

SEA EDUCATION ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**SEA EDUCATION ASSOCIATION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sea Education Association, Inc.
Woods Hole, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sea Education Association, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sea Education Association, Inc. as of June 30, 2022 and 2021, and the results of its activities 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sea Education Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sea Education Association, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sea Education Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sea Education Association, Inc.'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Quincy, Massachusetts
October 11, 2022

SEA EDUCATION ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 3,111,745	\$ 3,766,051
Tuition Receivable	343,128	49,865
Contributions Receivable	956,633	1,124,714
Prepaid Expenses and Other Receivables	263,459	171,545
Property, Vessels, and Equipment, Net	6,891,400	6,939,632
Investments	9,102,684	10,310,385
Total Assets	\$ 20,669,049	\$ 22,362,192
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 214,431	\$ 191,248
Accrued Compensated Absences	50,273	31,366
Advance Tuition and Deposits	912,416	498,029
Deferred Contribution and Grant Revenue	235,247	263,072
Note Payable	-	787,152
Total Liabilities	1,412,367	1,770,867
NET ASSETS		
Without Donor Restrictions	11,212,225	11,293,624
With Donor Restrictions	8,044,457	9,297,701
Total Net Assets	19,256,682	20,591,325
Total Liabilities and Net Assets	\$ 20,669,049	\$ 22,362,192

See accompanying Notes to Financial Statements.

**SEA EDUCATION ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING						
REVENUE AND OTHER SUPPORT						
Tuition and Fees	\$ 3,353,255	\$ -	\$ 3,353,255	\$ 1,756,959	\$ -	\$ 1,756,959
Less: Deductions for Financial Assistance	(626,776)	-	(626,776)	(324,014)	-	(324,014)
Net Tuition and Fees	2,726,479	-	2,726,479	1,432,945	-	1,432,945
Contributions	985,284	567,311	1,552,595	1,105,484	417,268	1,522,752
Contributions under the Paycheck Protection Program Seminar and Other Fees, Net of Direct Financial Aid of \$40,796 in 2022 and \$4,780 in 2021	787,152	-	787,152	787,152	-	787,152
Grants	713,971	-	713,971	115,365	-	115,365
Interest and Dividend Income	531,029	-	531,029	411,336	-	411,336
Endowment Income Used for Operations	33,757	87,685	121,442	36,608	93,065	129,673
Other Income	296,800	-	296,800	261,500	-	261,500
Net Assets Released from Restrictions	280,802	-	280,802	118,828	-	118,828
Total Revenues and Other Support	400,100	(400,100)	-	540,791	(540,791)	-
	6,755,374	254,896	7,010,270	4,810,009	(30,458)	4,779,551
EXPENDITURES						
Program Services	5,233,563	-	5,233,563	3,603,116	-	3,603,116
Management and General	1,363,151	-	1,363,151	953,948	-	953,948
Development	338,197	-	338,197	230,365	-	230,365
Total Expenditures	6,934,911	-	6,934,911	4,787,429	-	4,787,429
Change in Net Assets from Operating Activities	(179,537)	254,896	75,359	22,580	(30,458)	(7,878)
NONOPERATING						
Contributions Restricted for Endowment and Other Long-Term Purposes	66,276	237,232	303,508	95,250	256,832	352,082
Capital Campaign Expenses	(136,474)	-	(136,474)	(36,151)	-	(36,151)
Change in Split-Interest Agreement	-	-	-	-	(1,824)	(1,824)
Net Realized and Unrealized Gains (Losses) on Investments	(327,291)	(952,945)	(1,280,236)	492,166	1,474,797	1,966,963
Endowment Income Used for Operations	(5,400)	(291,400)	(296,800)	(11,500)	(250,000)	(261,500)
Net Assets Released from Restrictions	501,027	(501,027)	-	1,126,440	(1,126,440)	-
Change in Net Assets from Nonoperating Activities	98,138	(1,508,140)	(1,410,002)	1,666,205	353,365	2,019,570
CHANGE IN NET ASSETS	(81,399)	(1,253,244)	(1,334,643)	1,688,785	322,907	2,011,692
Net Assets - Beginning of Year	11,293,624	9,297,701	20,591,325	9,604,839	8,974,794	18,579,633
NET ASSETS - END OF YEAR	<u>\$ 11,212,225</u>	<u>\$ 8,044,457</u>	<u>\$ 19,256,682</u>	<u>\$ 11,293,624</u>	<u>\$ 9,297,701</u>	<u>\$ 20,591,325</u>

See accompanying Notes to Financial Statements.

