

*Audited Financial Statements*

# AltaSea at the Port of Los Angeles

For the Year Ended December 31, 2022 and 2021

# AltaSea at the Port of Los Angeles

## Contents

---

<b>Independent Auditors' Report</b>	2-3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5-6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-23



## **Independent Auditors' Report**

To the Board of Directors of  
AltaSea at the Port of Los Angeles  
San Pedro, California

### **Opinion**

We have audited the accompanying financial statements of AltaSea at the Port of Los Angeles (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AltaSea at the Port of Los Angeles as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 AltaSea at the Port of Los Angeles 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.

### **Prior Period Financial Statements**

The financial statements of AltaSea at the Port of Los Angeles as of December 31, 2021 were audited by other auditors whose report dated June 1, 2022 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 AltaSea at the Port of Los Angeles' ability to continue as a going concern within one year after the date that 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 judgement 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, 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.
- 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 AltaSea at the Port of Los Angeles' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about AltaSea at the Port of Los Angeles' 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.

Torrance, California  
October 23, 2023

# AltaSea at the Port of Los Angeles

## Statement of Financial Position

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 448,837	\$ 2,762,593
Restricted cash	3,801,139	903,566
Pledge and accounts receivable	3,186,652	1,384,457
Prepaid expenses	8,333	-
Total current assets	7,444,961	5,050,616
<b>Property and Equipment</b>		
Property, plant and equipment, net	8,633,903	5,117,161
<b>Other Assets</b>		
Pledges receivable, net of current portion and discount	3,200,328	3,134,066
Other assets	25,000	25,000
Total assets	\$ 19,304,192	\$ 13,326,843
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit, net of loan fees	\$ 453,536	\$ -
Accounts payable	387,335	120,696
Accrued liabilities	113,131	59,709
Refundable advances	3,401,603	-
Deferred rental income	58,091	-
Total current liabilities	4,413,696	180,405
<b>Commitments and Contingencies (Notes 6)</b>		
<b>Non-current Liabilities</b>		
Tenant security deposits	14,200	6,046
<b>Total liabilities</b>	<b>4,427,896</b>	<b>186,451</b>
<b>Net Assets</b>		
Net assets without donor restrictions	9,270,615	7,560,283
Net assets without donor restrictions- board designated	175,000	175,000
Net assets with donor restrictions	5,430,681	5,405,109
Total net assets	14,876,296	13,140,392
	\$ 19,304,192	\$ 13,326,843

*See accompanying notes to financial statements.*

# AltaSea at the Port of Los Angeles

## Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2022</i>	Without Donor Restrictions	Without Donor Restrictions- Board Designated	With Donor Restrictions	Total
<b>Revenues, public support and other income:</b>				
Grants and contributions	\$ 286,133	\$ -	2,359,624	\$ 2,645,757
Government grants	-	-	1,963,851	1,963,851
Donated goods, services and use of facilities	850,224	-	-	850,224
Other income	98,031	-	-	98,031
Program income	307,576	-	-	307,576
Special events revenue, net of cost of direct benefit to donors	133,105	-	-	133,105
<b>Total public support and other income</b>	<b>1,675,069</b>	<b>-</b>	<b>4,323,475</b>	<b>5,998,544</b>
<b>Net assets released from restrictions:</b>				
Expiration of time restrictions	858,903	-	(858,903)	-
Satisfaction of purpose restrictions	3,439,000	-	(3,439,000)	-
<b>Total net assets released from restrictions</b>	<b>4,297,903</b>	<b>-</b>	<b>(4,297,903)</b>	<b>-</b>
<b>Expenses:</b>				
Program services	2,627,973	-	-	2,627,973
Management and general	837,388	-	-	837,388
Development	797,279	-	-	797,279
<b>Total expenses</b>	<b>4,262,640</b>	<b>-</b>	<b>-</b>	<b>4,262,640</b>
<b>Change in net assets</b>	<b>1,710,332</b>	<b>-</b>	<b>25,572</b>	<b>1,735,904</b>
Net assets, beginning of year	7,560,283	175,000	5,405,109	13,140,392
<b>Net assets, end of year</b>	<b>\$ 9,270,615</b>	<b>\$ 175,000</b>	<b>\$ 5,430,681</b>	<b>\$ 14,876,296</b>

