HUBBS SEAWORLD RESEARCH INSTITUTE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

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Independent Auditor's Report

To the Board of Trustees
Hubbs-SeaWorld Research Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hubbs-SeaWorld Research Institute (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hubbs-SeaWorld Research Institute as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hubbs-SeaWorld Research Institute, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Hubbs-SeaWorld Research Institute's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Hubbs-SeaWorld Research Institute'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 Hubbs-SeaWorld Research Institute'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedules of Financial Position and the Consolidating Schedules of Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying 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 also not a required part of the consolidating 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 information 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 October 3, 2024, on our consideration of Hubbs-SeaWorld Institute'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 Hubbs-SeaWorld Institute'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 Hubbs-SeaWorld Institute's internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
October 3, 2024

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Current Assets: (Notes 2, 4, 5 and 8)		
Cash and cash equivalents	$ 1,180,556	$ 1,070,357
Investments	155,237	771,122
Grants and other receivables	428,037	551,454
Prepaid expenses and other	27,030	20,382
Total Current Assets	1,790,860	2,413,315
Noncurrent Assets: (Notes 2, 4, 5, 6, 7, 8, 9, 10, 12 and 13)		
Charitable remainder trust	-	14,086
Property and equipment, net	1,853,074	2,024,159
Right of use asset - operating	20,494	28,336
Intangible assets	3,976,334	3,637,355
Donated property	2,630,801	2,630,801
Investments - endowment	219,000	219,000
Total Noncurrent Assets	8,699,703	8,553,737
TOTAL ASSETS	$ 10,490,563	$ 10,967,052

LIABILITIES AND NET ASSETS

	2024	2023
Current Liabilities: (Notes 2, 10 and 13)		
Accounts payable	$ 111,220	$ 110,930
Accrued expenses	2,776,629	2,238,275
Deferred revenue	-	20,000
Billings on uncompleted grants in excess of related costs	32,621	30,805
Operating lease liability, current	8,330	7,842
Notes payable, current	881,935	885,798
Total Current Liabilities	3,810,735	3,293,650
Noncurrent Liabilities: (Notes 10 and 13)		
Operating lease liability, net of current portion	11,569	19,899
Notes payable, net of current portion	18,078	29,978
Total Noncurrent Liabilities	29,647	49,877
Total Liabilities	3,840,382	3,343,527
Commitments (Notes 10 and 13)		
Net Assets: (Notes 2, 11 and 12)		
Without Donor Restrictions	2,527,140	3,036,168
With Donor Restrictions:		
Purpose restrictions	1,273,240	1,723,470
Time restrictions	-	14,086
Perpetual in nature	2,849,801	2,849,801
Total With Donor Restrictions	4,123,041	4,587,357
Total Net Assets	6,650,181	7,623,525
TOTAL LIABILITIES AND NET ASSETS	$ 10,490,563	$ 10,967,052

The accompanying notes are an integral part of the consolidated financial statements.

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contracts	$ 2,656,149	$ -	$ 2,656,149	$ 2,280,612	$ -	$ 2,280,612
Contributions	1,166,539	719,503	1,886,042	978,379	2,131,331	3,109,710
Special events	160,390	-	160,390	-	-	-
Investment return	2,077	74,114	76,191	1,434	36,963	38,397
Inkind contributions	40,964	-	40,964	-	-	-
Other	36,723	-	36,723	40,088	-	40,088
Change in value of charitable remainder trust	-	(14,086)	(14,086)	-	-	-
Net assets released from restrictions	1,243,847	(1,243,847)	-	1,226,399	(1,226,399)	-
Total Revenue and Support	5,306,689	(464,316)	4,842,373	4,526,912	941,895	5,468,807
Expenses:						
Program Services:						
Research projects	4,345,253	-	4,345,253	3,721,770	-	3,721,770
Florida wildlife grant	74,202	-	74,202	79,043	-	79,043
Total Program Services	4,419,455	-	4,419,455	3,800,813	-	3,800,813
Supporting Services:						
Management and general	1,118,608	-	1,118,608	1,053,757	-	1,053,757
Fundraising	277,654	-	277,654	243,801	-	243,801
Total Supporting Services	1,396,262	-	1,396,262	1,297,558	-	1,297,558
Total Expenses	5,815,717	-	5,815,717	5,098,371	-	5,098,371
Change in Net Assets	(509,028)	(464,316)	(973,344)	(571,459)	941,895	370,436
Net Assets at Beginning of Year	3,036,168	4,587,357	7,623,525	3,607,627	3,645,462	7,253,089
NET ASSETS AT END OF YEAR	$ 2,527,140	$ 4,123,041	$ 6,650,181	$ 3,036,168	$ 4,587,357	$ 7,623,525

The accompanying notes are an integral part of the consolidated financial statements.