SEA EDUCATION ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Salaries and Wages	\$ 2,110,570	\$ 758,872	\$ 243,906	\$ 3,113,348	\$ 1,126,685	\$ 423,979	\$ 161,054	\$ 1,711,718
Payroll Taxes	162,107	55,016	18,073	235,196	88,015	25,761	11,777	125,553
Pension Plan Contributions	38,680	21,076	6,724	66,480	7,528	3,371	1,474	12,373
Other Employee Benefits	99,715	144,616	12,952	257,283	80,739	272,102	12,328	365,169
Total Personnel Expenses	<u>2,411,072</u>	<u>979,580</u>	<u>281,655</u>	<u>3,672,307</u>	<u>1,302,967</u>	<u>725,213</u>	<u>186,633</u>	<u>2,214,813</u>
Food	230,292	-	-	230,292	112,148	-	-	112,148
Fuel	112,635	-	-	112,635	61,332	-	-	61,332
Grants	493,133	-	-	493,133	369,615	-	-	369,615
Insurance	269,786	27,451	-	297,237	213,917	21,707	-	235,624
Occupancy	90,644	12,303	1,823	104,770	92,001	13,225	1,960	107,186
Shipboard Maintenance and Repairs	220,015	-	-	220,015	422,330	-	-	422,330
Travel	165,021	34,671	3,250	202,942	70,791	614	175	71,580
Other Supplies and Services	672,061	293,504	49,150	1,014,715	372,639	177,952	39,339	589,930
Total Expenses Before Depreciation	<u>4,664,659</u>	<u>1,347,509</u>	<u>335,878</u>	<u>6,348,046</u>	<u>3,017,740</u>	<u>938,711</u>	<u>228,107</u>	<u>4,184,558</u>
Depreciation	568,904	15,642	2,319	586,865	585,376	15,237	2,258	602,871
Total Operating Expenses	<u>5,233,563</u>	<u>1,363,151</u>	<u>338,197</u>	<u>6,934,911</u>	<u>3,603,116</u>	<u>953,948</u>	<u>230,365</u>	<u>4,787,429</u>
Capital Campaign Expenses	-	-	136,474	136,474	-	-	36,151	36,151
Total Expenses	<u>\$ 5,233,563</u>	<u>\$ 1,363,151</u>	<u>\$ 474,671</u>	<u>\$ 7,071,385</u>	<u>\$ 3,603,116</u>	<u>\$ 953,948</u>	<u>\$ 266,516</u>	<u>\$ 4,823,580</u>

See accompanying Notes to Financial Statements.

SEA EDUCATION ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,334,643)	\$ 2,011,692
Adjustments to Reconcile the Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	586,865	602,871
Net Realized and Unrealized (Gains) Losses on Investments	1,280,236	(1,966,963)
Contributions Restricted for Endowment and Other Long-Term Purposes	(303,508)	(352,082)
Contributions Received Under Paycheck Protection Program	(787,152)	(787,152)
(Increase) Decrease in Operating Assets:		
Tuition Receivable	(293,263)	(52,486)
Contributions Receivable	168,081	12,328
Prepaid Expenses and Other Receivables	(91,914)	35,193
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	23,183	28,932
Accrued Compensated Absences	18,907	(18,109)
Advance Tuition and Deposits	414,387	306,159
Deferred Contribution and Grant Revenue	(27,825)	65,323
Net Cash Used by Operating Activities	(346,646)	(114,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Vessels, and Equipment	(538,633)	(173,268)
Purchases of Investments	(2,910,528)	(5,937,957)
Proceeds from Sale of Investments	2,837,993	5,637,403
Net Cash Used by Investing Activities	(611,168)	(473,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowment and Other Long-Term Purposes	303,508	1,332,196
Proceeds from Long-Term Debt	-	787,152
Net Cash Provided by Financing Activities	303,508	2,119,348
CHANGE IN CASH AND CASH EQUIVALENTS	(654,306)	1,531,232
Cash and Cash Equivalents - Beginning of Year	3,766,051	2,234,819
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,111,745	\$ 3,766,051

