The Marine Mammal Center

Financial Statements

September 30, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Marine Mammal Center
Sausalito, CA

We have audited the accompanying financial statements of The Marine Mammal Center (a California nonprofit corporation) (the "Center"), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Marine Mammal Center as of September 30, 2020, 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.

Emphasis of Matter

As described in Note 16 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Marine Mammal Center's 2019 financial statements, and our report dated February 7, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

February 5, 2021

The Marine Mammal Center
Statement of Financial Position
September 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 1,220,385	$ 119,359
Restricted cash	373,601	373,528
Investments	16,749,573	12,516,557
Accounts receivable	192,601	450,720
Contributions receivable, net of discount	1,422,510	1,727,186
Prepaid expenses and other assets	301,616	372,391
Property and equipment, net	24,596,930	25,540,526
Total assets	$ 44,857,216	$ 41,100,267
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,114,690	$ 1,024,616
Capital lease obligations	230,266	132,351
Deferred revenue	66,178	152,124
Note payable	10,000	-
Total liabilities	1,421,134	1,309,091
Net assets		
Without donor restrictions		
Undesignated	27,967,317	25,539,668
Board-designated	11,059,529	9,907,155
Total without donor restrictions	39,026,846	35,446,823
With donor restrictions	4,409,236	4,344,353
Total net assets	43,436,082	39,791,176
Total liabilities and net assets	$ 44,857,216	$ 41,100,267

The accompanying notes are an integral part of these financial statements.

The Marine Mammal Center
Statement of Activities
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions				
	Undesignated	Board-Designated	With Donor Restrictions	2020 Total	2019 Total
Support and revenues					
Support					
Contributions and grants	$ 8,191,716	$ -	$ 440,167	$ 8,631,883	$ 8,371,601
Bequests	5,000,000	689,405	20,000	5,709,405	5,212,278
Grant revenue - Paycheck Protection Program	1,281,291	-	-	1,281,291	30,430
Government contracts	228,069	-	-	228,069	102,140
Special events, net	79,988	-	-	79,988	-
Donated materials, services, property and equipment	663,354	-	-	663,354	335,049
Total support	15,444,418	689,405	460,167	16,593,990	14,051,498
Revenues					
Veterinary science contracts	948,500	-	-	948,500	626,428
Retail store sales, net	146,885	-	-	146,885	376,301
Education programs	35,465	-	-	35,465	235,156
Rent	108,066	-	-	108,066	115,994
Interest and dividends, net	21,892	102,962	74,410	199,264	248,720
Realized and unrealized gain (loss) on investments, net	(1,264)	811,256	233,243	1,043,235	128,715
Other	178,428	-	-	178,428	29,936
Net assets released from restriction	1,154,186	(451,249)	(702,937)	-	-
Total revenues	2,592,158	462,969	(395,284)	2,659,843	1,761,250
Total support and revenues	18,036,576	1,152,374	64,883	19,253,833	15,812,748
Functional expenses					
Program services					
Veterinary science	9,553,843	-	-	9,553,843	8,282,528
Education	2,775,750	-	-	2,775,750	3,284,104
Total program services	12,329,593	-	-	12,329,593	11,566,632
Fundraising	1,560,246	-	-	1,560,246	2,076,827
Management and general	1,719,088	-	-	1,719,088	1,203,270
Total functional expenses	15,608,927	-	-	15,608,927	14,846,729
Change in net assets	2,427,649	1,152,374	64,883	3,644,906	966,019
Net assets, beginning of year	25,539,668	9,907,155	4,344,353	39,791,176	38,825,157
Net assets, end of year	$ 27,967,317	$ 11,059,529	$ 4,409,236	$ 43,436,082	$ 39,791,176

The accompanying notes are an integral part of these financial statements.