*See accompanying notes to financial statements.*

# AltaSea at the Port of Los Angeles

## Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2021</i>	Without Donor Restrictions	Without Donor Restrictions- Board Designated	With Donor Restrictions	Total
<b>Revenues, public support and other income:</b>				
Grants and contributions	\$ 118,535	\$ -	1,327,421	\$ 1,445,956
Government grants (PPP Loan)	230,707	-	-	230,707
Donated goods, services and use of facilities	227,851	-	-	227,851
Other income	207,365	-	-	207,365
Program income	143,485	-	-	143,485
Special events revenue, net of cost of direct benefit to donors	79,984	-	-	79,984
<b>Total public support and other income</b>	<b>1,007,927</b>	<b>-</b>	<b>1,327,421</b>	<b>2,335,348</b>
<b>Net assets released from restrictions:</b>				
Expiration of time restrictions	1,057,500		(1,057,500)	-
Satisfaction of purpose restrictions	369,457		(369,457)	-
<b>Total net assets released from restrictions</b>	<b>1,426,957</b>	<b>-</b>	<b>(1,426,957)</b>	<b>-</b>
<b>Expenses:</b>				
Program services	1,204,177	-	-	1,204,177
Management and general	216,932	-	-	216,932
Development	285,553	-	-	285,553
<b>Total expenses</b>	<b>1,706,662</b>	<b>-</b>	<b>-</b>	<b>1,706,662</b>
<b>Change in net assets</b>	<b>728,222</b>	<b>-</b>	<b>(99,536)</b>	<b>628,686</b>
Net assets, beginning of year	6,832,061	175,000	5,504,645	12,511,706
<b>Net assets, end of year</b>	<b>\$ 7,560,283</b>	<b>\$ 175,000</b>	<b>\$ 5,405,109</b>	<b>\$ 13,140,392</b>

*See accompanying notes to financial statements.*

**AltaSea at the Port of Los Angeles**

**Statement of Functional Expenses  
Years Ended December 31, 2022 and 2021**

*Year Ended December 31, 2022*

*Year Ended December 31, 2021*

<b>Functional Expense</b>	<b>Support Services</b>				<b>Support Services</b>			
	<b>Program Services</b>	Management and General	Development	Total Expenses	<b>Program Services</b>	Management and General	Development	Total Expenses
Direct Program Expenses			-	-		-	-	-
Research & research grants	\$ 596,353	\$ -	\$ -	\$ 596,353	\$ -	\$ -	\$ -	-
Educational programing	66,432			<b>66,432</b>	88,162			<b>88,162</b>
Business programing	55,000			<b>55,000</b>	130,000			<b>130,000</b>
Total Direct Program Expenses	717,785	-	-	<b>717,785</b>	218,162	-	-	<b>218,162</b>
Personnel services	829,332	491,436	202,418	<b>1,523,186</b>	478,271	53,424	158,482	<b>690,177</b>
Professional services	40,578	129,994	-	<b>170,572</b>	59,711	81,988	3,709	<b>145,408</b>
Consulting and outside services	47,217	-	294,791	<b>342,008</b>	55,189	-	69,896	<b>125,085</b>
Facility and office expenses	269,186	75,694	1,458	<b>346,338</b>	214,292	29,865	25,675	<b>269,832</b>
Marketing and communication	166,908	1,250	37,371	<b>205,529</b>	148,102	-	26,136	<b>174,238</b>
Donated goods, services and use of facilities	459,224	-	-	<b>459,224</b>	17,214	-	-	<b>17,214</b>
Write off uncollectible balances	-	85,000	301,350	<b>386,350</b>	-	50,000	-	<b>50,000</b>
Depreciation	84,947	13,905	-	<b>98,852</b>	13,236	1,655	1,655	<b>16,546</b>
Interest and penalties expense	12,796	-	-	<b>12,796</b>	-	-	-	-
<b>Total</b>	<b>\$ 2,627,973</b>	<b>\$ 797,279</b>	<b>\$ 837,388</b>	<b>\$ 4,262,640</b>	<b>\$ 1,204,177</b>	<b>\$ 216,932</b>	<b>\$ 285,553</b>	<b>\$ 1,706,662</b>

