

REEF ENVIRONMENTAL EDUCATION FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
December 31, 2022 and 2021**

SULLIVAN & FENGLER CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents	PAGE
Independent Accountants' Review Report	3
Financial Statements	
Statements of Financial Position.....	5
Statement of Activities 2022.....	6
Statement of Activities 2021.....	7
Statement of Functional Expenses 2022.....	8
Statement of Functional Expenses 2021... ..	9
Statements of Cash flow.....	10
Notes to Financial Statements.....	12-17



CERTIFIED PUBLIC ACCOUNTANTS

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

(954) 561-2826 Phone
(954) 561-2881 Fax
Maureen@SullivanFenglerCPA.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
Reef Environmental Education Foundation
Key Largo, Florida

We have reviewed the accompanying financial statements of Reef Environmental Education Foundation, ("REEF" or the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of REEF and to meet our ethical responsibilities, in accordance with accounting principles generally accepted in the United States of America.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sullivan & Fengler

Sullivan & Fengler CPA
Fort Lauderdale, FL
May 5, 2023

FINANCIAL STATEMENTS

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash	\$ 510,762	\$ 606,853
Investments cash	500,397	1,020,042
Investment certificates of deposit	528,322	-
Accounts receivable (Note B)	501,015	403,496
Prepaid expenses	8,177	6,952
Inventory (Note B)	50,281	53,665
Fixed assets, net of accumulated depreciation of \$250,676 and \$227,172 for 2022 and 2021, respectively (Note H)	604,520	526,816
Deposits	2,750	2,750
TOTAL ASSETS	<u>\$ 2,706,224</u>	<u>\$ 2,620,574</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 162,316	\$ 177,427
Deferred revenue - trip deposits, net (Note D)	507,964	489,878
TOTAL LIABILITIES	<u>670,280</u>	<u>667,305</u>
Net Assets:		
Without donor restrictions		
Without donor restrictions	1,231,078	1,131,300
Board designated (Note G)	261,309	194,110
Total without donor restriction	<u>1,492,387</u>	<u>1,325,410</u>
With donor restrictions (Note I)	<u>543,557</u>	<u>627,859</u>
TOTAL NET ASSETS	<u>2,035,944</u>	<u>1,953,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,706,224</u>	<u>\$ 2,620,574</u>

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

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants, awards, and contributions	\$ 823,032	\$ 202,241	\$ 1,025,273
In-kind contributions (Note F)	12,246	-	12,246
Program income	728,481	-	728,481
COVID Funding Employee Retention Credit	59,505	-	59,505
Return on investment	10,924	-	10,924
Other income	8,505	-	8,505
Satisfaction of restriction	286,543	(286,543)	-
Total Revenue and Support	1,929,236	(84,302)	1,844,934
Expenses:			
Program services	1,598,285	-	1,598,285
Supporting Expenses:			
Management and general	71,366	-	71,366
Fundraising and development	92,608	-	92,608
Total Supporting Expenses	163,974	-	163,974
Total Expenses	1,762,259	-	1,762,259
Change in Net Assets	166,977	(84,302)	82,675
Net assets beginning of year	1,325,410	627,859	1,953,269
Net assets end of year	\$ 1,492,387	\$ 543,557	\$ 2,035,944

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

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants, awards, and contributions	\$ 556,551	\$ 340,225	\$ 896,776
In-kind contributions (Note F)	13,056	-	13,056
Program income	502,234	-	502,234
COVID Funding	481,100	-	481,100
Return on investment	64	-	64
Other income	6,985	-	6,985
Satisfaction of restriction	51,761	(51,761)	-
Total Revenue and Support	1,611,751	288,464	1,900,215
Expenses:			
Program services	1,059,311	-	1,059,311
Supporting Expenses:			
Management and general	73,674	-	73,674
Fundraising and development	75,001	-	75,001
Total Supporting Expenses	148,675	-	148,675
Total Expenses	1,207,986	-	1,207,986
Change in Net Assets	403,765	288,464	692,229
Net assets beginning of year	921,645	339,395	1,261,040
Net assets end of year	\$ 1,325,410	\$ 627,859	\$ 1,953,269