The Marine Mammal Center
Statement of Functional Expenses
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	Program Services		Support Services			
	Veterinary Science	Education	Fundraising	Management and General	2020 Total	2019 Total
Salaries	$ 4,033,534	$ 1,365,883	$ 894,891	$ 834,770	$ 7,129,078	$ 5,883,502
Depreciation and amortization	1,362,161	441,931	6,746	35,507	1,846,345	1,869,706
Animal care costs	960,635	155	-	-	960,790	1,179,481
Professional services	336,261	251,117	30,320	138,520	756,218	941,883
Employee benefits	613,566	135,695	112,370	79,417	941,048	807,175
Travel, conference and training	129,267	28,784	15,100	41,947	215,098	585,936
Payroll taxes	271,852	97,066	66,690	61,489	497,097	435,171
Information technology	216,118	29,611	122,945	52,443	421,117	420,465
Staff housing and rent	270,595	-	-	-	270,595	396,019
Donated materials and services	153,475	56,281	15,972	308,626	534,354	335,048
Utilities	305,403	-	25	-	305,428	309,214
Lettershop and acknowledgements	73,431	31,820	168,573	-	273,824	240,099
Supplies	67,744	96,832	5,041	4,675	174,292	225,577
Repairs and maintenance	274,351	147	-	1,172	275,670	204,863
Outreach and marketing	8,450	192,478	1,537	-	202,465	194,590
Bank charges	21,889	11,308	80,118	35,166	148,481	163,925
Insurance	180,537	148	-	236	180,921	161,474
Telephone	164,124	-	-	1,103	165,227	138,024
Other	10,701	3,290	12,886	110,836	137,713	78,681
Services district charges	42,750	-	-	-	42,750	68,477
Volunteer and donor relations	16,070	4,342	14,799	1,882	37,093	54,420
Dues and subscriptions	9,294	2,485	1,639	3,926	17,344	45,837
Postage and publications	20,377	19,465	10,160	3,763	53,765	45,519
Meetings	9,771	578	141	3,355	13,845	34,780
Merchandising expense	-	5,669	-	20	5,689	22,915
Interest expense	1,487	665	293	235	2,680	3,948
	$ 9,553,843	$ 2,775,750	$ 1,560,246	$ 1,719,088	$ 15,608,927	$ 14,846,729

The accompanying notes are an integral part of these financial statements.

The Marine Mammal Center
Statement of Cash Flows
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 3,644,906	$ 966,019
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,846,345	1,869,706
Donation of stock	(142,145)	(163,442)
Realized and unrealized gain on investments, net	(1,043,235)	(128,715)
Loss on disposal of property and equipment	34,295	-
Property and equipment acquired through in-kind donations	(129,000)	-
Changes in operating assets and liabilities		
Accounts receivable	258,119	(298,660)
Contributions receivable, net	304,676	(445,806)
Prepaid expenses and other assets	70,775	(43,592)
Accounts payable and accrued expenses	90,074	243,439
Deferred revenue	(85,946)	67,017
Net cash provided by operating activities	4,848,864	2,065,966
Cash flows from investing activities		
Purchase of investments	(6,669,412)	(22,677,921)
Proceeds from sale of investments	3,621,776	21,086,270
Purchase of property and equipment	(629,578)	(888,812)
Net cash used in investing activities	(3,677,214)	(2,480,463)
Cash flows from financing activities		
Proceeds from short-term borrowing	10,000	-
Principal payments on capital lease obligations	(80,551)	(87,192)
Net cash used in financing activities	(70,551)	(87,192)
Net increase (decrease) in cash	1,101,099	(501,689)
Cash, cash equivalents and restricted cash, beginning of year	492,887	994,576
Cash, cash equivalents and restricted cash, end of year	$ 1,593,986	$ 492,887
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 1,220,385	$ 119,359
Restricted cash	373,601	373,528
	$ 1,593,986	$ 492,887

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 2,680	$ 3,948

Supplemental schedule of noncash investing and financing activities

Property and equipment acquired with capital lease financing	$ 178,466	$ 100,684

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

The Marine Mammal Center (the "Center") is a California nonprofit organization guided and inspired by a shared vision of a healthy ocean for marine mammals and humans alike. The Center's mission is to advance global ocean conservation through marine mammal rescue and rehabilitation, scientific research, and education.

Need

The ocean is in trouble. From the depletion of fish stocks to increasing ocean temperatures, human activity threatens marine ecosystems that are vital to the health of the ocean and all life on earth. As a critical first responder to these threats, the Center leads the field in ocean conservation through marine mammal rescue, veterinary science, and education.

Programs

To advance its mission, the Center focuses on three key program areas:

Animal Care	Education	Scientific Research
Field Response	Youth Education	Clinical Medicine
Rehabilitation	Professional Education	Physiology and Disease
	Public Education	Species Conservation

- *Animal Care* - With a volunteer force numbering 1,300 and the support of a concerned public, the Center responds to marine mammals in distress. Sick and injured animals are treated and rehabilitated at its state-of-the-art veterinary facilities where the Center cares for them until they can be released back to their ocean home. Covering a rescue range that spans 600 miles of California coastline and the Big Island of Hawai'i, the Center responds to more stranded marine mammals than any other organization in the world. The Center's sought-after experts are deployed locally and internationally to provide technical veterinary expertise and training on best practices ranging from anesthesia to disentanglement. The Center admitted 442 and 1,169 marine mammals with the help of volunteers who recorded more than 76,000 and 165,000 volunteer hours served, an estimated workforce value of approximately $2.4 million and $5 million as of September 30, 2020 and 2019, respectively.