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Expenses			Supporting Services			
	Research Projects	Florida Wildlife Grants	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:							
Salaries and wages	$ 1,773,327	$ -	$ 1,773,327	$ 1,093,174	$ 150,061	$ 1,243,235	$ 3,016,562
Payroll taxes and employee benefits	608,226	-	608,226	(1,691)	58,523	56,832	665,058
Total Salaries and Related Expenses	2,381,553	-	2,381,553	1,091,483	208,584	1,300,067	3,681,620
Nonsalary Related Expenses:							
Business expenses	22,756	-	22,756	198,905	3,079	201,984	224,740
Depreciation	95,017	-	95,017	287,738	-	287,738	382,755
Equipment	38,107	-	38,107	30,476	108	30,584	68,691
Events	-	-	-	-	40,964	40,964	40,964
Occupancy	301,942	-	301,942	158,370	-	158,370	460,312
Outside services	199,174	-	199,174	67,473	4,644	72,117	271,291
Program grants	-	74,202	74,202	-	-	-	74,202
Supplies	443,473	-	443,473	76,834	13,278	90,112	533,585
Travel and meetings	42,001	-	42,001	28,559	6,997	35,556	77,557
Allocated costs	821,230	-	821,230	(821,230)	-	(821,230)	-
Total Nonsalary Related Expenses	1,963,700	74,202	2,037,902	27,125	69,070	96,195	2,134,097
Total Expenses	$ 4,345,253	$ 74,202	$ 4,419,455	$ 1,118,608	$ 277,654	$ 1,396,262	$ 5,815,717

The accompanying notes are an integral part of the consolidated financial statements.

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Expenses			Supporting Services			
	Research Projects	Florida Wildlife Grants	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:							
Salaries and wages	$ 1,445,174	$ -	$ 1,445,174	$ 1,005,225	$ 133,351	$ 1,138,576	$ 2,583,750
Payroll taxes and employee benefits	522,111	-	522,111	(1,799)	52,007	50,208	572,319
Total Salaries and Related Expenses	1,967,285	-	1,967,285	1,003,426	185,358	1,188,784	3,156,069
Nonsalary Related Expenses:							
Business expenses	8,511	-	8,511	147,458	2,625	150,083	158,594
Depreciation	93,265	-	93,265	262,206	-	262,206	355,471
Equipment	62,271	-	62,271	53,000	1,230	54,230	116,501
Events	-	-	-	-	4,250	4,250	4,250
Occupancy	244,257	-	244,257	109,368	-	109,368	353,625
Outside services	88,168	-	88,168	117,224	-	117,224	205,392
Program grants	-	79,043	79,043	-	-	-	79,043
Supplies	468,039	-	468,039	86,217	48,169	134,386	602,425
Travel and meetings	42,894	-	42,894	21,938	2,169	24,107	67,001
Allocated costs	747,080	-	747,080	(747,080)	-	(747,080)	-
Total Nonsalary Related Expenses	1,754,485	79,043	1,833,528	50,331	58,443	108,774	1,942,302
Total Expenses	$ 3,721,770	$ 79,043	$ 3,800,813	$ 1,053,757	$ 243,801	$ 1,297,558	$ 5,098,371

The accompanying notes are an integral part of the consolidated financial statements.

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ (973,344)	$ 370,436
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	382,755	355,471
Unrealized gains losses on investments	(55,861)	(15,135)
Change in value of charitable remainder trust	14,086	-
Amortization of right of use asset	7,842	7,390
(Increase) Decrease in:		
Grants and other receivables	123,417	525,073
Contributions receivable	-	50,000
Prepaid expenses and other	(6,648)	10,725
Increase (Decrease) in:		
Accounts payable	290	5,034
Accrued expenses	201,180	29,757
Deferred revenue	(20,000)	20,000
Billings on uncompleted grants in excess of related costs	1,816	782
Operating lease liability	(7,842)	(7,985)
Net Cash (Used in) Provided by Operating Activities	(332,309)	1,351,548
Cash Flows From Investing Activities:		
Purchase of investments, net	671,746	(708,679)
Purchase of property and equipment	(211,670)	(281,357)
Purchase of intangible assets	(1,805)	(1,825)
Net Cash Provided by (Used in) Investing Activities	458,271	(991,861)
Cash Flows From Financing Activities:		
Payment on notes payable	(15,763)	(15,225)
Net Cash Used in Financing Activities	(15,763)	(15,225)
Net Increase in Cash and Cash Equivalents	110,199	344,462
Cash and Cash Equivalents at Beginning Year	1,070,357	725,895
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,180,556	$ 1,070,357
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 2,603	$ 4,086
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 9,290	$ 9,289
Right-of-use assets upon ASC 842 implementation:		
Operating leases	$ -	$ 35,726
Non-cash interest included in intangible assets	$ 337,174	$ 239,213

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Organization:

The consolidated financial statements of the Organization include the following entities:

Hubbs-SeaWorld Research Institute

Hubbs-SeaWorld Research Institute (the "Institute") was organized pursuant to the General Nonprofit Corporation Law of the State of California. The primary purpose for which the Institute was formed is to conduct biological, environmental, and other general scientific studies, and to engage in the development of the technologies which will enhance public awareness and mankind's dedication to the public service responsibility in both the public and private sector.