See accompanying Notes to Financial Statements.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 GENERAL

Sea Education Association, Inc. (the Association) is a Massachusetts nonprofit educational institution dedicated to exploration, understanding, and stewardship of the oceans, and to the study of humanity's relationship with the oceans. The Association offers college students an interdisciplinary curriculum, on shore and at sea aboard tall ships, that provides challenging voyages of scientific discovery, academic rigor, and personal growth. In addition, the Association also provides summer programs for high school students.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The accompanying financial statements are presented on the accrual basis of accounting in accordance with the reporting standards for nonprofit organizations. Generally accepted accounting principles (GAAP) require classification of net assets and revenues, expenses, gains, and losses into categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent available resources other than donor-restricted contributions. On occasion, the board of trustees designates a portion of net assets without donor restrictions for the purpose of funds functioning as an endowment. These resources may be expended at the discretion of the board of trustees.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure 2) contributions that require that the principal be maintained in perpetuity but permit the Association to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations

The statements of activities present changes in net assets from operating and nonoperating activities. Operating activities consist of those revenues and expenses related to educational and general programs of the Association, including annual fund contributions to support these programs. It also includes interest and dividends and endowment appreciation used for operations under the Association's endowment spending policy. Nonoperating activities consist of contributions for long-term purposes (e.g., facilities and endowment), any related capital campaign costs, and investment results (other than those used to support operations), as well as unusual items not directly related to the Association's educational and general programs (e.g., sales of property, vessels, and equipment).

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 use of 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. It is at least possible that the estimates will change within the next year.

Contributions

Contributions are recognized when the donor makes a donation or a promise to give (pledge) in writing to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, the net assets are released to net assets without donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional pledges are recorded net of an allowance for uncollectible amounts. Those pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions.

Donated Services

The Association received a significant amount of donated services from unpaid volunteers. No amounts have been recognized on the statements of activities because the criteria for recognition under accounting standards have not been satisfied.

Tax-Exempt Status and Income Taxes

The Association is incorporated under the laws of the Commonwealth of Massachusetts and is qualified as a tax-exempt organization (and is classified as other than a private foundation) subject to the provisions of the Internal Revenue Code Section 501(c)(3).

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Vessels, and Equipment

Purchases of property, vessels, and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. When items of property, vessels, or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating activities.

Donations of property, vessels, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Financial assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, vessels, and equipment would be reported as with donor restriction support. There were no donations of nonfinancial assets during 2022 or 2021. The Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Association reclassifies with donor restriction net assets to without donor restriction net assets at that time.

The Association provides for depreciation on a straight-line basis over various estimated useful lives as follows:

Administrative and Classroom Facilities	3 to 31.5 Years
Housing Buildings	10 to 27.5 Years
Housing Furnishings	5 to 7 Years
Equipment	3 to 20 Years
Motor Vehicles	10 Years
Vessels	3 to 40 Years

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the Association's gains and losses on investments bought and sold as well as held during the year.

Investment securities 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 possible that changes in value of investment securities could occur in the near term, and that such change could materially affect investment balances and activity included in the financial statements. Realized gains and losses are determined using the average cost basis and are presented net of management and custodial fees. Purchases and sales of securities are accounted for using the trade date.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment

The Association's endowment funds include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association classifies, as net assets with donor restrictions, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association's spending policy and in accordance with the original restriction on the gift.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to enhance or preserve the long-term purchasing power, while assuming a moderate level of investment risk.