1. NATURE OF OPERATIONS (continued)

Programs (continued)

- *Scientific Research* - The Center is a major contributor to the global body of research and knowledge about marine mammal medicine and health. The Center's veterinary experts develop new clinical techniques to improve marine mammal rehabilitation and care. This research also focuses on the reasons why marine mammals strand and how these factors are connected to ecosystem and human health. Learning from every animal it responds to, its researchers identify novel diseases and pathogens, support endangered species conservation and partner with scientists around the world on collaborative research that utilizes samples and data collected by the Center. Marine mammal health, ocean health and human health are inextricably linked, and its work advances knowledge of all three. In 2020, the Center's scientists contributed 13 research papers to peer-reviewed journals. In 2020, 69 veterinary students and researchers from all over the world interested in learning from its world-class team of experts were scheduled to visit the Center, however, 23 were deferred due to COVID-19 travel restrictions and safety precautions.
- *Education* - As a teaching hospital, the Center serves as a vital training ground for veterinary professionals from across the globe, expanding the collective understanding and application of marine veterinary science and conservation. The Center's innovative school and public education programs build a sense of responsibility through a connection to marine mammals and the marine environment, inspiring future ocean stewards and promoting action to protect the ocean. In a typical year, the Center may reach 100,000 children and adults through in-person programming, but that number was reduced to just 11,000, as the Center was only open to the public for 33 days in 2020. In 2020, the Center's education programs were delivered almost exclusively online due to COVID-19 precautions. While the Center looks forward to re-opening when it is safe to do so, the Center is delighted that its online learning programs allowed the Center to reach twice its typical numbers, with more than 200,000 individuals participating in a suite of programs offered throughout the year.

Strategic Initiatives

Given the urgent challenges facing the ocean, the Center has embarked on an ambitious five-year strategic plan to help ensure a vibrant and healthy ocean for animals and people alike. This impact strategy focuses on core program areas as represented by three strategic initiatives: 1) Global Response, 2) Marine Mammal Veterinary Teaching Hospital, and 3) Education. Working with dozens of partners in the government, academia, and other non-governmental organizations ("NGO") in the United States and abroad, the Center is promoting knowledge and action to save marine mammals and the ocean, upon which all life on earth depends.

I. Global Response Initiative

Marine mammals worldwide are under threat on many fronts. At home, many marine mammal populations are recovering thanks to sound policy, but are now encountering and suffering from negative human interactions in larger numbers, compelling the Center to increase its activities.

1. NATURE OF OPERATIONS (continued)

Strategic Initiatives (continued)

Outside the United States, formal and informal groups are rapidly being formed to address marine mammal strandings and entanglements, but they lack the skills, training, and support to be fully effective. Added to this is the growing worldwide problem of entanglement caused by marine debris. The ultimate vision for this initiative is to ensure every marine mammal in need is responded to and cared for, and that marine mammal populations worldwide can thrive.

To that end, the Center will:

1. Identify and respond to rapidly changing environmental trends and maintain the Center's readiness to respond to marine mammal strandings in its home range.
2. Support organizations and individuals worldwide in becoming effective responders to marine mammals in their local communities.
3. Create a centralized and integrated entanglement response center on the West Coast of the United States and provide support to response efforts where needed.
4. Add its voice and expertise to the coalition of dedicated individuals and organizations working to solve problems before they affect marine mammals, and suggest and promote policies that ensure healthy and thriving marine mammal populations.

II. Marine Mammal Veterinary Teaching Hospital Initiative

Creating a pipeline of trained marine science and marine veterinary professionals is an essential element in addressing the current pressing global ocean conservation concerns. As a leader in marine mammal veterinary medicine, science, health, and husbandry, in a year without a pandemic, the Center strives to provide intensive, hands on experience and training to approximately 100 visiting professionals and paraprofessionals from around the world in veterinary science and medicine, marine science and marine biology, and ocean conservation. Alumni of its veterinary and marine science training programs go on to become leading contributors to the field of marine mammal conservation in the United States and internationally. With this initiative, the Center will strengthen its teaching hospital outcomes by increasing access to a more diverse group of participants and expanding and enriching the hands-on learning experiences and mentorship opportunities for all participants. Specifically, the Center plans to enhance the existing teaching hospital alumni network, by creating tools and resources to support an active and engaged community-of-practice, facilitate collaboration and support further professional development and growth among program alumni.