Hubbs Florida Ocean Fund, Inc.

Hubbs Florida Ocean Fund, Inc. ("HFOF") is a nonprofit corporation organized under the laws of the State of Florida. HFOF was organized specifically to promote scientific research and educational activities associated with the marine environment. The directors of HFOF are appointed by the directors of the Institute.

Pacific Ocean Fresh, Inc.

Pacific Ocean Fresh, Inc. ("POF") is a wholly owned for-profit subsidiary organized pursuant to the General Corporation Law of the State of California. POF was incorporated to pursue commercial opportunities arising from the Institute's successful research results. The directors of POF are elected at the annual shareholder meeting. The Institute is the sole shareholder of POF.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements of the Organization include the accounts of Hubbs-SeaWorld Research Institute, Hubbs Florida Ocean Fund, Inc., and Pacific Ocean Fresh, Inc., which are collectively referred to as the "Organization." All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's consolidated statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds and treasury notes are considered Level 1 assets and are reported at fair value based on quoted net asset values of the shares held by the Organization at year-end.
- The charitable remainder trust is considered a Level 3 asset and is reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate, and the life expectancy of the donor. (Note 6)

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses on contracts and other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Contracts and other receivables are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. The allowance for credit losses totaled $9,112 and $-0- at June 30, 2024 and 2023, respectively.

Allowance for Uncollectable Grants and Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants and contributions receivable were fully collectible; therefore, no allowance for doubtful grants and other receivables and contributions receivable were recorded at June 30, 2024 and 2023.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of $1,000 for property and equipment at cost, while donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated asset lives of five-to-forty years. Depreciation totaled $382,755 and $355,471 for the years ended June 30, 2024 and 2023, respectively.

Maintenance and repairs are charged to operations as incurred. Major renewals or improvements are capitalized. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

The Organization reviews its investment in real estate and intangible assets for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate and intangible assets to the estimated proceeds from the eventual disposition of the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

Note 2 - Significant Accounting Policies: (Continued)

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use average incremental borrowing rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Compensated Absences

Accumulated unpaid vacation totaling $168,527 and $139,596 at June 30, 2024 and 2023, respectively, is accrued when incurred, and is included in accrued expenses.

Revenue Recognition

Grants and contracts revenue is recognized based on the proportion of project expenses incurred to total anticipated project expenses (percent-of-completion method). Losses on grants and contracts are recognized when identified. Grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Grants and other receivables totaled $428,037 and $551,454 at June 30, 2024 and 2023, respectively. Billings on uncompleted grants in excess of related costs is recorded when cash received under a grant exceeds revenue earned, and totaled $32,621 and $30,805 at June 30, 2024 and 2023, respectively.

Contributions are recognized when the donor makes a promise to give in writing to the Organization that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue received from special events is recognized as revenue when the event occurs. Cash received in advance is recorded as deferred revenue. Deferred revenue totaled $-0- and $20,000 at June 30, 2024 and 2023, respectively.

Donated Services and Support

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2024 and 2023 did not meet the requirements above; therefore, no amounts were recognized in the consolidated financial statements.

The Organization recognized in-kind contributions, totaling $40,964 and $-0- for the years ended June 30, 2024 and 2023, respectively, which have been recorded as in-kind contributions and fundraising expenses in the consolidated statement of activities.

2024

Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Food and catering	$24,000	Fundraising	No associated donor restrictions	Estimate the fair value on the basis of estimates of values that would be received for similar products in the United States.
Auction items	$16,964	Fundraising	No associated donor restrictions	Estimated the fair value at the standard rate charges for those services in the United States.

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization’s management.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Institute is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. HFOF is a Florida nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code on income related to its tax-exempt purpose. The Institute and HFOF believe that they have appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the consolidated financial statements. The Institute and HFOF are not private foundations.

The Institute and HFOF’s Return of Organization Exempt from Income Tax for the years ended June 30, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Note 2 - Significant Accounting Policies: (Continued)

Income Tax Status (Continued)

POF is a California corporation and is taxable under the Internal Revenue Code as a corporation. POF believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

POF's corporate tax returns for the years ended June 30, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments – Credit Losses ("Topic 326")* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, accounts receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated subsequent events through October 3, 2024, which is the date the consolidated financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 10.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditure within one year at June 30:

	2024	2023
Cash and cash equivalents	$ 1,180,556	$ 1,070,357
Investments	155,237	771,122
Grants and other receivables	428,037	551,454
Appropriation of endowment earnings	74,000	37,000
Financial assets available to meet general expenditures within one year	$ 1,837,830	$ 2,429,933

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 12. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Mutual funds	$ 374,237	$ -	$ -	$ 374,237
	$ 374,237	$ -	$ -	$ 374,237

Note 4 - Fair Value Measurements:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Mutual funds	$ 703,294	$ -	$ -	$ 703,294
Treasury notes	286,828	-	-	286,826
Charitable remainder trust (Note 7)	-	-	14,086	14,086
	$ 990,122	$ -	$ 14,086	$ 1,004,208

The reconciliation for financial instruments measured at fair value in a recurring basis using significant unobservable inputs (Level 3) are included in Note 7, as indicated above.