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

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 496,775	\$ 40,435	\$ 40,435	\$ 577,645
Payroll taxes	40,192	3,271	3,271	46,734
	<u>536,967</u>	<u>43,706</u>	<u>43,706</u>	<u>624,379</u>
Educational programs	705,318	-	-	705,318
Community awareness and education	25,062	-	-	25,062
Contract labor	59,495	-	25,229	84,724
Insurance	38,791	2,155	2,155	43,101
Interns	64,480	-	-	64,480
Postage, printing, and office	24,074	9,630	14,444	48,148
Bank fees	19,953	2,494	2,494	24,941
Licenses, permits, and fees	-	394	-	394
Professional fees	4,710	8,959	4,580	18,249
Dues and subscriptions	8,444	2,111	-	10,555
Small equipment and rental	11,919	-	-	11,919
Utilities	23,890	-	-	23,890
Repairs and maintenance	51,678	1,917	-	53,595
Total expenses before depreciation	<u>1,574,781</u>	<u>71,366</u>	<u>92,608</u>	<u>1,738,755</u>
Depreciation	<u>23,504</u>	<u>-</u>	<u>-</u>	<u>23,504</u>
Total Expenses	<u>\$ 1,598,285</u>	<u>\$ 71,366</u>	<u>\$ 92,608</u>	<u>\$ 1,762,259</u>
Percentage to total expense	91%	4%	5%	100%

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

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 401,117	\$ 35,393	\$ 35,393	\$ 471,903
Payroll taxes	32,724	2,887	2,887	38,498
	<u>433,841</u>	<u>38,280</u>	<u>38,280</u>	<u>510,401</u>
Educational programs	366,816	-	-	366,816
Community awareness and education	20,560	-	-	20,560
Contract labor	63,965	-	-	63,965
Insurance	21,655	1,911	1,911	25,477
Interns	64,285	-	-	64,285
Postage, printing, and office	19,219	7,122	27,027	53,368
Bank fees	11,232	12,041	-	23,273
Licenses, permits, and fees	-	395	-	395
Professional fees	-	9,849	6,040	15,889
Dues and subscriptions	7,962	1,991	-	9,953
Small equipment and rental	7,163	-	-	7,163
Utilities	15,818	1,396	1,396	18,610
Repairs and maintenance	3,942	689	347	4,978
Total expenses before depreciation	<u>1,036,458</u>	<u>73,674</u>	<u>75,001</u>	<u>1,185,133</u>
Depreciation	<u>22,853</u>	<u>-</u>	<u>-</u>	<u>22,853</u>
Total Expenses	<u>\$ 1,059,311</u>	<u>\$ 73,674</u>	<u>\$ 75,001</u>	<u>\$ 1,207,986</u>
Percentage to total expense	88%	6%	6%	100%

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

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from (to) operating activities		
Change in net assets	\$ 82,675	\$ 692,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,504	22,853
Forgiveness of loan	-	(99,049)
(Increase) decrease in operating assets:		
Accounts receivable	(97,519)	(297,246)
Prepaid expenses	(1,225)	1,577
Inventory	3,384	4,294
Deposits	-	2,200
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(15,111)	95,502
Deferred revenue	18,086	257,155
	13,794	679,515
Net assets provided (used) by operating activities		
Cash flows from (to) investing activities:		
Purchase of investments	(528,322)	-
Purchase of fixed assets	(101,208)	(11,500)
	(629,530)	(11,500)
Cash flows from (to) investing activities		
Net change in cash and cash equivalents	(615,736)	668,015
Cash and cash equivalents, beginning of year	1,626,895	958,880
Cash and cash equivalents, end of year	\$ 1,011,159	\$ 1,626,895
Cash operating	\$ 510,762	\$ 606,853
Cash investing	500,397	1,020,042
	\$ 1,011,159	\$ 1,626,895