1. NATURE OF OPERATIONS (continued)

Strategic Initiatives (continued)

III. Education Initiatives

A. School Programs

Every student can benefit from expanded ocean and conservation literacy. Through its evidence-based middle school and virtual education programs, students and teachers from around the world will have access to the Center's world class staff educators, researchers, and scientists. The Center's goal is to inspire the youth whose actions will determine the future of this planet; and strengthen the ability of teachers to engage students in science, science careers and environmental stewardship. To achieve this goal, the Center is expanding its educational reach over the next five years with a special emphasis in two areas:

i) Ocean Ambassadors. Bay Area and California schools and teachers need support preparing youth who are literate in STEM education (Science, Technology, Engineering, and Math), interested in pursuing science careers, and able to see the power of science to solve some of the most pressing problems facing the planet today. Opening five years ago, the Center's middle school marine science and ocean conservation program, Ocean Ambassadors, has been welcomed enthusiastically by Bay Area teachers and school districts. Serving 5,009 students in 30 Bay Area schools, comprised of 60 teachers in the 2020-2021 academic year, by 2030 the Center's goal is to be serving 12,000 students Statewide.

ii) Digital Learning. The Center is developing a suite of digital learning opportunities to bring its unique content on marine mammal health and ocean conservation to students, teachers, and curious citizens around the world. Its digital opportunities will include grade-level virtual classroom programs as well as an online resource center, including digital, project-based learning modules, lesson plans, videos and more, allowing educators, students and members of the public to easily access information and resources about marine mammals and ocean conservation.

B. Public Awareness and Engagement

Increasingly, there is a recognized awareness among experts of the need to meaningfully engage society in efforts to tackle marine conservation challenges. As a conservation leader, the Center seeks to do more to move its supporters to take meaningful action. At the core of this initiative is the recognition that the Center's mission cannot be achieved without the understanding, commitment and participation of the public. The goal for this initiative is to share information, while also creating experiences that motivate, inspire and equip people to take concrete actions to protect the ocean and marine mammals. The Center will also engage in ongoing and rigorous review of its activities to ensure that it meets its intended outcomes for public awareness and engagement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - represent resources without restrictions available to support the Center's operations. These included undesignated and Board-designated net assets. Board-designated net assets represent resources without restrictions that are designated by the Board of Directors to be invested long-term or to be set aside for the cash operating reserve fund.
- *Net assets with donor restrictions* - represent contributions whose use by the Center is limited in accordance with donor-imposed stipulations. These stipulations may expire with time and/or may be satisfied by the actions of the Center according to the intention of the donors. These net assets also include amounts to be held in perpetuity as directed by the donors. Income from amounts to be held in perpetuity is available to support activities of the Center as designated by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor restricted contributions received and expended in the same accounting period are recorded in the category of net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting for Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction should be accounted for as contribution or as an exchange transaction and whether a contribution is conditional or unconditional. The Center adopted ASU 2018-08 with a date of the initial application of October 1, 2019, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the Center's financial position, result of operations, or cash flows.

Cash and cash equivalents

Cash and cash equivalents consist of funds in checking and money market accounts with original maturities of three months or less from dates of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash

Restricted cash includes assets held by a bank as collateral under a security agreement related to the Center's commercial credit card agreement.

Accounts receivable

Accounts receivable primarily represent amounts billed to customers for program service contracts and amounts due from governmental agencies under cost reimbursement agreements and are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained, based on historical experience, overall economic conditions, and the current aging status of its customers. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for doubtful accounts as of September 30, 2020 as all accounts are considered collectible.

Contributions and contributions receivable

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions with donor restrictions are reflected in net assets without donor restrictions if the restriction is released and expended during the same fiscal year the contribution was received.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. At September 30, 2020, management has determined that no allowance for uncollectible contributions was required, as all balances are considered fully collectible.

Unconditional promises to give with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported within net assets with donor restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Contributions from bequests are recognized as contributions receivable when the will has dictated the valuation, the Center has an irrevocable right to the bequest, and the amount is measurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory, which consists primarily of gift store merchandise, is recorded at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventory totaled $77,608 as of September 30, 2020 and is included as a component of prepaid expenses and other assets on the accompanying statement of financial position.

Investments

Investments are recorded at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Dividend and interest income are accrued when earned.

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. For purposes of determining realized gains or losses, the cost of securities sold is computed based on the weighted average method. Investments include the beneficial interest in the perpetual trust. Realized and unrealized gains (losses) on investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the donor stipulations impose restrictions on the use of income or require that they be added to (deducted from) the principal of a donor-restricted endowment fund;
- As increases (decreases) in net assets without donor restrictions in all other cases.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Center determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. There have been no changes in valuation techniques for the year ended September 30, 2020.