The following table represents the Organization's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2024				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input_ Values
Charitable remainder trust	$ -0-	Present value of expected cash flows	Investment yield Discount rate	8.0% 8.0%

2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input_ Values
Charitable remainder trust	$ 14,086	Present value of expected cash flows	Investment yield Discount rate	8.0% 8.0%

Note 5 - Investments:

Investments consist of the following at June 30:

	2024	2023
Mutual funds	$ 374,237	$ 703,294
Treasury notes	-	286,828
Total Investments	$ 374,237	$ 990,122

Note 5 - Investments: (Continued)

	2024	2023
Financial Statement Presentation:		
Current Assets:		
Investments	$ 155,237	$ 771,122
Noncurrent Assets:		
Restricted Investments:		
Endowment investments	219,000	219,000
Total Investments	$ 374,237	$ 990,122

The following schedule summarizes the investment return for the years ended June 30:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 2,077	$ 18,253	$ 20,330
Unrealized gains	-	55,861	55,861
Total Investment Return	$ 2,077	$ 74,114	$ 76,191

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 1,434	$ 21,828	$ 23,262
Unrealized gains	-	15,135	15,135
Total Investment Return	$ 1,434	$ 36,963	$ 38,397

Note 6 - Charitable Remainder Trust:

The Institute was named as the remainder beneficiary of a charitable remainder unitrust (the “Trust”). This Trust was established and funded by the donor, and provides for a distribution annually to the donor during their lifetime. Upon the death of the donor, the remaining value of the Trust will be distributed to the Institute. The assets held in the Trust totaling $-0- and $22,832 at June 30, 2024 and 2023, respectively, have been discounted to their net present value using a discount rate of 8%. All assets were distributed during the year ended June 30, 2024, following the death of the donor. The activity of the charitable remainder unitrusts consisted of the following for the years ended June 30:

	2024	2023
Balance at Beginning of Year	$ 14,086	$ 14,086
Change in discount and fair value	(14,086)	-
Balance at End of Year	$ -	$ 14,086

Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2024	2023
Building improvements	$ 3,781,647	$ 3,739,598
Carlsbad hatchery	2,265,312	2,217,043
Laboratory	1,990,555	1,872,229
Office	424,838	421,813
DeMotte Interpretive Center	199,705	199,705
Shedd auditorium	57,820	57,820
Research vessels	27,021	27,021
Subtotal	8,746,898	8,535,229
Less: Accumulated depreciation	(6,893,824)	(6,511,070)
Property and Equipment, Net	$ 1,853,074	$ 2,024,159

Note 8 - Intangible Assets:

POF has incurred costs to establish an aquaculture facility and operations. Costs of starting the operations and obtaining the necessary permits to operate the facility have been capitalized, and total $3,976,334 and $3,637,355 at June 30, 2024 and 2023, respectively.

On February 28, 2018, Pacific Ocean AquaFarms, LLC ("POA") was formed by Noceans, a subsidiary of Pacific6. POF entered into a memorandum of understanding with POA, whereby POA will obtain either royalty and/or ownership interest in the proposed venture, the terms of which are currently under negotiation. On February 1, 2018, the Institute entered into a services agreement with POA related to the acquisition of federal and other required permits for an open ocean fish farm, to be sited outside of the coastal waters of Southern California, as well as provide planning and information services needed for development of a financial and business operational plan for the proposed offshore fish farm. Grant and contracts revenue from this contract totaled $3,301 and $7,793 for the years ended June 30, 2024 and 2023, respectively. Billings from this contract in excess of receipts totaled $9,122 and $5,822 at June 30, 2024 and 2023, respectively, and is included in grants and other receivables at June 30, 2024 and 2023.

POF is currently working to obtain the issuance of operating permits which are necessary in order to begin operations of the aquaculture facility and operations. The four federal agencies required for permit approval, the National Oceanic and Atmospheric Administration (NOAA), US Navy, Army Corps of Engineers (Corps), and the Environmental Protection Agency (EPA), have a Memorandum of Understanding (MOU) to coordinate the environmental review process for the required permits. NOAA, as the lead agency for this review, has invited the Corps and the EPA to be cooperating agencies under the regulations of the Council on Environmental Quality that oversees actions prescribed under the National Environmental Protection Act. The permit application has been submitted and is under preliminary review. The Institute estimates that the review process will take between 18 and 24 months. Should the Institute be unable to secure funding for the permitting process and obtain the necessary permits, the ability to recover the cost of the intangible assets could be negatively affected.

Note 9 - Donated Property:

Donated property consists of land and improvements donated to the Institute which have been valued by appraisal as of the date of the donation, and consist of the following at June 30:

	2024	2023
Florida land and improvements	$ 2,630,801	$ 2,630,801
Total Donated Property	$ 2,630,801	$ 2,630,801

The donated Florida land and improvements requires the Institute to maintain the property in perpetuity for active or passive conservation purposes, and is included in net assets with donor restriction of a perpetual nature. If the Institute should ever violate this commitment and covenant, then the title to the property shall be divested and transferred to the United States Department of Interior, Fish, and Wildlife Service.

