

MONTEREY BAY AQUARIUM FOUNDATION

DECEMBER 31, 2021

SINGLE AUDIT REPORT

Monterey Bay Aquarium Foundation

Single Audit Report

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A Century Strong

Independent Auditors' Report

TO THE BOARD OF TRUSTEES
MONTEREY BAY AQUARIUM FOUNDATION
Monterey, California

Opinion

We have audited the consolidated financial statements of **MONTEREY BAY AQUARIUM FOUNDATION (the Aquarium)**, which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Aquarium as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Aquarium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Aquarium's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Aquarium'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Aquarium'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.

Other Matter

Report on Summarized Comparative Information

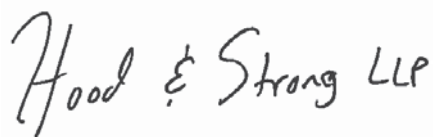
The consolidated financial statements of the Aquarium as of December 31, 2020, were audited by other auditors whose report dated August 2, 2021 expressed an unmodified opinion on those consolidated statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 July 27, 2022, on our consideration of the Aquarium'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 Aquarium'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 Aquarium's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, slightly slanted style.

San Francisco, California
July 27, 2022

Monterey Bay Aquarium Foundation

Consolidated Statement of Financial Position (in thousands)

<i>December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 42,621	\$ 43,315
Accounts receivable	2,111	1,082
Pledges and grants receivable, net	16,425	21,092
Investments	438,340	361,322
Prepaid expenses and other assets	1,636	1,157
Beneficial interest in split-interest agreements	5,904	7,118
Property, equipment, and exhibits, net	162,998	154,655
Total assets	\$ 670,035	\$ 589,741
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,711	\$ 3,180
Salary and payroll related liabilities	5,275	5,567
Deferred revenue	8,232	5,009
Total liabilities	20,218	13,756
Net Assets:		
Undesignated	266,190	230,916
Board designated	282,381	250,060
Total net assets without donor restrictions	548,571	480,976
Net assets with donor restrictions	101,246	95,009
Total net assets	649,817	575,985
Total liabilities and net assets	\$ 670,035	\$ 589,741

See accompanying notes to the consolidated financial statements.

Monterey Bay Aquarium Foundation

Consolidated Statement of Activities and Changes in Net Assets (in thousands)

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenues:				
Admissions	\$ 36,299		\$ 36,299	\$ 6,702
Contributions and grants	25,987	\$ 24,081	50,068	57,571
Memberships	8,017		8,017	10,297
Merchandising and food services	3,182		3,182	953
Endowment distribution	8,356	1,444	9,800	9,400
Tour and event revenue	843		843	1,409
Rental and parking	1,837		1,837	1,563
Other revenue	667		667	449
Net assets released from restrictions	24,843	(24,843)	-	-
Total support and revenues	110,031	682	110,713	88,344
Expenses:				
Program services:				
Animal care and aquarium experience	38,105		38,105	41,529
Education and outreach	14,718		14,718	16,175
Conservation and science	6,994		6,994	8,030
Total program services	59,817	-	59,817	65,734
Support Services:				
Management and general	8,740		8,740	9,559
Development	3,223		3,223	2,982
Membership services	1,596		1,596	1,715
Rental facilities expense	1,091		1,091	999
Total support services	14,650	-	14,650	15,255
Total expenses	74,467	-	74,467	80,989
Non-Operating Activities:				
Investment income, net	40,352	7,046	47,398	31,081
Allowance for uncollectible receivables		(47)	(47)	(65)
Gain (loss) on disposal of fixed assets	35		35	(196)
Endowment distribution	(8,356)	(1,444)	(9,800)	(9,400)
Total non-operating activities	32,031	5,555	37,586	21,420
Change in Net Assets	67,595	6,237	73,832	28,775
Net Assets, beginning of year	480,976	95,009	575,985	547,210
Net Assets, end of year	\$ 548,571	\$ 101,246	\$ 649,817	\$ 575,985

See accompanying notes to the consolidated financial statements.

Monterey Bay Aquarium Foundation
Consolidated Statement of Functional Expenses
(in thousands)

Year Ended December 31, 2021 (with comparative totals for 2020)

	Program Services				Program Services					2021 Total	2020 Total
	Animal Care and Aquarium Experience	Education and Outreach	Conservation and Science	Total Program Services	Management and General	Development	Membership Services	Rental Facilities Expense	Total Support Services		
Personnel and related expenses	\$ 20,052	\$ 6,096	\$ 4,600	\$ 30,748	\$ 4,648	\$ 2,345	\$ 730		\$ 7,723	\$ 38,471	\$ 41,881
Cost of sales	(4)	448		444					-	444	1,007
Occupancy, equipment and repairs	6,090	956	153	7,199	730	88	216	\$ 295	1,329	8,528	9,580
Outside services and fees	3,377	5,354	1,677	10,408	1,142	647	485	569	2,843	13,251	13,174
Supplies	1,568	100	238	1,906	16	83	134	2	235	2,141	1,974
Grants	42	33	8	83	57	10	2		69	152	166
Conferences and travel	101	25	12	138	26	36	1		63	201	350
Depreciation	6,879	1,706	306	8,891	2,121	14	28	225	2,388	11,279	12,857
Total expense	\$ 38,105	\$ 14,718	\$ 6,994	\$ 59,817	\$ 8,740	\$ 3,223	\$ 1,596	\$ 1,091	\$ 14,650	\$ 74,467	\$ 80,989

See accompanying notes to consolidated financial statements.