The following methods and assumptions were used to estimate the fair value of financial instruments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- Investments (Level 1). Money market and mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Government and corporate bond securities are valued based upon the most recent bid quotation for identical obligations provided by independent pricing services and from broker quotations. The mutual funds and government and corporate bond securities held are deemed to be actively traded.
- Investments (Net asset value). The perpetual trust represents an interest in pooled investment funds that are valued at the net asset value (NAV) per unit or percentage of ownership as reported by the funds. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the inherent uncertainty of valuation of non-marketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

At September 30, 2020, the Center has no financial instruments that are valued using Level 2 or Level 3 inputs.

Beneficial interests in perpetual trust

The Center is the irrevocable beneficiary of a perpetual trust held by a foundation. The beneficial interest in the trust is included in investments on the statement of financial position and reported at its fair value, which is estimated as the fair value of the underlying trust assets.

The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value. Those changes in value, as well as interest income, are reported as changes in net assets with donor restrictions. The beneficial interest in the trust is part of the Center's donor-restricted endowment funds.

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years. The Center capitalizes all property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Work in progress is depreciated only after the assets are completed and have been placed into service.

Donated property and equipment is recorded at the estimated fair value at the date the contribution is received and considered to be without donor restrictions when placed into service by the Center, unless restricted as to use by explicit donor stipulation. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Center, using its best estimates and projections, reviews for impairment of the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. There was no impairment loss recognized for the year ending September 30, 2020.

Deferred revenue

Deferred revenue includes funds received in advance for which the Center has not performed the services necessary to earn the revenue. Deferred revenue totaled $66,178 as of September 30, 2020.

Revenue recognition

Veterinary science contracts, education programs and other revenues are recognized when the services are provided and the performance obligation fulfilled.

Government contracts

Government grants are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.The Center has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as a component of deferred revenue. The Center received cost-reimbursable grants of $319,910 that have not been recognized at September 30, 2020 because qualifying expenditures have not yet been incurred. There was no advance payments received under these contracts as of September 30, 2020.

Donated materials, services, and property and equipment

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Donated services include advertising, public relations and legal services and are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retail store sales, net

Retail store sales are recorded when products are sold to customers. Retail store sales revenue is presented on the Statement of Activities net of cost of goods sold. For the year ended September 30, 2020, revenue from store sales was $225,070 and the related product cost was $78,185.

Functional expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on employee time incurred and management's estimate of the usage of resources.

Income tax status

The Center is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Center has evaluated its current tax positions and has concluded that as of September 30, 2020, the Center does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of 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, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, depreciation and useful lives of property and equipment, investment fair values, inventory valuation, the recorded value of beneficial interests, functional expense allocations, and the determination of the allowance for uncollectible receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of credit risk

Financial instruments that potentially subject the Center to credit risk consist principally of cash and cash equivalents greater than $250,000 with each financial institution, contributions receivable and investments. The Center periodically reviews its cash and investment policies, evaluates its donors' financial condition and maintains adequate reserves for potential losses, which are based on management's expectations, estimates and historical experience.

As of September 30, 2020, approximately 76% of total contributions receivable are comprised of amounts due from three donors. Approximately 15% of total contribution and grant revenue is comprised of amounts from one donor and approximately 56% of total bequest revenue is comprised of amounts from one donor for the year ended September 30, 2020.

Comparative totals

The financial statements include certain prior year summarized 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 Center's financial statements as of, and for the year ended, September 30, 2019, from which it was derived.

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

The Center has evaluated subsequent events through February 5, 2021, the date the financial statements were available to be issued. All subsequent events have been disclosed that would have a material impact on the presentation of the financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected after one year are recorded at present value.

3. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable consist of the following:

Receivable in less than one year	$ 629,232
Receivable in one to five years	881,130
	1,510,362
Less: discount on pledges receivable	(87,852)
	$ 1,422,510

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	$ 18,276,465
Mechanical systems, structures and pools	17,801,325
Office equipment	2,804,143
Furniture and fixtures	1,808,035
Automobiles	1,103,047
Construction in progress	584,052
Computer equipment	640,499
Land improvements	106,687
Software	50,772
	43,175,025
Accumulated depreciation	(18,578,095)
	$ 24,596,930

Depreciation and amortization expense for the year ended September 30, 2020 was $1,846,345.

5. CAPITAL LEASE OBLIGATIONS

The Center has entered into capital lease agreements to finance the acquisition of IT equipment with a total value of $303,411 as of September 30, 2020, based upon the present value of future minimum lease payments. The capital lease agreements require monthly payments ranging from $774 to $3,945, expiring at various dates through December 2023. As of September 30, 2020, the Center had outstanding borrowings of $230,266 relating to these capital lease agreements.