Note 10 - Notes Payable:

The promissory note payable which was originated by the Institute in May 2018 is held in an amount not to exceed $500,000. The promissory note payable bears interest at the prime rate as calculated and published in the Wall Street Journal less 1% per annum (8.50% and 8.25% at June 30, 2024 and 2023, respectively) on the outstanding principal, with all principal and accrued interest due and payable in May 2024. The note payable totaled $500,000 for each of the years ended June 30, 2024 and 2023. Accrued interest totaled $110,013 and $72,600 at June 30, 2024 and 2023, respectively, and is included in accrued expenses. Subsequent to year-end in July 2024, a payment of $310,013 was made.

The related party promissory notes payable which were originated by POF in early 2008 are held in an amount not to exceed $500,000. The promissory notes payable bear interest at 14% or 5% per annum on the outstanding principal and accrued interest, with all principal and accrued interest due and payable in August 2023, March 2019, or due upon demand. In lieu of payment of principal and interest, the lenders may request membership interest in a limited liability company, as defined in the notes payable. The notes payable totaled $370,000 at June 30, 2024 and 2023. Accrued interest totaled $2,351,867 and $2,014,694 at June 30, 2024 and 2023, respectively, and is included in accrued expenses.

The promissory note payable to Western Alliance Bank was originated by the Institute in December 2019, in the original amount of $35,000. Payable in monthly payments of $691, including interest at 6.75%, due December 4, 2024. The note payable totaled $3,376 and $11,139 at June 30, 2024 and 2023, respectively. Accrued interest totaled $-0- at June 30, 2024 and 2023. Secured by vehicle.

The promissory note payable to Ford Motor Credit Company, LLC was originated by the Institute in June 2022, in the original amount of $42,610. Payable in monthly payments of $840, including interest at 6.69% due June 2027. The note payable totaled $26,638 and $34,637 at June 30, 2024 and 2023, respectively. Secured by vehicle.

Future principal payments on the notes payable are as follows:

Years Ended June 30	
2025	$ 881,935
2026	9,145
2027	8,933
	$ 900,013

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Sea Bass in the Classroom	$ 525,120	$ 688,670
Fisheries Replenishment	364,652	511,040
Integrated Aquaculture	244,539	272,078
Center for Excellence in Marine Aquaculture	136,821	157,838
Florida Volunteers	2,108	-
Sea Bass Genetics	-	80,901
Yellowtail Culture	-	12,943
Total Subject to Expenditure For Specified Purpose	1,273,240	1,723,470
Subject to the Passage of Time:		
Charitable remainder trust	-	14,086
Perpetual in Nature:		
Endowments (Note 12)	2,849,801	2,849,801
Total Net Assets with Donor Restrictions	$ 4,123,041	$ 4,587,357

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	2024	2023
Purpose Restrictions Accomplished:		
Fisheries Replenishment	$ 396,389	$ 311,861
Builder's Initiative	363,335	320,953
Sea Bass in the Classroom	193,090	137,539
Integrated Aquaculture	91,703	153,520
Sea Bass Genetics	80,901	19,099
Center for Excellence in Marine Aquaculture	26,017	49,345
Yellowtail Culture	12,943	175,408
Florida Volunteers	5,355	-
Catalina Sea Bass	-	17,729
Global Warming	-	3,982
Appropriation of accumulated earnings on endowment assets	74,114	36,963
Total Net Assets Released From Restrictions	$ 1,243,847	$ 1,226,399

Note 12 - Endowment Net Assets:

The Institute's endowment was established to provide general support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at June 30, 2024 and 2023.

The Institute has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Institute's endowment funds are invested in cash and cash equivalents that are structured to satisfy its long-term rate-of-return objectives. The Institute's spending policy is to disburse funds available to meet the current program needs of the Institute.

Note 12 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at June 30:

	2024	2023
Donor-Restricted Endowment Funds:		
Florida property (Note 9)	$ 2,630,801	$ 2,630,801
General endowment funds	219,000	219,000
Total Donor-Restricted Endowment Funds	$ 2,849,801	$ 2,849,801

Changes in endowment net assets for the years ended June 30:

	2024	2023
Endowment Net Assets at Beginning of Year	$ 2,849,801	$ 2,849,801
Investment income (loss)	74,114	36,963
Appropriation of endowment assets for expenditure	(74,114)	(36,963)
Endowment Net Assets at End of Year	$ 2,849,801	$ 2,849,801

Note 13 - Commitments:

Pension Plan

The Institute has adopted a defined contribution retirement plan (“Plan”). An employee is eligible for participation in the Plan when the employee has completed one year (equivalent to a 12-month period with 1,000 hours or more) of service and is at least twenty-one years old. Contributions to the Plan by the Institute were suspended from November 2017 through January 2022. Contributions totaled $89,077 and $83,619 for the years ended June 30, 2024 and 2023, respectively.