Monterey Bay Aquarium Foundation

Consolidated Statement of Cash Flows (in thousands)

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Increase in net assets	\$ 73,832	\$ 28,775
Adjustments to reconcile increase in net assets to □ net cash provided by operating activities		
Depreciation	11,279	12,857
Net recovery for doubtful accounts	(40)	(6)
Change in discount on multi-year pledges receivable	(357)	290
Contributions of securities	(3,008)	(3,035)
Contributions restricted for endowment in investments	(2,879)	(1,739)
(Gain) loss on retirement of property, equipment, and exhibits	(35)	196
Unrealized loss on real estate property holding		1,068
Net gain on investments	(47,628)	(31,232)
Effect of change in		
Receivable, prepaid expenses, and other assets	(1,552)	1,632
Pledges and grants receivable, net	5,064	936
Beneficial interest in split-interest agreements	1,214	1,127
Accounts payable and accrued liabilities	989	(1,614)
Salary and payroll related liabilities	(292)	1,185
Deferred revenue	3,223	(4,382)
Net cash provided by operating activities	39,810	6,058
Cash Flows from Investing Activities:		
Purchases of investments	(206,775)	(318,032)
Proceeds from sale of investments	180,437	355,548
Proceeds from sale of property	35	
Additions to property, equipment and exhibits	(17,080)	(10,094)
Net cash (used) provided by investing activities	(43,383)	27,422
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for endowment	2,879	1,739
Net cash provided by financing activities	2,879	1,739
Net Change in Cash and Cash Equivalents	(694)	35,219
Cash and Cash Equivalents - beginning of year	43,315	8,096
Cash and Cash Equivalents - end of year	\$ 42,621	\$ 43,315
Supplemental Disclosure:		
Accounts payable for capital projects	\$ 2,786	\$ 244

See accompanying notes to the consolidated financial statements.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 1 - Organization:

The Monterey Bay Aquarium Foundation and its supporting organization, Monterey Bay Aquarium Support Services (“MBASS”), (collectively, the “Aquarium”) are California not-for-profit corporations founded in 1978 and 2001, respectively. The Aquarium’s mission is to inspire conservation of the ocean. The Aquarium was created with an initial gift from David and Lucile Packard. The Aquarium facilities opened to the public in 1984. The website is www.montereybayaquarium.org. The Aquarium’s annual consolidated financial statements are available on its website.

On June 3, 2022, the Aquarium’s Board of Trustees (the Board) approved a resolution to merge the Aquarium’s supporting organization MBASS into the Monterey Bay Aquarium Foundation. The merger shall become effective on the date of filing the Agreement of Merger in the Office of the Secretary of State.

Programs:

Animal Care and Aquarium Experience

The Aquarium’s world-class exhibits and unique oceanfront location bring the wonders of the ocean to life for visitors. With over 200 exhibits and 80,000 plants and animals, the Aquarium is a window to the wonders of the ocean, focusing primarily on marine life of Monterey Bay and California’s central coast.

Education and Outreach

Education and outreach programs inspiring teachers, students, and emerging teen leaders are based at the Aquarium’s Bechtel Family Center for Ocean Education & Leadership, a 4-story, 26,000 square foot LEED gold facility completed in 2019. Free online courses for parents, caregivers, educators and students are provided to help young people find their voices as ocean conservation leaders and ensure a healthy future for the ocean.

Conservation and Science

Through conservation and science initiatives, Aquarium scientists are rebuilding sea otter populations, transforming fisheries and aquaculture around the world, and working to protect California’s ocean. The Aquarium’s policy experts work to address climate change and end plastic pollution. The Seafood Watch program works to shift the global marketplace to make seafood more sustainable.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 2 - Significant Accounting Policies:

a. Basis of Presentation

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (U.S. GAAP). Accordingly, the Aquarium presents information regarding its net assets and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – this portion of net assets is not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Aquarium. Net assets without donor restrictions include funds functioning as endowment through designation by the Aquarium’s Board.