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

NOTES TO FINANCIAL STATEMENTS

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES

Nature of Activities

Reef Environmental Education Foundation ("REEF" the "Organization") was established as a nonprofit organization in 1990. REEF conserves marine environments worldwide. The mission is to protect biodiversity and ocean life by actively engaging and inspiring the public through citizen science, education, and partnerships with the scientific community. REEF connects ocean enthusiasts and the dive community with scientists and resource managers through data collection activities and education initiatives. The REEF Campus in Key Largo, Florida serves as a visitors center for education and outreach to the public. In 2023, REEF continued to protect marine environments through education, service, and research. 91% of revenue directly supports programs to conserve marine environments through the Volunteer Fish Survey Project, protect endangered species through the Grouper Moon Project, reduce the impacts of invasive species, all while educating and engaging the public to protect the oceans. REEF is primarily supported through grants, donor contributions, and program services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operating operations and are not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor/grantor imposed, time and/or purpose restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures incurred, respectively.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Grants/Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor/grantor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Donated Services

Donated services (in-kind donations) are recognized as contributions if the services create or enhance non-financial assets, or require specialized skills, are performed by with those skills, and would otherwise be purchased by the Organization. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.

Many individuals volunteer their time and perform a variety of tasks that assist REEF. These services do not meet the criteria for recognition as contributed services.

Receivables

Accounts receivable are carried at face amounts less an allowance for doubtful accounts. On a periodic basis, they are evaluated and an allowance for doubtful accounts is established based on a combination of specific customer circumstances, credit conditions and our history of write-offs and collections.

Income Taxes

The Organization qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The Organization also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Income from certain Organization activities not directly related to its tax-exempt purpose may be subject to income tax. The Organization had no such income for 2022 or 2021. The current and previous three years remain subject to examination by the IRS.

Advertising

Advertising costs (community awareness) are charged to operation when incurred. REEF incurred \$25,062 and \$20,560 in advertising cost for the years ended December 31, 2022 and 2021, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. A portion of the cash balance is restricted for program specific use.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 5, 2023, the date which the financial statements were available to be issued.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Time and effort
Depreciation	Time and effort
Professional fees	Time and effort
Insurance	Time and effort
Printing and office	Time and effort
Utilities	Time and effort
Postage/printing/office	Time and effort

Inventory

Inventory consists of books, publications, digital media, and other dive related items held for sale. Inventory is valued at cost using the first-in, first-out method. Management performs periodic assessments to determine the existence of expired, damaged, or obsolete inventories and records, if necessary, a provision to reduce such inventories to net realizable value. Inventoried items were expanded to include survey items.

Property and Equipment

Property and equipment are depreciated using the straight-line and double declining balance methods. Estimated useful life; buildings 39 years, improvements 7-15 years and machinery and equipment 5-7 years. All acquisitions of property and equipment and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets in excess of \$500 are capitalized.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE C - COMMITMENTS AND CONTINGENCIES

Construction Contract

In December 2022, REEF entered into a contract for construction of the Marine Conservation Center in Key Largo, Florida. The building will be approximately 4,300 square feet with a projected cost of \$2,462,062, with costs not to exceed \$2,512,308. A retainer of \$50,000 was made on this contract in December 2022, (See Note H).

Concentration of Credit Risk

The Organization has deposits in financial institutions that from time to time exceed the federally insured limits. REEF maintains its cash with high quality financial institutions which the Organization feels limits these risks.

NOTE D - GRANTS AND CONTRACTS

Trip Deposits

REEF has entered into agreements for dive programs in 2022 and beyond, requiring deposits and has carried over trip deposits from 2021 due to cancellations from COVID, for charters, and has taken deposits from participants, which are reflected net in trip deposits. Certain portions of the deposits are non-refundable.

Paycheck Protection Program: During the years ended December 31, 2021, through a local financial institution, the Organization received \$89,840, from the U.S. Small Business Administration (“SBA”) as part of the Paycheck Protection Program (“PPP”), which is designed to provide a direct incentive for small businesses to keep their workers on the payroll for the pandemic. The Organization has elected to follow the provision of ASC 470 in which the loan proceeds remained recorded as a liability until the loan was fully forgiven and it had been legally released by the Small Business Administration (“SBA”). As of December 31, 2021, the SBA granted the Organization full forgiveness/legal release of these loans.