Lease Agreements

The Organization leases office equipment under non-cancelable operating leases that expire on various dates through August 2027. Rental expense under these leases totaled $11,612 and $11,898 for the years ended June 30, 2024 and 2023, respectively.

The following summarizes the line items on the statement of financial position for the operating lease at June 30:

	2024	2023
Operating lease right-of-use asset	$ 20,494	$ 28,336
Operating lease liabilities, current	8,330	7,842
Operating lease liabilities, net of current portion	11,569	19,899
Total operating lease liabilities	$ 19,899	$ 27,741

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

Weighted average remaining lease term - Operating	4.2 years
Weighted average incremental borrowing rate	6.0%

Note 13 - Commitments: (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2024:

Operating lease expense	$ 9,290

The following summarizes cash flow information related to leases for the year ended June 30, 2024:

Operating cash flows from operating leases	$ 9,290

The following is a schedule of future minimum rental payments under the leases:

Years Ended June 30	
2025	$ 9,290
2026	9,290
2027	3,332
2028	224
Total lease payments	22,136
Less: Interest	(2,237)
Present value of lease liabilities	$ 19,899

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

	Institute	HFOF	POF	Eliminations	Consolidated
Current Assets:					
Cash and cash equivalents	$ 1,145,408	$ 35,148	$ -	$ -	$ 1,180,556
Investments	155,237	-	-	-	155,237
Grants and other receivables	428,037	-	-	-	428,037
Prepaid expenses and other	27,874	-	-	(844)	27,030
Total Current Assets	1,756,556	35,148	-	(844)	1,790,860
Noncurrent Assets:					
Property and equipment, net	1,853,074	-	-	-	1,853,074
Right of use asset - operating	20,494	-	-	-	20,494
Intangible assets	-	-	3,976,334	-	3,976,334
Donated property	2,630,801	-	-	-	2,630,801
Investments - endowment	219,000	-	-	-	219,000
Notes receivable	1,259,654	-	-	(1,259,654)	-
Total Noncurrent Assets	5,983,023	-	3,976,334	(1,259,654)	8,699,703
TOTAL ASSETS	$ 7,739,579	$ 35,148	$ 3,976,334	$ (1,260,498)	$ 10,490,563

LIABILITIES AND NET ASSETS

	Institute	HFOF	POF	Eliminations	Consolidated
Current Liabilities:					
Accounts payable	$ 78,215	$ 33,005	$ -	$ -	$ 111,220
Accrued expenses	424,761	-	2,351,868	-	2,776,629
Billings on uncompleted grants in excess of related costs	32,621	-	-	-	32,621
Operating lease liability, current	8,330	-	-	-	8,330
Notes payable, current	511,935	-	370,000	-	881,935
Total Current Liabilities	1,055,862	33,005	2,721,868	-	3,810,735
Noncurrent Liabilities:					
Operating lease liability, net of current portion	11,569	-	-	-	11,569
Notes payable, net of current portion	18,078	-	1,259,654	(1,259,654)	18,078
Total Noncurrent Liabilities	29,647	-	1,259,654	(1,259,654)	29,647
Total Liabilities	1,085,509	33,005	3,981,522	(1,259,654)	3,840,382
Net Assets (Deficit):					
Without donor restrictions	2,531,029	2,143	(5,188)	(844)	2,527,140
With donor restrictions	4,123,041	-	-	-	4,123,041
Total Net Assets (Deficit)	6,654,070	2,143	(5,188)	(844)	6,650,181
TOTAL LIABILITIES AND NET ASSETS	$ 7,739,579	$ 35,148	$ 3,976,334	$ (1,260,498)	$ 10,490,563

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2023

ASSETS

	Institute	HFOF	POF	Eliminations	Consolidated
Current Assets:					
Cash and cash equivalents	$ 1,028,530	$ 41,827	$ -	$ -	$ 1,070,357
Investments	771,122	-	-	-	771,122
Grants and other receivables	551,454	-	-	-	551,454
Prepaid expenses and other	21,226	-	-	(844)	20,382
Total Current Assets	2,372,332	41,827	-	(844)	2,413,315
Noncurrent Assets:					
Charitable remainder trust	14,086	-	-	-	14,086
Property and equipment, net	2,024,159	-	-	-	2,024,159
Right of use asset - operating	28,336	-	-	-	28,336
Intangible assets	-	-	3,637,355	-	3,637,355
Donated property	2,630,801	-	-	-	2,630,801
Investments - endowment	219,000	-	-	-	219,000
Notes receivable	1,257,849	-	-	(1,257,849)	-
Total Noncurrent Assets	6,174,231	-	3,637,355	(1,257,849)	8,553,737
TOTAL ASSETS	$ 8,546,563	$ 41,827	$ 3,637,355	$ (1,258,693)	$ 10,967,052