*See accompanying notes to financial statements.*



## AltaSea at the Port of Los Angeles

### Statement of Cash Flows

<i>Year Ended December 31,</i>	2022	2021
<b>Operating Activities:</b>		
Change in net assets	\$ 1,735,904	\$ 628,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck protection program loan interest	-	1,747
Forgiveness of paycheck protection program loan	-	(230,707)
Depreciation	98,852	16,546
Amortization of discounts on multi-year pledges	8,738	(63,460)
Amortization of loan fees	23,231	-
Donated property and equipment	(391,000)	-
Change in operating assets and liabilities:		
Pledges and accounts receivable	(1,877,195)	678,397
Prepaid expenses and other assets	(8,333)	27,690
Accounts payable	266,639	112,603
Accrued liabilities	53,422	2,400
Refundable advances	3,401,603	-
Deferred rental income	58,091	(40,358)
Tenant security deposit	8,154	(4,300)
<b>Net cash provided by operating activities</b>	<b>3,378,106</b>	<b>1,129,244</b>
<b>Investing Activities:</b>		
Acquisition of construction in progress	(3,041,380)	(275,250)
Acquisition of property and equipment	(183,214)	(216,661)
<b>Net cash used in investing activities</b>	<b>(3,224,594)</b>	<b>(491,911)</b>
<b>Financing Activities:</b>		
Proceeds from line of credit, net of loan fees	430,305	-
Proceeds from Paycheck Protection Program loan	-	114,480
<b>Net cash provided by financing activities</b>	<b>430,305</b>	<b>114,480</b>
<b>Net change in cash</b>	<b>583,817</b>	<b>751,813</b>
Cash, cash equivalents and restricted cash, beginning of period	3,666,159	2,914,346
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 4,249,976</b>	<b>\$ 3,666,159</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Non-cash investing and financing activities:</b>		
Construction in progress transferred to property and equipment	\$ 441,748	\$ -
Donated property and equipment	\$ 391,000	\$ -
<b>Amounts paid for:</b>		
Interest	\$ 5,651	\$ 1,747
Income taxes	\$ -	\$ -
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash</b>		
Cash and cash equivalents	\$ 448,837	\$ 2,762,593
Restricted cash	3,801,139	903,566
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 4,249,976</b>	<b>\$ 3,666,159</b>

*See accompanying notes to financial statements.*

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

December 31, 2022 and 2021

---

### 1. Non-Profit Operations and Summary of Significant Accounting Policies

#### Nature of Activities

AltaSea at the Port of Los Angeles (“AltaSea” or the “Organization”) was incorporated in California on August 23, 2013, as a Nonprofit Public Benefit Corporation, and thereafter applied and was granted tax-exempt status under IRC Section 501(c)(3). AltaSea’s mission is to accelerate scientific collaboration, facilitate job creation and inspire the next generation for a more sustainable ocean. Built on a historic pier with access to the deep ocean, AltaSea’s 33-acre campus will bring people together to expand science-based understanding of the ocean, incubate and sustain ocean-related business and pioneer new ocean-related education programs.

#### Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) established the FASB Accounting Standards Codification (“ASC”) as the source of authoritative generally accepted accounting principles to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

#### Net Assets

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, AltaSea’s net assets, revenues, gains, expenses, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operations and not subject to donor restrictions.
- *Net assets without donor restrictions – board designated* – Net assets designated by the Board of Directors to be used for construction of warehouse doors as part of a capital campaign. As of both December 31, 2022 and 2021, the Board has designated \$175,000 of unrestricted net assets for this purpose.
- *Net assets with donor restrictions* – Net assets subject to donor-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 the restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been accomplished, or both.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

### December 31, 2022 and 2021

---

#### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The Organization's financial statements are based upon a number of significant estimates such as the useful lives selected for property and equipment. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that these estimates may change in the near term and such revisions could be material.

##### Liquidity and Availability of Resources

AltaSea's financial assets available for general expenditures that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at December 31, 2022 and 2021:

<i>December 31,</i>	2022	2021
Cash and restricted cash	\$ 4,249,976	\$ 3,666,159
Pledges and accounts receivable due within one year	3,186,652	1,384,457
Less: contractual or donor-imposed restrictions		
Financial assets unavailable for general expenditures	(4,378,181)	(1,616,116)
Financial assets available within one year to meet cash needs for general expenditures	\$ 3,058,447	\$ 3,434,500

Management believes that it has sufficient liquidity to perform its program services for the following twelve months from the statement of financial position date. Further, the Organization is forecasting that it will receive significant additional funds during the next twelve months to maintain its planned capital expenditures. In addition to the assets available as listed above, the Organization also has access to a \$2.5 million line of credit facility (see Note 6), and an additional \$1.5 million line, which was secured subsequent to year-end (see Note 10).

##### Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash includes all cash, certificates of deposit and money market accounts. Certain accounts may be subject to penalties if withdrawn prior to maturity. All highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

December 31, 2022 and 2021

---

### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

#### Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include all money market accounts associated with certain grant advances that are restricted as to their use and required to be deposited in a separate interest bearing account.

#### Grants, Contributions and Pledges Receivable

Unconditional grants and contributions, including pledges recorded at fair value, are recognized as revenue in the period the grant is awarded or the pledge is made. The Organization reviews all receivable balances on a regular basis to determine delinquent or past due items. A reserve is established if significant uncertainty exists as to the collectability and the amount is written off if it is determined that the amount will not be collected. Management evaluated the collectability of all receivable balances at December 31, 2022 and 2021, and determined that no allowance for uncollectable balances was considered necessary. Write off for uncollectable balances for the years ended December 31, 2022 and 2021, were \$386,350 and \$50,000, respectively. Collection of the balance reported as current in the Statement of Financial Position is expected within one year, while the non-current portion is expected within five years. Non-current pledges receivable are net of unamortized discounts totaling \$219,672, which were determined using a risk free rate of 4%.

At December 31, 2022, four donors represented approximately 82% of the Organization's grants and contribution revenue, and two donors collectively represented approximately 68% of the pledges receivable. At December 31, 2021, two donors collectively represented approximately 62% of the Organization's grants and contribution revenue, and another donor represented approximately 74% of the pledges receivable balance due to a multi-year pledge from the donor.

#### Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU increases transparency and comparability among entities by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. This new standard, as subsequently amended, is effective for fiscal years beginning after December 15, 2021. Under the new guidance, lessees are required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The Organization adopted Accounting Standards Codification Topic 842, Leases on January 1, 2022. The Organization's current leasing arrangements consist only of short-term leases and accordingly, implementation of this new standard has had no effect on the financial statements. This standard is not applicable to contributed rent as disclosed above.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

December 31, 2022 and 2021

---

### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at the date of donation, if donated. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset as follows:

Buildings-mobile	7 years
Leasehold improvements	15 years
Furniture & equipment	5 years
Vehicles	7 years

Property and equipment are generally capitalized if the cost of an asset is greater than \$5,000 and the useful life of the asset is at least three years. Expenditures for repairs and maintenance are charged to operations when incurred, while renewals and betterments are capitalized.

#### Long-Lived Assets

The Organization evaluates long-lived assets for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. No long-lived assets were deemed impaired as of and for the years ended December 31, 2022 and 2021.

#### Revenue Recognition

##### ***Contributions and Unconditional Promises to Give***

Governmental contributions and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Conditional contributions are not recognized until the conditions on which they depend have been substantially met. A conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation.

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded when written evidence of a pledge has been received. Unconditional promises to give due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. The majority of the promises to give are received from business contributors as a result of a fundraising campaign. Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

---

**1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)**

Revenue Recognition (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

***Program Service and Membership Revenues***

Program service and membership revenues are recognized at a point in time when the goods or services are provided. Program service revenues are based on contracts entered into with sub-tenants, and primarily constitute rental agreements (see Operating Subleases in Note 6 below).

Donation of Long-Lived Assets

Donations of land, buildings, equipment, and other capitalizable assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support.

Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Club reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services

The Organization receives donated services from unpaid volunteers who assist in fundraising and special projects. Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

December 31, 2022 and 2021

---

### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

#### Contributed Nonfinancial Assets

In September 2020, the FASB issued an ASU to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. The Organization adopted this new standard effective January 1, 2021. Under the new guidance, contributed nonfinancial assets are required to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also requires disclosure of contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets (see Note 3).

Valuation methodologies are as follows:

- Donated goods are valued at the wholesale prices that would be received for selling similar products.
- Donated services are recognized as in-kind revenues at their estimated fair value if they create or enhance long-lived assets, or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.
- Donated use of facilities is valued at the amount the contributor would receive for renting the facility if not provided by donation.
- Donated fixed assets are valued at the donor's cost, or appraised value at the date of donation.