Shuttered Venue Grant: The Organization received grants from the U.S. Small Business Administration (“SBA”) under the shuttered venues program. During 2021, the Organization fulfilled the term of the grant for \$292,211. A second shuttered venue grant was received in 2021, for \$191,025 the Organization fulfilled the terms of the grant in 2022.

NOTE E - UNCERTAINTIES

Pandemic

The coronavirus (COVID) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization’s financial position, operations, and cash flows. As described in Note D, the Organization entered into Paycheck Protection Program loans through the Small Business Administration and received grants for the Small Business Administration for shuttered venues.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE F - CONTRIBUTED SERVICES AND MATERIALS

REEF received \$12,246 and \$13,056 in contributed services and materials for the years ending December 31, 2022 and 2021, respectively. The support is recorded as in-kind contributions, valued at fair market value, in the statement of activities with the offsetting expense on the statement of functional expenses as program expense.

NOTE G - BOARD DESIGNATED NET ASSETS

Board restricted net assets represents the remaining funds received from the BP Oil Spill settlement, the employee retention credit received in 2022, and other funds collected through estate and planned giving for gifts \$5,000 and over. The board has restricted the use to board approved expenditures.

NOTE H - FIXED ASSETS

Property and equipment as of December 31:

	<u>2022</u>	<u>2021</u>
Construction in process	\$ 98,536	\$ -
Land and building	611,346	611,346
Building improvements	12,447	12,447
Machinery and equipment	<u>132,867</u>	<u>130,195</u>
	855,196	753,988
Accumulated depreciation	<u>(250,676)</u>	<u>(227,172)</u>
	<u>\$ 604,520</u>	<u>\$ 526,816</u>

The aggregate depreciation charged to operations was \$23,504 and \$22,853 for the year ended December 31, 2022 and 2021, respectively.

During 2022, REEF started a capital campaign for construction of a building and campus in Key Largo, Florida. A construction contract has been entered into (see Note C). Construction costs incurred as of December 31, 2022 were \$98,536.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements
December 31, 2022 and 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTION

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

<u>Program/Purpose</u>	<u>12/31/2021</u>	<u>Contributions</u>	<u>Released</u>	<u>12/31/2022</u>
REEF House/Tech Center	\$ 177,771	\$ -	\$ -	\$ 177,771
Outreach	72,155	-	-	72,155
Volunteer Fish Survey Program	34,000	30,000	15,000	49,000
Program expansion	20,000	-	-	20,000
Ocean Explorer Program	2,500	2,500	2,500	2,500
Scholarships	25,700	55,700	22,800	58,600
Invasive Species Program	10,000	-	-	10,000
Trips	9,248	-	1,400	7,848
Grouper Moon Project	29,460	25,000	25,000	29,460
General operating	20,000	20,000	20,000	20,000
Shuttered venue/payroll 2022	191,025	-	191,025	-
Education	-	19,500	5,000	14,500
Smile Project	-	49,541	3,818	45,723
Interns	36,000	-	-	36,000
	<u>\$ 627,859</u>	<u>\$ 202,241</u>	<u>\$ 286,543</u>	<u>\$ 543,557</u>

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

Reef Environmental Education Foundation maintains a policy of operating within a prudent range of financial soundness and stability, structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and operating within the annual approved budget. The Organization received contributions restricted by donors, and considers contribution restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis.

Reef Environmental Education Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,011,159	\$ 1,626,895
Certificates of deposit	528,322	-
Accounts receivable	501,015	403,496
Total financial assets available within one year	<u>2,040,496</u>	<u>2,030,391</u>
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	<u>543,557</u>	<u>627,859</u>
Total financial assets available to management within one year	<u>\$ 1,496,939</u>	<u>\$ 1,402,532</u>