5. CAPITAL LEASE OBLIGATIONS (continued)

Future maturities of capital lease obligations are as follows:

Year ending September 30,	
2021	$ 85,158
2022	72,352
2023	66,276
2024	11,834
	235,620
Imputed interest	(5,354)
Present value of minimum lease payments	230,266
Current portion	(82,320)
	$ 147,946

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of September 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 135,187	$ -	$ -	$ 135,187
Money market funds	8,079,643	-	-	8,079,643
Mutual funds	7,083,767	-	-	7,083,767
Corporate bonds	1,222,672	-	-	1,222,672
U.S. Treasury notes	94,413	-	-	94,413
	$ 16,615,682	$ -	$ -	16,615,682
Investments measured at net asset value				133,891
				$ 16,749,573

The cash and cash equivalents included in investments as of September 30, 2020 represent investments that have been liquidated and pending reinvestment.

7. LIQUIDITY AND FUNDS AVAILABLE

As part of the Center's liquidity management, financial assets are structured so that they are available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Center has available: cash and cash equivalents, net of any restricted cash held for collateral; accounts receivable and contributions receivable that will be collected from customers and donors within one year and that are not subject to donor-imposed restrictions; and investments considered current, net of investments restricted by donor restrictions or board designations. While board-designated net assets are not available for general expenditure, they can be drawn upon with Board approval. Of the total board-designated net asset balance of $11,059,529 as of September 30, 2020, the Board approved up to $5,000,000 for use for expenditure in fiscal year 2021.

The following is a quantitative disclosure which describes assets that are available within one year of September 30, 2020 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 1,220,385
Restricted cash	373,601
Investments	16,749,573
Accounts receivable	192,601
Contributions receivable, net of discount	1,422,510
	19,958,670
Less: amounts unavailable for general expenditures within one year	
Restricted cash held for collateral purposes	(373,601)
Donor-imposed restrictions for a specified purpose	(1,661,836)
Donor-imposed restrictions for passage of time - accumulated endowment earnings	(326,462)
Donor-imposed restrictions to be held in perpetuity	(2,420,938)
Board-designated reserves, less amounts approved for expenditure in one year	(6,059,529)
	(10,842,366)
	$ 9,116,304

The Center also has a line of credit available for use. The balance available at September 30, 2020 is $5,000,000.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors designated operating reserves to help ensure the long-term financial stability of the Center, by creating a resource to manage cash flow and maintain financial flexibility, meet unfunded, critical and unexpected organization needs, and to promote public and donor confidence in the long-term sustainability of the Center.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

In May 2018, the Board of Directors approved a policy to maintain in reserve the equivalent of six months of operating expenses and one year of capital expenses to ensure continuity of operations, should funds become otherwise unavailable. The amount held in reserve is determined each year in September when the annual budget is approved by the Board of Directors, and remains at that set point for the following fiscal year.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Restricted for a specified purpose	
Veterinary Science	$ 1,250,665
Teaching Hospital	302,494
Education	2,000
El Niño Emergency Fund	57,642
Conservation	25
MBO Capital	49,010
	1,661,836
Restricted for passage of time	
Accumulated endowment earnings	326,462
	326,462
To be held in perpetuity	
Donor-restricted endowment funds	2,420,938
	2,420,938
	$ 4,409,236

Net assets with donor restrictions released from restriction during the year were as follows:

Veterinary science	$ (172,159)
Conservation	(53,650)
Teaching Hospital	(50,000)
Education	(263,428)
Government relations	(39,000)
Endowment distribution	(124,700)
	$ (702,937)

10. ENDOWMENT

The Center's endowments totaling $2,747,400 are included in investments on the statement of financial position. The endowment is comprised of donor restricted funds with a principal balance totaling $2,420,938 as of September 30, 2020.

10. ENDOWMENT (continued)

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements.

Interpretation of relevant law

The Board of Directors of the Center has interpreted the California enacted version of UPMIFA as allowing the Center to appropriate for expenditure or accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor restricted endowment fund that is not classified as held in perpetuity is restricted for the passage of time, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Center has one donor restricted endowment fund comprised of a perpetual trust. Both the principal balance and earnings are to be held in perpetuity, other than the annual distribution from the perpetual trust which is reflected as a release from restriction.

Spending policy

In accordance with UPMIFA, the Center 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 organization 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 Center

(7) The investment policies of the Center

Each year, the Center makes available for appropriation the earnings from the investment balance. The Center's objective is to maintain the original fair value of the endowment assets held in perpetuity as well as to provide additional growth through new gifts and investment returns. For the year ending September 30, 2020 the Board of Directors approved an appropriation in the amount of $124,700.

10. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies of this nature as of September 30, 2020.

Investment policy, strategies, and objectives

The Center adopted an investment policy that is monitored by the Board of Directors for the endowment funds, as well as the short-term and long-term operating reserves (see Note 8). The Board subscribes to the modern portfolio theory of prudent investment, and thus may cause the principal of the endowment to be invested in real or personal property mortgages, deeds of trust, stocks, bonds, debentures, and other securities both government and private. The Board may also direct that the principal of endowment be invested, in whole or in part, in a pooled income fund, mutual fund, or other form of common fund. The investment policy sets ranges for asset allocation.

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,747,400	$ 2,747,400

Changes in endowment net assets for the fiscal year ended September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, September 30, 2019	$ -	$ 2,490,685	$ 2,490,685
Endowment activity			
Contributions received for endowment principal	-	73,762	73,762
Realized and unrealized gains	-	233,243	233,243
Interest and dividends, net	-	74,410	74,410
Total investment return	-	381,415	381,415
Released from expenditure	-	(124,700)	(124,700)
	-	256,715	256,715
Balance, September 30, 2020	$ -	$ 2,747,400	$ 2,747,400

10. ENDOWMENT (continued)

Investment policy, strategies, and objectives (continued)

In June 1990, The Marine Mammal Center Endowment Fund of the Marin Community Foundation (the "Marin Community Foundation") was established. The purpose of the endowment fund was to receive contributions for the benefit of the Center. This endowment is not reflected on the Center's financial statements as the Marin Community Foundation has variance power and requires oversight over the endowment.

Activity in the Marin Community Foundation Fund during the year was as follows:

Balance, beginning of year	$	1,029,974
Net income		41,993
Interest and dividends		10,589
Investment fees		(2,578)
Administrative fees		(5,751)
Distributions		(46,090)
Balance, end of year	$	1,028,137

11. DONATED MATERIALS, SERVICES, PROPERTY AND EQUIPMENT

Donated materials, services, property and equipment during the year were valued as follows:

Advertising and public relations	$	185,816
Legal and other services		282,425
Supplies and materials		61,089
Medical equipment		62,024
Vehicle		72,000
	$	663,354

Volunteer service hours were valued using the Bureau of Labor Statistics' value of volunteer time for the State of California and were estimated at approximately $2,419,729. The value of this contributed time is not reflected in these financial statements as the services don't meet the recognition criteria.

Volunteer services hours during the year were as follows:

Animal care	37,460
Animal rescue	29,625
Education	3,878
Other	5,830
	76,793

12. LINE OF CREDIT

In April 2020, the Center entered into an agreement with a bank and one of its investment portfolio managers for a revolving line of credit in the amount of $5,000,000. The line of credit is a demand facility which allows the bank to demand repayment in full at any time. Additionally, it is an uncommitted facility as the bank has no obligation to make loans. As collateral at the time a loan is made on the facility, the Center will pledge non-endowment securities held by the investment manager. The facility allows for three types of advances, which are (1) variable rate advances, (2) fixed rate advances, and (3) term advances. Variable rate advances bear finance charges at a variable rate of interest equal to the LIBOR Rate plus a spread as determined by the bank. Fixed rate and term advances bear finance charges at a fixed rate of interest as agreed to by the bank and borrower, plus a spread as determined by the bank. As of September 30, 2020, there was no outstanding balance on the Center's line of credit.

13. PAYCHECK PROTECTION PROGRAM

On April 27, 2020, the Center received loan proceeds of $1,291,291 from a promissory note issued by City National Bank under the federal Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and is administered by the U.S. Small Business Administration with the intent of providing small businesses access to short-term cash flow assistance to help cover operating expenses and maintain their payroll levels. The term of the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients may apply for and be granted forgiveness of all or a portion of the loans granted under the PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent, and utility expenses, and the maintenance of workforce and compensation levels with certain limitations.

The Center believes it has met the PPP's eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven, and accordingly has accounted for the PPP loan as a conditional contribution. Proceeds received under the PPP loan are recognized as revenue when the Center has incurred expenditures in compliance with the promissory note provisions and when the conditions have been substantially met.

As part of the CARES Act, the Center also received an Economic Injury Disaster Loan ("EIDL") Advance in the amount of $10,000. The EIDL Advance is a grant program for which qualifying entities can receive a grant up to a maximum amount of $10,000. However, entities who receive an EIDL Advance in addition to the PPP loan are required to reduce the amount of the EIDL Advance from the forgiveness amount of the PPP loan.