#### Income Taxes

AltaSea is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. AltaSea does not believe that during the years ended December 31, 2022 and 2021, it had unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

AltaSea accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. AltaSea recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. AltaSea does not believe that its income tax returns include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized tax benefits in the accompanying financial statements. In accordance with applicable guidance, the Organization has elected to include interest and penalties related to its tax contingencies in income tax expense. There were no accruals for interest and penalties recognized for uncertain tax positions during the year ended December 31, 2022.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

### December 31, 2022 and 2021

---

#### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

##### Income Taxes (Continued)

The Organization's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities. Accordingly, Federal returns for the years ending December 31, 2019 through 2022, and California returns for the years ending December 31, 2018 through 2022, are subject to examination.

##### Functional Allocation of Expenses

AltaSea allocates its expenses on a functional basis among its various programs, management and general and fundraising services. Expenses that can be identified with a specific program or supporting services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on a reasonable and consistent basis using factors such as direct payroll allocation and total direct expenses.

##### Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, receivables and debt. The Organization's investment policy is intended to limit its exposure to credit risk. AltaSea maintains its cash balances in the form of bank demand deposits and money market accounts with major financial institutions that management has determined to be credit worthy. At times, cash balances held in financial institutions exceeded the federally insured limits (\$250,000 per depositor, per insured bank). A failure of any banking institution in which the Organization has funds on deposit may result in a loss of deposits of amounts in excess of the then federally insured limit. Management believes that the financial institutions that hold the Organization's deposits and investments are financially sound and therefore pose minimal credit risk. AltaSea has no significant financial instruments with off-balance sheet risk of accounting loss.

##### Reclassifications

Certain amounts in the prior-year financial statements were reclassified to conform to the current-year presentation with no effect on ending net assets.

##### Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. This ASU updates the impairment model for financial assets measured at amortized cost. In addition to other requirements, trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowance for losses. This new standard is effective for fiscal years beginning after December 15, 2022.



# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

### December 31, 2022 and 2021

---

#### 1. Non-Profit Operations and Summary of Significant Accounting Policies (continued)

##### Recent Accounting Pronouncements (Continued)

The Organization adopted new accounting standards for leases and contributed non-financial assets as discussed further above. Management has reviewed other recent accounting pronouncements issued through the date of the issuance of the financial statements. In management's opinion, none of these new pronouncements apply or will have a material effect on the Organization's financial statements.

#### 2. Pledges and Accounts Receivable

Pledges and accounts receivable, net, as of December 31, 2022 and 2021 are due to be received as follows:

<i>December 31,</i>	2022	2021
Within one year	\$ 3,186,652	\$ 1,384,457
Within two to five years	2,920,000	2,345,000
More than five years	500,000	1,000,000
Subtotal	6,606,652	4,729,457
Less: unamortized discount at 4% and 2%	(219,672)	(210,934)
Pledges and accounts receivable, net	\$ 6,386,980	\$ 4,518,523

#### 3. Contributed Nonfinancial Assets

The Organization recognized contributed nonfinancial assets (in-kind contributions) within revenue, including contributed rent, fixed assets, use of facilities, goods and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization received the following contributions of nonfinancial assets:

<i>December 31,</i>	2022	2021
Goods	\$ -	\$ 7,830
Services	-	8,333
Use of facilities	459,224	5,355
Fixed Assets	391,000	206,333
	\$ 850,224	\$ 227,851

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

---

**3. Contributed Nonfinancial Assets (Continued)**

Donated use of facilities are restricted by the donor for usage in educational programs and a portion of the facilities are required to be sublet to various other nonprofit organization under the terms of their master lease agreement (see Note 6 Obligations under the Lease with the City of Los Angeles).

**4. Property and Equipment**

Property and equipment consist of the following:

<i>December 31,</i>	2022	2021
Buildings - mobile	\$ 687,214	\$ -
Leasehold improvements	691,707	142,237
Furniture and equipment	94,505	319,232
Vehicles	24,193	20,189
	1,497,619	481,658
Less: accumulated depreciation	(286,313)	(187,462)
	1,211,306	294,196
Construction in progress	7,422,597	4,822,965
	\$ 8,633,903	\$ 5,117,161

Depreciation expense for the years ended December 31, 2022 and 2021 was \$98,852 and \$16,546-, respectively.