To satisfy its long-term, rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that includes equity, fixed income, and cash-based investments to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating, for distribution, a percentage of its endowment fund's average fair value over the prior three years through the third quarter in the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. For the years ended June 30, 2022 and 2021, the board approved a 5% spending policy.

Revenue Recognition

The Association recognizes revenue at an amount that reflects the consideration to which the Association expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligation in the contract
5. Recognize revenue when (or as) the School satisfies a performance obligation.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue recognition following the five-step process is summarized below.

Tuition and Fees and Seminar Revenue

The Association recognizes revenue from student tuition and fees and seminars during the year in which the related services are provided to students. The performance obligation of delivering educational services in a live on-board school environment includes educational instruction and room and board, all of which are simultaneously received and consumed by the students. Discounts in the form of scholarships and financial assistance, including those funded by endowment and gifts, are reported as a reduction of tuition and fees and seminar revenue. Contracts for tuition and room and board are combined into a single portfolio of similar contracts. Tuition is to be paid in full no later than 60 days prior to the program start date. The Association does not provide students with the right to a refund for all signed contracts after 30 days prior to the contract commencement. Committed enrollment contracts executed as of June 30 for the next fiscal year are recorded as contract assets and reported as accounts receivable, net of payments received against those contract assets. The full amount of these contracts, net of scholarships and financial aid, are recorded as contract liabilities and reported as advance tuition and deposits.

Grant Activity

Federal and other grant funds are received on a cost-reimbursement basis. Revenue is recognized to the extent of funds expended under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Association.

Grants and contracts normally provide for the recovery of direct and indirect costs subject to audit. The Association recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated with the granting authority.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$13,455 and \$15,653 for the years ended June 30, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis on the statements of activities and the statements of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited based on direct costs, usage, and other factors. Such allocations are determined by management on an equitable basis.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Total Personnel Costs	Time and Effort
Occupancy	Square Footage
Supplies	Historical Usage
Computer Support and Service	Historical Usage
Depreciation	Square Footage

NOTE 3 CONTRIBUTIONS RECEIVABLE AND DEFERRED CONTRIBUTION AND GRANT REVENUE

At June 30, 2022 and 2021, contributions receivable included the following:

	<u>2022</u>	<u>2021</u>
Contributions Receivable Before Unamortized Discount	\$ 1,026,887	\$ 1,191,607
Less: Unamortized Discount (Using Discount Rates of 3.0%)	(9,580)	(12,375)
Less: Allowance for Uncollectible Contributions Receivable	(60,674)	(54,518)
Net Contributions Receivable	<u>\$ 956,633</u>	<u>\$ 1,124,714</u>
	<u>2022</u>	<u>2021</u>
Amounts Due in:		
Less Than One Year	\$ 859,996	\$ 1,058,507
One to Five Years	166,891	133,100
Total	<u>\$ 1,026,887</u>	<u>\$ 1,191,607</u>

For the year ended June 30, 2022, 17% of total contribution revenue was derived from one donor. For the year ended June 30, 2021, 16% of total contribution revenue was derived from one donor.

Conditional contributions and grants received by the Association were reported as deferred contribution and grant revenue on the statements of financial position. The balances at June 30, 2022 and 2021 of \$235,247 and \$263,072, respectively, consisted of contributions and grant funds which are required to be returned to the donors or granting authorities if certain conditions are not met by the Association. As a result, they have been recorded within deferred contribution and grant revenue until such conditions have been met.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 PROPERTY, VESSELS, AND EQUIPMENT

At June 30, 2022 and 2021, property, vessels, and equipment consisted of the following:

	2022	2021
Property and Equipment:		
Land	\$ 191,534	\$ 190,484
Administrative and Classroom Facilities	2,690,016	2,376,215
Housing Buildings	1,187,898	1,182,841
Housing Furnishings	75,697	75,697
Maintenance Equipment	26,305	26,305
Office Equipment	652,444	652,446
Classroom Equipment	227,903	227,903
Motor Vehicles	18,599	18,599
Total Property and Equipment	5,070,396	4,750,490
Less: Accumulated Depreciation	4,130,250	4,027,707
Net Property and Equipment	940,146	722,783
 Vessels and Oceanographic Equipment:		
Vessels	16,263,593	16,071,948
Oceanographic Equipment	2,015,400	1,988,318
Total Vessels and Oceanographic Equipment	18,278,993	18,060,266
Less: Accumulated Depreciation	12,327,739	11,843,417
Net Vessels and Oceanographic Equipment	5,951,254	6,216,849
 Net Property, Vessels, and Equipment	\$ 6,891,400	\$ 6,939,632

Depreciation expense for the years ended June 30, 2022 and 2021 was \$586,865 and \$602,871, respectively.

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30:

	2022	2021
Endowment Funds	\$ 6,804,827	\$ 7,731,522
Other Investments	2,297,857	2,578,863
Total Investments	\$ 9,102,684	\$ 10,310,385

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for financial instruments measured at fair value:

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities, including mutual and ETF funds, are reported at fair value on the statements of financial position. Fair value is determined using the market approach, which is based on quoted prices established by major securities markets.

There have been no changes in the methodologies used at June 30, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30:

	2022		
	Level 1	Level 2	Total
Money Market	\$ 586,802	\$ -	\$ 586,802
Equities - Domestic	6,803,627	-	6,803,627
Equities - International	218,754	-	218,754
Fixed Income	739,104	-	739,104
Government Bonds	155,528	302,857	458,385
Corporate Bonds	-	296,012	296,012
Total Assets at Fair Value	<u>\$ 8,503,815</u>	<u>\$ 598,869</u>	<u>\$ 9,102,684</u>

	2021		
	Level 1	Level 2	Total
Money Market	\$ 1,036,991	\$ -	\$ 1,036,991
Equities - Domestic	7,423,962	-	7,423,962
Equities - International	200,552	-	200,552
Fixed Income	810,597	-	810,597
Government Bonds	77,905	336,128	414,033
Corporate Bonds	-	424,250	424,250
Total Assets at Fair Value	<u>\$ 9,550,007</u>	<u>\$ 760,378</u>	<u>\$ 10,310,385</u>

There were no transfers between levels of investments during the years ended June 30, 2022 and 2021.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in the Association's endowment investments by net asset class for the years ended June 30, 2022 and 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020	\$ 116,956	\$ 5,847,013	\$ 5,963,969
Contributions	-	437,091	437,091
Investment Return:			
Interest and Dividends*	1,769	114,847	116,616
Net Investment Gains	<u>22,316</u>	<u>1,453,030</u>	<u>1,475,346</u>
	24,085	1,567,877	1,591,962
Endowment Income Appropriated for Expenditure	(11,500)	(250,000)	(261,500)
June 30, 2021	129,541	7,601,981	7,731,522
Contributions	-	249,669	249,669
Investment Return:			
Interest and Dividends*	1,444	87,840	89,284
Net Investment Losses	<u>(15,658)</u>	<u>(953,190)</u>	<u>(968,848)</u>
	(14,214)	(865,350)	(879,564)
Endowment Income Appropriated for Expenditure	<u>(5,400)</u>	<u>(291,400)</u>	<u>(296,800)</u>
June 30, 2022	<u>\$ 109,927</u>	<u>\$ 6,694,900</u>	<u>\$ 6,804,827</u>

* Interest and dividends for the years ended June 30, 2022 and 2021 were presented net of investment management and custodial fees of \$20,567 and \$22,102, respectively.

Interest and dividend income on the statements of activities included interest of \$32,313 and \$13,057 for the years ended June 30, 2022 and 2021, respectively, on other investments and cash and cash equivalents which were not included in the Association's endowment. Net realized and unrealized gains (losses) on investments on the statements of activities included net gains (losses) of \$311,633 and \$491,617 for the years ended June 30, 2022 and 2021, respectively, on other investments which were not included in the Association's endowment and contributions of securities which were liquidated by the Association.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. The Association has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no material underwater funds as of June 30, 2022 and 2021.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 NOTE PAYABLE

On April 17, 2020, the Association received a Paycheck Protection Program (PPP) loan of \$787,152 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The first loan was fully forgiven in July 2021 and the amount was recognized as revenue for the year ended June 30, 2021. In April 2021, the Association received a second loan for \$787,152. The second loan was fully forgiven on March 3, 2022. The Association considers the PPP loans to be debt, and, accordingly, has recorded the amount of forgiveness, when legally released by the lender.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association's financial position.