Net assets with donor restrictions – this portion of net assets consists of contributions that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Aquarium pursuant to those restrictions and/or with the passage of time. Also included in net assets with donor restrictions are the original gift amounts of endowment gifts which must be maintained in perpetuity, with the income to be used to support operations or another specified purpose.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Monterey Bay Aquarium Foundation and its supporting organization, MBASS. Intercompany transactions and accounts have been eliminated in consolidation.

c. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and cash equivalents on hand, in demand deposit accounts, and in brokerage accounts, except those being held for investment purposes. The Aquarium considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents managed by the Aquarium’s investment manager, if any, are included in investments.

d. Receivables and Contributions

Accounts receivable

Accounts receivable consist of credit card receipts awaiting settlement, rent receivables and other various sources.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Pledges and grants receivable

Pledges and grants receivable consist of unconditional promises to give. Unconditional promises that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate discount rate when discounting has a material effect. Amortization of discounts is included in contribution revenue.

The Aquarium uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Government grants and contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

For the year ended December 31, 2021, \$569 in private grants with measurable performance barriers and a right of return were not recognized as revenue. The grants were received in advance and classified in the Consolidated Statement of Financial Position as Accounts Payable and Accrued Liabilities.

Contributions

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the Aquarium. Amounts that are restricted by the donor/grantor are reported as increases in net assets with donor restrictions. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Contributions which carry only a donor-imposed time restriction are reported as undesignated support and revenues if the restriction is met in the same calendar year in which the gift is received. The Aquarium records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Aquarium is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in the Aquarium's financial statements as bequests receivable when clear title is established, and the proceeds are measurable. The amount recorded must be reasonably estimated using the court documents or through communication with the estate's attorneys and/or Trustees. In any given year, the Aquarium will hold its books of record open through the end of February to record bequest revenue.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

e. Revenue Recognition

The Aquarium recognizes revenue when control of the promised goods or services is transferred to the Aquarium's customers in an amount that reflects the consideration the Aquarium expects to be entitled to in exchange for those goods or services using a five-step model as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Aquarium recognizes revenue as performance obligations within a contract are satisfied. The revenue streams noted below do not include significant financing components as performance obligations are satisfied within a year of receipt of payment. In addition, there are no consideration amounts that are variable. Because the contracts for the revenue streams noted below have an original expected duration of one year or less, the Aquarium has elected the practical expedient not to disclose the value of unsatisfied performance obligations and expected timing of completion related to these revenues. Payments received in advance of the Aquarium satisfying its performance obligations are recorded as deferred revenue in the Consolidated Statement of Financial Position.

The Aquarium's earned revenue is primarily derived from admissions fees, membership fees, Aquarium merchandising and food service sales, special events and tours, parking revenue, facility rentals, and Seafood Watch subscription revenue. Cost of sales expense is associated primarily with special event and tours and may include live performances, food and beverage, and other event components.

Admission revenue

Admissions revenue is recognized on the date of admission or six months after the performance date, whichever is earlier. Prepayments are recorded as deferred revenue when collected.

Membership Fees

Memberships purchased include a performance obligation to provide various benefits over the membership period, which is one to three years. The primary benefit included in all memberships is unlimited admission during the term. Other benefits included are considered immaterial (quarterly newsletter) or are tied to the admission (on-premises merchandise and food service discounts). Memberships are recorded as deferred revenue and recognized as membership revenue ratably over the membership period.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Merchandising and Food Services

Merchandising and food services revenue is based on a percentage-of-revenue commission earned from the third-party management company which conducts these operations. Program revenue for enhanced visitor experience is recognized when the service is provided.

Government Grants

Government grants awarded on a cost reimbursement basis are considered conditional grants and the revenue is recognized when the condition is met, that is, when allowable costs have been incurred.

Rental and Parking Revenue

Rental and parking revenue consists of rental income which is recognized on a straight-line basis over the rental period and includes storage and parking fees and any reimbursements from tenants for common area maintenance, insurance, and real estate tax expenses.

Other revenue

Other revenue consists primarily of Seafood Watch subscription revenue which is recognized on a straight-line basis over the term of the subscription which is generally twelve months.

f. Investments

The Aquarium reports investments at fair value. Realized and unrealized gains and losses resulting from changes in fair value are reflected in the Consolidated Statement of Activities and Changes in Net Assets as nonoperating activities. Dividends and interest are recognized as they are earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

Investments include a commercial real estate property in Monterey, California (the Property). The property was acquired in 2001 and is split on the Consolidated Statement of Financial Position between investments at fair value and property, equipment, and exhibits, net. There are three generally accepted approaches to developing a value for real property: Cost, Sales Comparison, and Income Capitalization. The Aquarium considered each valuation methodology and determined that the income capitalization approach, which considers the income-generating capacity of the property, is the most meaningful valuation methodology.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

In addition, the Aquarium reports certain investments using the Net Asset Value (NAV) per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. On an annual basis, management reviews the audited financial statements for each investment and compares the value reported by the fund manager to the value contained in the audited financial statements to assess the reasonableness of the valuation.