Due to the project's size and scope, AltaSea's campus at the Port of Los Angeles is being constructed as two campuses, the West and East. The West Campus will be constructed in four phases, scheduled to be completed in 2028. AltaSea's West Campus, is comprised of four parts: Phase 1A, 1B, 1C and 1D. Phase 1A will include 180,000 square feet of new roofing and the addition of a solar array on the rooftops of warehouses 58-60 which is scheduled to be completed in 2023. Phase 1B is a full restoration of warehouse 58 and 60 (commenced in 2023; scheduled for completion in early 2024). Phase 1C is the full restoration of warehouse 59 (commenced 2023, scheduled for completion in mid-2024). Phase 1D is the full restoration of warehouse 57 (scheduled for completion in 2028). In parallel to the West Campus' milestones being met, the Master Plans for the East campus are being developed and will be submitted to the Port of Los Angeles for approval by December 31, 2024.

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

**5. Net Assets with Donor Restrictions**

Net assets with donor restrictions are as follows as of December 31, 2022 and 2021:

<i>December 31,</i>	2022	2021
<i>Restricted by time:</i>		
Collection of multi-year pledges	\$ 3,822,288	\$ 3,622,406
<i>Restricted by purpose:</i>		
Berths 58 - 60	-	1,114,050
Education	1,217,514	668,653
Research	390,879	-
<b>Total net assets with donor restrictions</b>	<b>\$ 5,430,681</b>	<b>\$ 5,405,109</b>

Net assets released from restrictions are as follows for the years ended December 31, 2022 and 2021:

<i>December 31,</i>	2022	2021
<i>Restricted by time:</i>		
Collection of multi-year pledges	\$ 713,903	\$ 1,007,500
Write-off of uncollectible pledges	145,000	50,000
<b>Subtotal</b>	<b>858,903</b>	<b>1,057,500</b>
<i>Restricted by purpose:</i>		
Berths 58 - 60	2,442,901	159,576
Education	486,978	209,881
Research	509,121	-
<b>Subtotal</b>	<b>3,439,000</b>	<b>369,457</b>
<b>Total net assets released from restrictions</b>	<b>\$ 4,297,903</b>	<b>\$ 1,426,957</b>

**6. Commitments, Contingencies and Related Party Transactions**

Obligations under the Lease with the City of Los Angeles

In October 2014, Rockefeller Philanthropy Advisors, Inc. assigned its interest in a lease with the City of Los Angeles to AltaSea (the “Master Lease”). The Master Lease was entered into with respect to premises at the Port of Los Angeles for the purpose of developing and operating an urban marine center known as AltaSea at the Port of Los Angeles. The term of the Master Lease is 50 years, currently expiring on December 22, 2063.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

December 31, 2022 and 2021

---

### 6. Commitments, Contingencies and Related Party Transactions (Continued)

#### Obligations under the Lease with the City of Los Angeles (Continued)

The 38.85 acre premises, consists of 21.55 acres of land/wharf/warehouse and 11.30 acres of water. The premises subject to the Master Lease comprise various parcels that AltaSea is entitled to take possession of over a period of time, upon the satisfaction of various obligations, conditions and timelines outlined in the Master Lease.

The Master Lease was amended and restated effective August 23, 2017, and the amended and restated Master Lease was further amended in December 2018, September 2020, August 2021, October 2021 and October 2022. The Second Amendment to the restated Master Lease requires AltaSea and the City to negotiate in good faith for a new 66-year lease term upon AltaSea's presentation to the City of a binding sublease with a major research university and evidence of sufficient funding for the renovation and/or reconstruction of the academic research and development center at Parcel B57 pursuant to the requirements of the Master Lease.

The Master Lease also maintains AltaSea's relationship with Southern California Marine Institute ("SCMI") and the requirement to establish a new SCMI headquarters facility. During the first ten years of the restated Master Lease, AltaSea is expected to invest approximately \$120 million in capital projects that will create 180,000 square feet of water dependent subtenant space, a new headquarters for SCMI, and an Engagement Center that will provide a new publicly accessible attraction on the LA Waterfront. In the same time frame, the Harbor Department is expected to invest approximately \$37 million in the 22nd street improvement project, sea wall repair, and site remediation.