LIABILITIES AND NET ASSETS

	Institute	HFOF	POF	Eliminations	Consolidated
Current Liabilities:					
Accounts payable	$ 71,220	$ 39,710	$ -	$ -	$ 110,930
Accrued expenses	223,581	-	2,014,694	-	2,238,275
Deferred revenue	20,000	-	-	-	20,000
Billings on uncompleted grants in excess of related costs	30,805	-	-	-	30,805
Operating lease liability, current	7,842	-	-	-	7,842
Notes payable, current	515,798	-	370,000	-	885,798
Total Current Liabilities	869,246	39,710	2,384,694	-	3,293,650
Noncurrent Liabilities:					
Operating lease liability, net of current portion	19,899	-	-	-	19,899
Notes payable, net of current portion	29,978	-	1,257,849	(1,257,849)	29,978
Total Noncurrent Liabilities	49,877	-	1,257,849	(1,257,849)	49,877
Total Liabilities	919,123	39,710	3,642,543	(1,257,849)	3,343,527
Net Assets (Deficit):					
Without donor restrictions	3,040,083	2,117	(5,188)	(844)	3,036,168
With donor restrictions	4,587,357	-	-	-	4,587,357
Total Net Assets (Deficit)	7,627,440	2,117	(5,188)	(844)	7,623,525
TOTAL LIABILITIES AND NET ASSETS	$ 8,546,563	$ 41,827	$ 3,637,355	$ (1,258,693)	$ 10,967,052

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Institute	HFOF	POF	Eliminations	Consolidated
Revenue and Support:					
Grants and contracts	$ 2,656,149	$ -	$ -	$ -	$ 2,656,149
Contributions	1,811,840	371,010	-	(296,808)	1,886,042
Special events	160,390	-	-	-	160,390
Investment return	76,165	26	-	-	76,191
Inkind contributions	40,964	-	-	-	40,964
Other	36,723	-	-	-	36,723
Change in value of charitable remainder trust	(14,086)	-	-	-	(14,086)
Total Revenue and Support	4,768,145	371,036	-	(296,808)	4,842,373
Expenses:					
Program Services:					
Research projects	4,345,253	296,808	-	(296,808)	4,345,253
Florida wildlife grant	-	74,202	-	-	74,202
Total Program Services	4,345,253	371,010	-	(296,808)	4,419,455
Supporting Services:					
Management and general	1,118,608	-	-	-	1,118,608
Fundraising	277,654	-	-	-	277,654
Total Supporting Services	1,396,262	-	-	-	1,396,262
Total Expenses	5,741,515	371,010	-	(296,808)	5,815,717
Change in Net Assets	(973,370)	26	-	-	(973,344)
Net Assets (Deficit) at Beginning of Year	7,627,440	2,117	(5,188)	(844)	7,623,525
NET ASSETS (DEFICIT) AT END OF YEAR	$ 6,654,070	$ 2,143	$ (5,188)	$ (844)	$ 6,650,181

HUBBS-SEAWORLD RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Institute	HFOF	POF	Eliminations	Consolidated
Revenue and Support:					
Contributions	$ 3,030,667	$ 395,216	$ -	$ (316,173)	$ 3,109,710
Grants and contracts	2,280,612	-	-	-	2,280,612
Other	40,088	-	-	-	40,088
Investment return	38,382	15	-	-	38,397
Total Revenue and Support	5,389,749	395,231	-	(316,173)	5,468,807
Expenses:					
Program Services:					
Research projects	3,721,770	316,173	-	(316,173)	3,721,770
Florida wildlife grant	-	79,043	-	-	79,043
Total Program Services	3,721,770	395,216	-	(316,173)	3,800,813
Supporting Services:					
Management and general	1,053,757	-	-	-	1,053,757
Fundraising	243,801	-	-	-	243,801
Total Supporting Services	1,297,558	-	-	-	1,297,558
Total Expenses	5,019,328	395,216	-	(316,173)	5,098,371
Change in Net Assets	370,421	15	-	-	370,436
Net Assets (Deficit) at Beginning of Year	7,257,019	2,102	(5,188)	(844)	7,253,089
NET ASSETS (DEFICIT) AT END OF YEAR	$ 7,627,440	$ 2,117	$ (5,188)	$ (844)	$ 7,623,525

HUBBS-SEAWORLD RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing	Agency or Pass -Through Number	Passed Through to Subrecipient	Federal Expenditures	Total
Research and Development Cluster:					
U.S. Department of Agriculture:					
Pass-Through Program From:					
National Institute of Food and Agriculture					
Grants for Agricultural Research, Basic and Applied Research	10.001				
Florida Atlantic University		HR-K198	$ -	$ 131,393	$ 131,393
Total Pass-Through Programs			-	131,393	131,393
Total U.S. Department of Agriculture			-	131,393	131,393
U.S. Department of Commerce:					
Direct Programs:					
National Oceanic and Atmospheric Administration:					
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program:					
Saltonstall-Kennedy Act	11.427	NA23NMF4207263	-	84,482	84,482
		NA23NMF4207265	-	56,336	56,336
Total Saltonstall-Kennedy Act				140,818	140,818
Marine Mammal Data Program	11.439	NA22NMF4390192	-	10,503	10,503
		NA23NMF4390336	-	92,500	92,500
Total Marine Mammal Data Program			-	103,003	103,003
Total Direct Programs			-	243,821	243,821