For cash flow purposes, purchases of investments represent the total additions to the portfolio from revenues received during the year. Proceeds from the sale of investments represent the withdrawals used for grants and operations.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

g. Fair Value Measurements

The Aquarium carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require the Aquarium to classify these financial instruments into a three-level hierarchy. The Aquarium classifies its financial assets and liabilities according to these three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the Aquarium has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

h. Beneficial Interest in Split-Interest Agreements

Assets contributed by donors under trust agreements and controlled by third parties are recorded at fair value as measured by the present value of the estimated future distributions to be received by the Aquarium over the term of the agreement.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Assets contributed by donors under gift annuity agreements and controlled by the Aquarium are recorded at fair value with a corresponding liability to beneficiaries of the annuity agreements. The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Aquarium has determined the estimated liability using investment returns consistent with the composition of portfolios, single or joint life expectancies from the Internal Revenue Service Publication 1457, and the risk-adjusted rates applicable in the years in which the agreements were effective.

i. Property, Equipment, and Exhibits, Net

Property, equipment, and exhibits are recorded at cost or, if donated, at fair value at the date of donation. Assets are capitalized if their useful life is greater than one year and their cost is greater than \$25,000. Assets are depreciated using the straight-line method over their estimated useful lives, which generally are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 40
Exhibits	3 - 15
Equipment, furniture, and fixtures	3 - 20

The capitalized costs of self-constructed property, equipment, and exhibits assets include direct labor and benefits for employees specifically identified with the project. The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The costs of purchasing or collecting live animals are expensed as incurred.

j. Deferred Revenue

Deferred revenue relates to annual memberships, and other miscellaneous items and are recognized as revenue upon performance of the underlying obligation. As noted above, membership revenue is deferred and recognized ratably over the duration of the membership period.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

The following table provides information about significant changes in deferred membership revenue and other contract liabilities for the year ended December 31, 2021:

Deferred membership revenue, beginning of year	\$	4,380
Revenue recognized that was included in deferred membership dues at beginning of year		(3,500)
Increase in deferred revenue due to cash received during the period		6,072
<u>Deferred membership revenue, end of year</u>	<u>\$</u>	<u>6,952</u>
Other contract liabilities, beginning of year	\$	629
Revenue recognized that was included in other contract liabilities at the beginning of year		(522)
Increase in contract liabilities due to cash received during the period		1,173
<u>Other contract liabilities, end of year</u>	<u>\$</u>	<u>1,280</u>
<u>Total deferred revenue</u>	<u>\$</u>	<u>8,232</u>

k. Operating and Non-Operating Classifications

Operating revenue and expense in the Consolidated Statement of Activities and Changes in Net Assets include the operating activities associated with furthering the Aquarium's charitable and educational mission. Non-operating income (expense) includes amounts which, due to their nonrecurring or variable nature, are not considered by management as part of operations. Specific items include (a) investment income and net gains (losses) in excess of the spending rate approved by the Board of Trustees for use in operations; (b) allowance for uncollectible receivables; (c) gain or loss on disposal of fixed assets; and (d) endowment income appropriations for operations.

l. Functional Expense Allocations

Expenses which apply to more than one functional category have been allocated based upon various methods determined appropriate by management. Depreciation expense is assigned either by direct identification or based upon square footage used by various departments. Planning, maintenance, facilities, security and general IT expenses are allocated based upon square footage used by various departments. Volunteer engagement expenses are allocated based upon the number of volunteers working in each department. Certain salaries and marketing expenses are allocated based upon management's estimate of level of effort. All other costs are charged directly to the appropriate department and functional category. Marketing and advertising expenses are included in the category "Outside services and fees."

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

m. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

n. Advertising Costs

Advertising costs are expensed as incurred and primarily included in Education and Outreach on the Consolidated Statement of Activities and Changes in Net Assets. Advertising expenses incurred during 2021 were \$3,856 and consisted of the direct costs associated with the creation, production, and placement of the Aquarium's advertising in various media.

o. Tax Exempt Status

The Monterey Bay Aquarium Foundation and MBASS are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, however, they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Both organizations are also exempt from California state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

As of December 31, 2021, management evaluated the Aquarium's tax positions and concluded that the Aquarium had maintained its tax-exempt status and had taken no material uncertain tax positions that require adjustment to or disclosure in the consolidated financial statements.

p. Comparative Financial Statements and Reclassifications

The consolidated 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Aquarium's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications had no impact on net assets or the change in net assets.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

q. Recent Accounting Pronouncements

Pronouncements Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Aquarium, for its fiscal year beginning after December 15, 2021. The Aquarium is currently evaluating the impact of the ASU on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance changes the required presentation and disclosures for in-kind contributions. The new standard is effective for the Aquarium for the fiscal year beginning after June 15, 2021 with early application permitted. The Aquarium is in the process of evaluating the impact of this new guidance.

r. Subsequent Events

The Aquarium has evaluated events for the period from December 31, 2021 through July 27, 2022, the date these consolidated financial statements were available to be issued and has determined that no other subsequent events have occurred of a nature that would require recognition or disclosure in the consolidated financial statements, except as disclosed in Note 1.