Furthermore, AltaSea has until December 31, 2023 to submit a conceptual project proposal, including a Business Plan, for Parcels B70 and B71, or Parcel B71 separately. AltaSea's proposals for the Parcels shall include a project with an estimated cost of \$98 million for Parcel B71 or \$196 million for the entirety of Parcels B70 and B71 and shall include the Public Promenade improvements design concept for the entire north to south length of the Parcels, B57, B58, B59, B60, B61, B70, and B71.

Additionally, no later than December 2023, AltaSea is required to establish and maintain a reserve fund to provide funding for the revitalization, renovation and upgrading of the publicly accessible and viewable areas and structures at various intervals over the term of the Master Lease. Annual deposits into the renovation fund will be required, initially at the lesser of 2% of gross receipts (as defined in the Master Lease) or \$100,000, with the maximum annual deposit increasing to \$150,000 and then \$200,000 as Parcels B70 and B71 are developed.

The Fifth Amendment to the Master Lease mandates that AltaSea accept Parcels B57 and B61B no later than December 31, 2025, along with other requirements relating to improvements to various Parcels. AltaSea is required to invest a minimum of 80% of the estimated \$35 million project cost in Parcels B57.5, B58, B59, and B60. The amendment specifies reimbursement of up to \$6 million by

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

---

**6. Commitments, Contingencies and Related Party Transactions (Continued)**

Obligations under the Lease with the City of Los Angeles (Continued)

the City to AltaSea for remediation, as further described in the amendment. Furthermore, the City established certain conditions that must be met by AltaSea before it commits its funds including the completion of a solar energy project generating 2 megawatts of power by December 31, 2023, the investment of \$500,000 from a solar project sublease and specific occupancy and revenue requirements for warehouse 58 subleases.

Subsequent to year-end, the Organization entered into a sixth amendment to the Master Lease which includes revisions to the City of Los Angeles Harbor Department's (Harbor Department) monetary contribution towards improvements at Warehouses 58-60, deletion of the Parcel 56 Engagement Center Project, and addition of an adjacent parcel at Berth 56 that was recently vacated by the California Department of Fish and Wildlife. Approval of the proposed Amendment is not expected to change the total amount of the Harbor Department's \$36,660,000 monetary commitment under Lease No. 904A.

The terms of the amended and restated lease with the Port of Los Angeles require AltaSea to invest the following minimum amounts to develop, construct and improve the premises:

	Required Minimum Investment
<u>Premises:</u>	
Interpretive center, public promenade and other public spaces	\$ 50,300,000
Redevelopment of certain transit shed warehouses, development of a public promenade, a public viewing area and other public spaces	54,600,000
Future project development and public sidewalks (B71)	196,000,000
<b>Total</b>	<b>\$ 300,900,000</b>

The minimum annual rent, which is subject to off-set by rent credits pursuant to the lease is dependent on AltaSea taking possession of parcels in accordance with the amended and restated lease agreement and on AltaSea's provision of certain non-monetary services and public benefits, as outlined in the lease agreement.

Obligation under the Office Lease

In February 2015, AltaSea consented to the assignment by Rockefeller Philanthropy Advisors, Inc. of a long-term non-cancellable operating lease for office space that expired in August 2021. The lease contained provisions for a base rent, subject to a fixed escalation, plus reimbursement for certain operating expenses. Rent expense for the years ended December 31, 2022 and 2021 was zero and \$72,070, respectively.

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

---

**6. Commitments, Contingencies and Related Party Transactions (Continued)**

Operating Subleases

AltaSea entered into sublease agreements with various unrelated parties to sublease its business hub. The subleases have expiration dates that extend through February 28, 2026. The total income from long-term business hub subleases was \$290,258 and \$143,485 for 2022 and 2021, respectively. The sublease income are included in program income in the statement of activities.

The following is a schedule by year of the approximate future minimum rental receipts under the non-cancelable sublease agreements at December 31, 2022:

<i>For the year ended December 31:</i>	Amount
2023	\$ 418,871
2024	306,476
2025	163,380
2026	5,932
Total	\$ 894,659

All sub-leases include extension provisions and it is anticipated that most will continue beyond the current term.