NOTE 7 NET ASSETS

The following is the composition of the Association's net assets with donor restrictions at June 30:

	2022	2021
Time Restricted:		
Unrestricted Pledges Receivable, Net	\$ 132,998	\$ 514,642
Use Restricted:		
Ship Maintenance	153,014	238,091
Scholarships	784,804	869,127
Campus Maintenance	201,000	-
Other	40,997	31,436
Total Use Restricted	1,179,815	1,138,654
Restricted in Perpetuity Subject to Spending Policy:		
Scholarships	3,218,167	3,077,826
Doherty Chair for Ocean Studies	2,454,483	2,444,234
Ship Operations	454,595	453,555
Plant Operations or Construction Projects	289,460	197,100
Academic Programs	58,952	58,952
Unexpended Appreciation on Restricted in Perpetuity		
Endowment Funds	255,987	1,412,738
Total Restricted in Perpetuity Subject to		
Spending Policy	6,731,644	7,644,405
Total Net Assets With Donor Restrictions	\$ 8,044,457	\$ 9,297,701

At June 30, 2022 and 2021, included in restricted net assets in perpetuity were \$72,525 and \$101,250, respectively, of restricted in perpetuity contributions receivable.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 LEASES

The Association leases certain equipment through noncancelable operating lease agreements, with expiration dates through June 2027. Future minimum lease payments under the noncancelable operating leases with initial or remaining terms of one year or more are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 9,667
2024	6,531
2025	6,531
2026	6,531
2027	544
Total	<u>\$ 29,804</u>

Total rent expense under operating lease was \$11,767 and \$6,652 for the years ended June 30, 2022 and 2021, respectively, and is included in computer support and service expenses on the statements of functional expenses.

NOTE 9 RETIREMENT PLAN

Retirement provisions for the Association include contracts between each participating employee and the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions are applied to individual annuity contracts that are fully funded and provide for full and immediate vesting of all contributions to the participant. The accrued benefit at any time for a participant is the current value of the annuity accumulation, including all contributions, less expense charges, plus investment results. The Association contributed 1% of eligible compensation until July 2021 at which point it increased the contribution to 3%. The Association's portion of contributions amounted to \$66,480 and \$12,373 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association 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. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

SEA EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of June 30, 2022 and 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,111,745	\$ 3,766,051
Contributions for General Expenditures Due in One Year or Less	121,901	286,090
Other Investments	<u>2,297,857</u>	<u>2,578,863</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 5,531,503</u>	<u>\$ 6,631,004</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Association anticipates collecting sufficient revenue to cover general expenditures not covered by the donor-restricted resources.

The Association's governing board has designated a portion of its unrestricted resources for endowment and other purposes. The Association's long-term investments include board-designated funds of \$109,927 at June 30, 2022 that may be drawn upon as necessary with the approval from the board of trustees. Although not expected to be needed, the spendable yet restricted portion of the Association's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

NOTE 11 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During 2021, the Association received Employee Retention Credit (ERC) funding from the Internal Revenue Service in the amount of \$195,526 in compliance with the program.

The Association recognized \$195,526 of income related to performance requirement being met and costs being incurred in compliance with the program during the year ended June 30, 2022. Grants related to this program are classified as other income on the statement of activities.

NOTE 12 SUBSEQUENT EVENT

Management has evaluated subsequent events through October 11, 2022, the date on which the financial statements were available for issuance.

In July 2022, the Association signed a purchase and sale agreement to acquire an adjacent property for approximately \$4,200,000. The transaction closed in August 2022. The purchase price was fully funded with contributions received subsequent to year end. It is anticipated that this property will expand the Association's housing and events capabilities.