Note 3 - Pledges and Grants Receivable, Net:

Pledge and grants receivable are expected to be collected as follows as of December 31, 2021:

In one year or less	\$	8,250
Between one and five years		8,487
Greater than five years		34
		<hr/>
Subtotal		16,771
Less:		
Discounts on multi-year pledges receivable		(309)
Allowance for doubtful pledges receivable		(37)
		<hr/>
	\$	16,425

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 4 - Investments:

The Aquarium's investments consisted of the following at December 31, 2021:

Cash and cash equivalents	\$	4,835
Fixed income		82,985
Real estate property holding		18,448
Alternative investments		329,072
<hr/>		
Subtotal		435,340
<hr/>		
Certificate of deposit		3,000
<hr/>		
Total	\$	438,340

The Aquarium's investment income consisted of the following for the year ended December 31, 2021:

Realized and unrealized gain	\$	47,614
Fees (management and performance)		(626)
Dividends and interest		410
<hr/>		
Investment income, net	\$	47,398

The Aquarium's alternative investments are managed by Commonfund through a fund-of-funds approach in a diversified portfolio governed by the Aquarium's investment policy, which sets asset allocation ranges for marketable and nonmarketable investments, as well as equity, fixed income, real assets, and hedge investments.

In addition to its investment portfolio, the Aquarium also owns a commercial real estate property in Monterey, California. In 2015, it was determined that the majority of the property should be classified as an investment rather than solely as an operating asset. The real estate property holding was valued utilizing the income capitalization approach. As of December 31, 2021, the Aquarium classified \$18,448 as an investment and \$4,760 as an operating asset in property equipment and exhibits, net.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 5 - Fair Value Measurements and Net Asset Value:

Fair Value Measurement

The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	(a) <u>NAV</u>
Cash and Cash Equivalents	\$ 4,835	\$ 4,835			
Fixed Income:					
U.S. government and agency	82,985	82,985			
Real estate property holding	18,448			\$ 18,448	
Alternative Investments	329,072				\$ 329,072
Subtotal	435,340	87,820	\$ -	18,448	329,072
Charitable trust assets	115			115	
Beneficial interest in charitable trusts	5,789			5,789	
Total assets measured at fair value	\$ 441,244	\$ 87,820	\$ -	\$ 24,352	\$ 329,072

Certificates of deposit are excluded from fair value measurements as they do not meet the definition of an equity security.

Assets associated with charitable trust assets and beneficial interest in split-interest agreements consisted primarily of cash equivalents, equities, fixed income, various mutual funds, and exchange-traded funds.

(a) In accordance with FASB ASC subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Net Asset Value

The Aquarium uses NAV as a practical expedient to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments valued at NAV by major category as of December 31, 2021:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Alternative investments:					
Global equity (a)	2	\$ 152,081		Monthly	5 days
Fixed income (b)	3	61,822		Monthly	5 days
Diversifying strategies (c)	1	31,760		Quarterly	90 – 95 days
Global distressed (d)	2	52	\$ 630	None	N/A
Natural resource (e)	3	4,500	350	None	N/A
Private equity (f)	9	48,671	7,887	None	N/A
Real estate (g):					
Redeemable	1	8,012		Monthly	5 days
Redeemable with restrictions	1	7,270		Quarterly	120-days
Non-redeemable	3	14,904	8,689	None	N/A
Total	25	\$ 329,072	\$ 17,556		

The Aquarium has noncancellable commitments under partnership agreements with Commonfund to make additional capital contributions to certain investment funds noted in the table above. The Aquarium intends to fund such commitments through reallocations within the investment portfolio.

- The global equity funds are all actively managed and invested in diversified portfolio of common stocks and equity-linked securities in the global public equity markets.
- The fixed income strategies are actively managed, diversified portfolios of credit securities including global sovereign debt, dollar-denominated high yield bonds, bank loans, non-U.S. currency exposure, non-agency residential mortgages, and other structured credit commingled partnerships and registered investment companies.
- The domestic equity funds invest in marketable alternative strategies investments. Assets in this category can be redeemed quarterly however, redemptions may be limited or suspended under certain circumstances.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

- d) The global distressed funds are actively managed and invested in diversified portfolio of restructured debt, stressed debt, distressed debt special situation and mezzanine debt investments with no redemption rights.
- e) The natural resources funds consist of investments in oil, gas and other natural resource-related investments with the objective of long-term growth of capital with no redemption rights.
- f) The private equity target funds that make venture capital investments in global emerging growth companies with objective of obtaining long-term capital growth. There are no redemption rights with the funds having a remaining life of 1 to 11 years.
- g) Real estate funds are invested in U.S. and non-U.S. 3rd party commingled investment vehicles, private real estate funds, real estate investment trusts (REITs) and publicly traded REITs.