HUBBS-SEAWORLD RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing	Agency or Pass -Through Number	Passed Through to Subrecipient	Federal Expenditures	Total
U.S. Department of Commerce: (Continued)					
Pass-Through Programs From:					
National Oceanic and Atmospheric Administration:					
Sea Grant Support:	11.417				
University of California - San Diego		705583	-	97,162	97,162
University of Florida		SUB00003570	-	8,716	8,716
University of Maine		UMS1408	-	116,394	116,394
Total Sea Grant Support			-	222,272	222,272
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program:	11.427				
Oregon State University		NA362A-B	-	31,401	31,401
Unallied Science Program	11.454				
Pacific States Marine Fisheries Commission		23-123G	-	111,590	111,590
Total Pass-Through Programs			-	365,263	365,263
Total Total U.S. Department of Commerce			-	609,084	609,084
U.S. Department of the Interior:					
Pass-Through Program From:					
U.S. Fish and Wildlife Service					
Sport Fish Restoration	15.605				
California Department of Fish and Wildlife		P1770002	-	316,000	316,000
Total Pass-Through Programs			-	316,000	316,000
Total U.S. Department of the Interior			-	316,000	316,000
Total Expenditures of Federal Awards			$ -	$ 1,056,477	$ 1,056,477

HUBBS-SEAWORLD RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

<u>Note 1 - Basis of Presentation:</u>

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hubbs-SeaWorld Research Institute under programs of the federal government for the year ended June 30, 2024. 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 Hubbs-SeaWorld Research Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hubbs-SeaWorld Research Institute.

<u>Note 2 - Summary of Significant Accounting Policies:</u>

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. Pass-through entity identifying numbers are presented where available.

Hubbs-SeaWorld Research Institute has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Hubbs-SeaWorld Research Institute

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 Hubbs-SeaWorld Research Institute, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Hubbs-SeaWorld Research Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hubbs-SeaWorld Research Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Hubbs-SeaWorld Research Institute'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hubbs-SeaWorld Research Institute'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

Hubbs-SeaWorld Research Institute's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Hubbs-SeaWorld Research Institute's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Hubbs-SeaWorld Research Institute's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Leaf & Cole LLP

San Diego, California
October 3, 2024

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Hubbs-SeaWorld Research Institute

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hubbs-SeaWorld Research Institute's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hubbs-SeaWorld Research Institute's major federal program for the year ended June 30, 2024. Hubbs-SeaWorld Research Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hubbs-SeaWorld Research Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hubbs-SeaWorld Research Institute 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 the major federal program. Our audit does not provide a legal determination of Hubbs-SeaWorld Research Institute'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 Hubbs-SeaWorld Research Institute's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hubbs-SeaWorld Research Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hubbs-SeaWorld Research Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hubbs-SeaWorld Research Institute'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 Hubbs-SeaWorld Research Institute'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 Hubbs-SeaWorld Research Institute'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001. Our opinion on the major federal program is not modified with respect to these matters.

Hubbs-SeaWorld Research Institute's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hubbs-SeaWorld Research Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 3, 2024

HUBBS-SEAWORLD RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified?		Yes	X	No
Noncompliance material to consolidated financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for the major program	Unmodified			
Internal control over major program:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified?		Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?	X	Yes		No

Identification of the major program:

Assistance Listing Number	Name of Federal Program or Cluster
Cluster (10.RD, 11.RD, 15.RD)	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings:
None

Section III - Federal Award Findings and Questioned Costs:

2024-001: – Procurement - Research and Development Cluster

Condition

During our testing we noted that for 2 out of 3 vendors selected for procurement testing there was no documentation to demonstrate that procurement was conducted in full and open competition according to 2CFR section 200.319 or any documentation of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified per 2CFR sections 200.319 and 200.320(f) and 48 CFR section 52.244-5.

Criteria

2 CFR 200.303 requires non-federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure procurement files are complete and adequately document decisions made to sole source procurements of goods and services in accordance with the Institute's procurement policies.

Cause

Hubbs-SeaWorld Research Institute's procurement policy was not in alignment with the procurement compliance requirements stated in 2 CFR 200.303.

Effect

Hubbs-SeaWorld Research Institute did not document and maintain records for the procurement of goods and services resulting in noncompliance with the procurement compliance requirements stated in 2 CFR 200.303 during the year ending June 30, 2024.

Recommendation

Hubbs-SeaWorld Research Institute should improve its policies and procedures regarding the procurement process and maintain documentation.

Management Response

The management staff of Hubbs-SeaWorld Research Institute take very seriously the federal compliance related to the procurement of goods and services. Hubbs-SeaWorld Research Institute acknowledges the finding and has subsequently updated their procurement policy and procedures to be in compliance with 2 CFR 200.303. Management has adopted a plan of action to prevent future instances of non-compliance.

HUBBS-SEAWORLD RESEARCH INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

There were no findings or questioned costs for the year ended June 30, 2023.