The Center recognized PPP grant revenue totaling $1,281,291 during the year ended September 30, 2020 based on qualifying expenditures incurred under the PPP loan that are expected to be forgiven. As of September 30, 2020, the Center had a PPP note payable balance of $10,000 resulting from the EIDL Advance.

14. RETIREMENT PLAN

On January 1, 2009, the Center established a retirement plan (the "Plan") adopted under the Internal Revenue Code Section 401(k) and covering substantially all eligible employees. The Center may make discretionary matching contributions to the Plan. The Center made no contributions during the year ended September 30, 2020.

15. COMMITMENTS AND CONTINGENCIES

Cooperative agreement

The Center occupies most of its land through license agreements, the largest of which is the seven-acre site in the Marin Headlands, Golden Gate National Recreation Area ("Marin Headlands"). In 2002, the National Park Service ("NPS") issued a memorandum regarding the imposition of service district charges on an annual basis. In August 2007, the NPS and the Center finalized a twenty-five (25) year Cooperative Agreement (the "Agreement"), which requires the Center to pay monthly service district charges to cover common area maintenance services. Monthly service district charges are determined upon obtaining a special use permit every year. The total service district charges were $42,750 during the year ended September 30, 2020.

Land license agreements

In 2001, the Center entered into agreements with LSP Morro Bay, LLC (the "Morro Licensor") and LSP Moss Landing (the "Moss Licensor") to construct, operate and maintain two triage facilities for twenty (20) years commencing June 1, 2001. The Center paid $20 to each Licensor for the right to occupy the property where the triage facilities were constructed, and fund the property improvements which are included in the statement of financial position. The Center shall also pay an annual licensor fee of $1 per year to each licensor for occupancy. The Licensors reserve the right to terminate the agreements at any time during the term of the agreement, with or without cause and without obligation to the Center, by having written notice delivered to the Center ninety days prior to the termination date specified in the notice.

In 2007, the original Moss Licensor sold the Moss Landing property to Dynegy Moss Landing, LLC ("Dynegy"). In April 2018, Dynegy merged with Vistra Energy Corp. ("Vistra"). The Licensor agreement with the Center transferred with the sale of the property. While Vistra is looking to develop the property, the Center is not aware of any pending projects that would terminate the occupancy agreement. The Center may recognize a loss if the license to occupy the property is terminated.

15. COMMITMENTS AND CONTINGENCIES (continued)

Operating leases

The Center has one long-term operating lease with the Natural Energy Laboratory of Hawai'i Authority ("NELHA") in Kona, Hawai'i, where it constructed a healthcare facility for the Hawaiian monk seal. The lease has operating payments of $781 per month and has three successive options to renew the term of the lease for a period of five years per renewal option, upon written notice by the Center and negotiation of a rent rate adjustment. The Center executed a renewal option in July 2019 which will operate until the following renewal option in July 2024. Total rent expense under this lease was $9,559 during the year ended September 30, 2020.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending September 30,		
2021	$	9,559
2022		9,559
2023		9,559
2024		9,559
2025		7,169
	$	45,405

The total staff housing and rent expense incurred by the Center was $270,595 for the year ended September 30, 2020, which includes rent expense for the NELHA operating lease, operating leases for staff housing held under monthly cancelable lease arrangements, and the utility expenses paid as part of the leasing agreements.

The scheduled minimum lease payments under the lease terms for the remaining staff housing leases are as follows:

Year ending September 30,		
2021	$	74,952
	$	74,952

Contingent liabilities

The Center's buildings, structures, pools, and current work in progress are located on land that is not owned by the Center. The Center occupies the land through various agreements with government and private entities. Many of these agreements are subject to termination at any time and without cause. The Center may recognize a loss of the net book value for buildings, structures, pools, and current work in progress located on unowned property if occupancy agreements were terminated and the Center was forced to relocate.

16. RISK AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Center is headquartered. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, the Center received a PPP loan through the CARES Act (see Note 13).

Impacts to the Center's operations include disruptions and restrictions on employees' ability to work and the fluctuations in investment balances due to the effect of the pandemic on the financial markets. The Center had to close the Center's programs to visitors effective with the shelter-in-place orders in March 2020. The Center remains closed to visitors through the date the financial statements were available to be issued. The closing of the Center caused a decline in the Center's education programs and store sales. While the disruption from COVID-19 is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate financial impact. Because the Center's operations are directly impacted by these events, it is probable that this matter will negatively impact the Center. Although the Center is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate financial impact and duration cannot be reasonably estimated at this time.