Note 6 - Property, Equipment, and Exhibits, net:

Property, equipment, and exhibits, net consisted of the following as of December 31, 2021:

Land	\$ 26,226
Buildings and building improvements	209,769
Exhibits	54,116
Equipment, furniture, and fixtures	38,184
Capital projects in process	24,710
	<u>353,005</u>
Less accumulated depreciation	<u>(190,007)</u>
Property, equipment and exhibits, net	<u>\$ 162,998</u>

Depreciation expense for the year ended December 31, 2021 was \$11,279.

The Aquarium owns a commercial real estate property in Monterey, California. At December 31, 2021, the net book value of the portion of this property classified as property, equipment and exhibits was \$4,760. See Note 4 for more information.

Contract Commitments

As of December 31, 2021, the Aquarium had future construction contract commitments for construction and renovation of \$3,595 and contract commitments of \$1,001.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 7 - Beneficial Interest in Split-Interest Agreements:

Charitable trust assets consisted of the following as of December 31, 2021:

Assets held in charitable trusts in which the Foundation is both trustee and secondary beneficiary	\$ 115
Contributions receivable from non-trusteed charitable trusts	5,789
<hr/>	
Total	\$ 5,904

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consisted of the following as of December 31, 2021:

Subject to expenditure for a specified purpose:	
Education programs and facility	\$ 461
Animal Care Center programs and facility	250
New exhibit design and construction	15,000
Conservation and science	24,267
<hr/>	
Subtotal	39,978
Subject to passage of time:	
Pledges receivable and beneficial interest in split-interest agreements without a purpose restriction	9,286
Undistributed endowment earnings	19,199
<hr/>	
Subtotal	28,485
Net assets restricted in perpetuity	32,783
<hr/>	
Total net assets with donor restrictions	\$ 101,246

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Net assets with donor restrictions released during 2021 include earnings from donor-restricted endowment approved for endowment distribution by the Board and net assets released from restrictions by incurring expenses satisfying the donor-restricted purposes or time requirements as summarized in the table below:

Net assets released from restriction:

Subject to expenditure for a specific purpose:	
Education facility and programs	\$ 2,014
Animal Care Center programs and facility	12
Conservation and science	8,897
COVID relief funds	10,000
<hr/>	
Subtotal	20,923
<hr/>	
Subject to passage of time:	
Collection of pledges receivable	2,476
Endowment distribution	1,444
<hr/>	
Subtotal	3,920
<hr/>	
Total net assets released from restrictions	\$ 24,843

The Aquarium's endowment funds consist of (a) undesignated funds functioning as endowment through designation by the Board and (b) donor-restricted endowment funds. The earnings from the Aquarium's endowment funds support education programs, conservation and science programs, and the mission of the Aquarium. Net assets associated with endowment funds, including undesignated funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions

Note 9 - Endowment:

The Aquarium follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 "Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The State of California adopted a version of UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

Interpretation of Relevant Law

The Board has determined that the Aquarium holds net assets that meet the definition of endowment funds under SPMIFA.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

The corpus value of funds subject to SPMIFA represents the fair value of the original gift as of the gift date and the original value of subsequent gifts and is classified as with donor restriction in cases where the donor indicated that a portion of the fund be retained in perpetuity. The excess balance is classified as with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions.

In accordance with SPMIFA, the Aquarium considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Aquarium and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Aquarium.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below historical gift value. There were no underwater endowment funds as of December 31, 2021.

Investment and Spending Policies

The Board has adopted an investment policy which governs the management and oversight of the Aquarium's endowment funds and other investments (portfolio). The policy sets forth the objectives for the portfolio, the strategies to achieve the objectives, procedures for monitoring and control, and the delineation of duties for those responsible for the Aquarium's investments.

The Finance Committee of the Board is responsible for implementation of the investment policy. The policy is intended to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program. Investment assets are managed on a total return basis, with emphasis on both preservation of capital and acceptance of investment risk necessary to achieve favorable performance on a risk-adjusted basis. The policy calls for risk management of the investment program to be informed by both the investment and operational risks to which the portfolio is exposed, with an objective to minimize operational risks and require appropriate compensation for acceptable investment risks. Other objectives are to (a) provide a total return that, over the long term, exceeds inflation and optimizes the investment return on fund assets corresponding to a level of risk deemed appropriate by the Finance Committee, (b) outperform a policy portfolio benchmark return, after fees, at a comparable level of risk over five-year rolling periods, and (c) diversify investments to reduce the impact of losses in single investments, industries, or asset classes.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

The Aquarium's Board determines the method to be used to appropriate endowment funds for expenditure. The Aquarium's endowment spending policy is based on a spending rate percentage applied to the three-year trailing average of the endowment's market value. Since 2016, the Board policy spending rate percentage has been 4.00% for funds functioning as endowment and earnings from donor-restricted endowment. The investment portfolio return, net of investment fees, is expected to be in excess of the policy spending rate over the long term. The annual endowment distribution amount is approved by the Board in conjunction with its approval of the annual budget.

