctuary Foundation
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the National Marine Sanctuary Foundation's 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 the National Marine Sanctuary Foundation's major Federal programs for the year ended December 31, 2023. The Foundation'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, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 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 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 the Foundation'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 the Foundation's Federal programs.

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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 the Foundation'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 the Foundation'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 the Foundation'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 the Foundation'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 the Foundation'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.

Gelman Rosenberg & Friedman

August 14, 2024