Line of Credit

On April 25, 2022, the Organization entered into a “Business Loan Agreement (Asset Based) or “Loan” with Beneficial State Bank. The Organization maintains a \$2,500,000 revolving line of credit agreement with a maturity date of April 25, 2024. The line of credit is collateralized by substantially all of the Organization’s assets and is subject to various restrictive covenants. Interest is payable monthly at a prime rate plus 1.25% (8.75% at December 31, 2022), subject to a floor of 3.5%. The outstanding balance on line of credit for the years ended December 31, 2022 and 2021 was \$500,000 and zero, respectively. The balance has been shown net of loan fees, which totaled \$46,464 as of December 31, 2022, which are being amortized ratably through the maturity date of the Loan.

Fiscal Sponsorship

Effective September 6, 2022, the Organization entered into a fiscal sponsorship arrangement with AltaSeeds Conservancy, Inc., an unrelated entity, whereby the Organization is required to assist AltaSeeds in fundraising efforts to support their on-going mission of developing, maintaining and researching kelp seedbanks. Complying with this requirement of the sponsor agreement, the Organization entered into a 3<sup>rd</sup> party grant agreement and was awarded \$900,000, which is restricted for the advancement of AltaSead’s program work. Under the terms of the grant agreement, the Organization is required to hold and disburse the awarded funds to Altaseads upon request for disbursement. In conjunction with the sponsorship agreement the Organization has also entered into an agreement with AltaSeeds to sub-lease space for their ongoing program.

# AltaSea at the Port of Los Angeles

## Notes to Financial Statements

### December 31, 2022 and 2021

---

#### 6. Commitments, Contingencies and Related Party Transactions (Continued)

##### Fiscal Sponsorship (Continued)

As of December 31, 2022, AltaSea's has paid \$6,000 in rental income to the Organization. In the event that AltaSea's terminates their leasing arrangement before all grant funds are expended, the Organization would be entitled to deduct from the restricted grant funds a 10% administrative fee related to the costs of administering the fund and other activities under the sponsorship agreement.

##### Related Party Transactions

In December 2022, AltaSea as sub-landlord, entered into a 7 month temporary storage space agreement with an organization of which a board member is a subtenant. During the year ended December 31, 2022, AltaSea received full rent of \$65,000 in advance upon signing the lease. Accordingly this has been included in deferred rental income on the balance sheet and will be recognized over the term of the lease.

#### 7. Refundable Advances

In April 2022, the Organization was awarded a conditional grant agreement through the State of California Natural Resources Agency to fund the renovation of Berth 58. Under the grant agreement the Organization was advanced \$4 million upon signing of the agreement. As the awarded funds are reimbursement based and must be returned to the State if not used for their intended purpose, the funds have been classified as deferred revenue and will be recognized as the conditions are met. At December 31, 2022 and 2021, refundable advances totaled \$3,401,603 and zero, respectively.

#### 8. Paycheck Protection Program Loan

In April 2020, the Organization received loan proceeds of \$114,480 under the SBA Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses. In March 2021, AltaSea received \$114,480 of principal and \$1,032 accrued interest forgiveness. In January 2021, AltaSea received a second draw PPP loan of \$114,480, and in September 2021, AltaSea received \$114,480 principal and \$715 accrued interest forgiveness. The Organization recognized the total \$230,707 in 2021, after all conditions of the loans were met and loan forgiveness was received.

#### 9. Employee Benefit Plan

Effective January 2015, the Organization established a 403(b) Plan (the "Plan") covering employees who are at least 21 years old and have completed a minimum of six consecutive months of service. Participants may make elective deferral contributions to the Plan up to the IRS statutory limits. Contributions to the Plan are made by the Organization on a discretionary basis. Total employer contributions paid to the Plan for the years ended December 31, 2022 and 2021 were \$26,890 and \$16,225, respectively.

**AltaSea at the Port of Los Angeles**  
**Notes to Financial Statements**  
December 31, 2022 and 2021

---

**10. Subsequent Events**

In July of 2023, the Organization secured an additional line of credit with Beneficial Bank in the amount of \$1,500,000, under substantially the same terms as the existing loan disclosed in Note 6 maturing in July of 2024.

The Organization has reviewed the results of operations and evaluated subsequent events for the period from its year ended December 31, 2022, through October 23, 2023, the date the financial statements were available to be issued. Except as disclosed above and in Note 6 (see Obligations under Lease with City of Los Angeles), there were no subsequent events or transactions that would require adjustment or disclosure to in the financial statements.