Information regarding the endowment net assets as of December 31, 2021 and changes during the year then ended are presented below.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 250,060	\$ 43,467	\$ 293,527
Total investment return, net	40,290	7,061	47,351
Contributions	387	2,879	3,266
Endowment distribution	(8,356)	(1,444)	(9,800)
Other Changes:			
Change in discount		24	24
Change in value of annuity		(5)	(5)
<u>Endowment net assets, end of year</u>	<u>\$ 282,381</u>	<u>\$ 51,982</u>	<u>\$ 334,363</u>

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 10 - Availability of Financial Assets and Liquidity:

The Aquarium's financial assets available within one year for general expenditures were as follows:

Financial assets	
Cash and cash equivalents	\$ 42,621
Accounts receivable	2,111
Pledges and grants receivable, net	16,425
Investments	438,340
<hr/>	
Total financial assets	499,497
Less amounts not available to be used within one year:	
Net assets with donor restrictions:	
Pledge receivables scheduled to be collected in more than one year	(8,521)
Endowment funds with donor restrictions	(51,982)
Other donor-restricted contributions	(40,394)
Investment in real estate	(18,448)
Board-designated endowment	(282,381)
Add amounts available to be used within one year:	
Endowment appropriation for 2022	10,700
Net assets with donor restrictions to be met in less than one year	27,142
<hr/>	
	(363,884)
Financial assets available to meet cash needs for general expenditures within one year	\$ 135,613

The Aquarium is supported by earned revenue, contributions, and endowment support. As part of the Aquarium's liquidity management, the Aquarium maintains sufficient resources to be available as its general operations, liabilities, and other obligations require. Cash required to meet operating needs is invested in short-term accounts. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 11 - Rental Income:

The Aquarium leases space in several properties located in Monterey, California to unrelated parties under cancelable and noncancelable operating leases expiring through 2023, excluding optional extensions. Minimum future rental revenues from operating leases having noncancelable lease terms are as follows:

Year Ending December 31,		
2022	\$	672
2023		367
2024		102
2025		3
<hr/>		
Total	\$	1,144

Property held for lease, by major property class, consisted of the following as of December 31, 2021:

Property, plant, and exhibits		
Land and land improvements	\$	2,986
Buildings and building improvements		548
Equipment, furniture, and fixtures		31
<hr/>		
		3,565
Less accumulated depreciation		(408)
<hr/>		
Property held for lease, net	\$	3,157

Investments:

Real estate property holding		
Property, plant, and exhibits	\$	18,448
<hr/>		

Property held for lease is included in property, equipment, and exhibits, net on the Consolidated Statements of Financial Position. Rental income is included in other revenue on the Consolidated Statement of Activities and Changes in Net Assets.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 12 - Employee Plan Benefits:

The Aquarium maintains a defined contribution plan for employees. Eligible employees may make voluntary contributions to the plan within applicable limits as established by the Internal Revenue Code. In 2021, the Aquarium made matching contributions for the first 4% of employee contributions as well as discretionary employer contributions. Retirement plan expense for 2021 was \$1,691.

Note 13 - Related Party Transactions:

During 2021, contributions from certain members of the Board and entities with common board members totaled \$15,082. Undiscounted pledges and accounts receivable from such related parties were \$11,165 as of December 31, 2021.

Note 14 - Concentrations of Credit Risk and Contingencies:

Concentrations of Credit Risks

Financial instruments which potentially subject the Aquarium to credit risk consist primarily of cash and cash equivalents, receivables, and investments. The Aquarium maintains its cash and cash equivalents in various major financial institution accounts and money market funds that, at times, may exceed federally insured limits. The Aquarium has not experienced, nor does it anticipate, any losses in such accounts. The Aquarium attempts to limit its credit risk associated with investments through diversification and by utilizing the expertise and processes of third-party investment managers.

Receivables consist primarily of pledges due from donors. The Aquarium closely monitors these receivables and has not experienced, nor does it anticipate, significant credit losses. The Aquarium had 3 donors as of December 31, 2021 whose combined pledges accounted for 78% of the total pledges receivable.

Contingencies

Lawsuits and claims are filed from time to time against the Aquarium in the ordinary course of business. The Aquarium records a provision for a contingent liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. Management does not believe that any pending litigation will have a material adverse impact on the Aquarium's financial position or results of activities.

The Aquarium derives a portion of its revenue from various federally-funded programs which are subject to review and audit by governmental agencies. Management believes that the Aquarium is in material compliance with the standards set forth by the federal governmental agencies and that the outcome of reviews and audits conducted by such agencies, if any, will not have a significant effect on the financial position or results of activities of the Aquarium.

Monterey Bay Aquarium Foundation

Notes to Financial Statements (dollars in thousands)

Note 15 - Pandemic:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency were declared in many federal, state and local jurisdictions and shelter in place orders were instituted in many cities and states, including California, which impacted general business operations in most industries and sectors.

Following California Governor Gavin Newsom's executive order cancelling large gatherings, the Aquarium closed its public operations and offices beginning March 13, 2020 with the exception of certain essential functions. Employees who care for animals and maintain the operations of the buildings continued to work on site while the remaining employees worked remotely. The Aquarium remained closed until April, 2021, opening first with donor and community tours, followed by two weeks of member exclusive days, and finally reopening to all visitors on May 15, 2021.

During 2021 the Aquarium was awarded \$10 million in the form of the Shuttered Venue Operator Grant ("SVOG") from the Small Business Administration which was used for operations.

Future potential impacts of COVID-19 are uncertain but may include future limitations on the number of visitors, disruptions or restrictions on employees' ability to work on-site, impairment of the Aquarium's earned revenue, and restrictions on the ability to host volunteers. Other impacts on the Aquarium's operations could include, but are not limited to, further disruptions to the global capital and financial markets, the duration, spread and re-occurrence of the pandemic, and other risks not identified.

Monterey Bay Aquarium Foundation

Schedule of Expenditures of Federal Awards and Notes

Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor Program Title	Assistance Listing Number (ALN)	Grant Identifying Number	Grant Period	Federal Expenditures
U.S. Small Business Administration				
Shuttered Venue Operators Grant Program -				
Coronavirus Relief Fund American Rescue Plan	59.075	SBAHQ21SV003599	07/12/2021 - 12/31/2021	\$ 10,000,000
Total U.S. Small Business Administration				10,000,000
U.S. Department of the Interior (Fish and Wildlife Service)				
Prescott Marine Mammal Rescue Assistance	15.683	F20AP11752	04/15/2020 - 04/14/2021	31,936
Prescott Marine Mammal Rescue Assistance	15.683	F20AP11643	02/01/2021 - 01/31/2022	100,000
Prescott Marine Mammal Rescue Assistance	15.683	F21AP03090	09/01/2021 - 08/31/2022	22,270
Total U.S. Fish and Wildlife Service				154,206
Department of Commerce - (National Oceanic and Atmospheric Administration)				
Pass-through from National Fish and Wildlife Foundation:				
Developing Technology for the Live				
Rockfish Fishery (subrecipient)	11.454	0303.18.061622	12/01/2018 - 02/01/2022	13,483
Total National Oceanic and Atmospheric Administration				13,483
Total Federal Expenditures				\$ 10,167,689

Note 1- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Monterey Bay Aquarium Foundation (the Aquarium) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Aquarium, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Aquarium.

Note 2- Summary of Significant Accounting Policies:

Expenditures reported 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.

Note 3- Indirect Cost Rate:

The Aquarium has elected to not use the 10% de minimis indirect cost rate. The Aquarium applies indirect costs in accordance with the specific terms of its award agreements.



A Century Strong

**Independent Auditors' 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
MONTEREY BAY AQUARIUM FOUNDATION
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **MONTEREY BAY AQUARIUM FOUNDATION (the Aquarium)**, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 27, 2022.

Internal Control Over Consolidated Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Aquarium's internal control over financial reporting (internal control) as a basis to designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aquarium'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 Aquarium's consolidated 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.

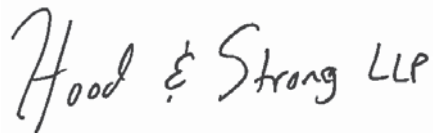
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Aquarium's consolidated 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 determination of consolidated financial statement amounts. 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 Aquarium'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 Aquarium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, slightly slanted style.

San Francisco, California
July 27, 2022



A Century Strong

**Independent Auditors' Report
on Compliance for Each Major Federal Program and Report on Internal
Control over Compliance Required by the Uniform Guidance**

TO THE BOARD OF TRUSTEES
MONTEREY BAY AQUARIUM FOUNDATION
Monterey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **MONTEREY BAY AQUARIUM FOUNDATION'S (the Aquarium)** 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 Aquarium's major federal programs for the year ended December 31, 2021. The Aquarium's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Aquarium 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, 2021.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Aquarium 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 Aquarium'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 Aquarium's federal programs.

Auditors' 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 Aquarium'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 GAAS, *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 Aquarium's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Aquarium'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 Aquarium'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 Aquarium'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.

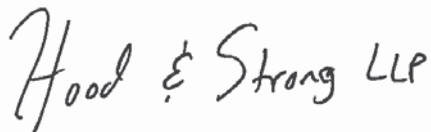
Report on Internal Control Over Compliance

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 Auditors' 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.

The image shows a handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
July 27, 2022

Monterey Bay Aquarium Foundation

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2021

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	<i>None Reported</i>
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Type of auditors' report issued on compliance for major programs:	<i>Unmodified</i>
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	<i>None Reported</i>
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
59.075	U.S. Small Business Administration – Shuttered Venue Operators Grant Program – Coronavirus Relief Fund American Rescue Plan

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

Monterey Bay Aquarium Foundation

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2021

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.