Save The Waves Coalition

Financial Statements

For the year ended
December 31, 2023
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

Save The Waves protects, stewards and defends surf ecosystems around the globe. We work in coalition with local organizations and groups, utilizing a unique combination of protected area creation, stewardship and grassroots mobilization.

Protect: We create well-managed protected areas in high priority coastal ecosystems that overlap with high quality surf through our flagship World Surfing Reserve program and through the creation of Surf Protected Areas Networks.

Steward: We engage and aid communities in the ongoing effective management of surf ecosystems, supporting stewardship projects with resources and providing monitoring tools for conservation through our Save The Waves App.

Defend: When a wave or surf break comes under threat, we mount international campaigns to educate and inspire the public to take action.

Board of Directors 2023

Name	Position
Scott Atkinson	Co-Chairperson
Rachel Strader	Co-Chairperson
Eric Co	Secretary
Christy Chin	Treasurer
Al Ramadan	Board Member
Will Henry	Board Member
Laura Rodriguez	Board Member
Annie Vranizan	Board Member
Easkey Britton	Board Member
Rahim Walker	Board Member
Greg Jones	Board Member
Hugo Tagholm	Board Member

Chief Executive Officer
Nik Strong-Cvetich

Save The Waves Coalition

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(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Save The Waves Coalition

Opinion

We have audited the accompanying financial statements of Save The Waves Coalition (a California nonprofit organization), which comprise the statement of financial position as December 31, 2023, 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 referred to above present fairly, in all material respects, the financial position of Save The Waves Coalition as of December 31, 2023, and the changes in 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. 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 Save The Waves Coalition and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Save The Waves Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with generally accepted auditing standards, 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 Save The Waves Coalition'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 Save The Waves Coalition'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.

Regalia & Associates

May 13, 2024
Danville, California

SAVE THE WAVES COALITION

Statement of Financial Position
December 31, 2023

Assets

Current assets:	
Cash and cash equivalents	$ 286,183
Grants and contributions receivable	611,088
Inventory	16,182
Prepaid expenses and other current assets	14,642
Total current assets	928,095
Noncurrent assets:	
Grants and pledges receivable - long-term, net of discount	759,985
Deposits	2,500
Total noncurrent assets	762,485
	$ 1,690,580

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued liabilities	$ 27,092
Accrued payroll liabilities	36,214
Total current liabilities	63,306
Net assets:	
Without donor restrictions	88,097
With donor restrictions	1,539,177
Total net assets	1,627,274
	$ 1,690,580

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenue and support:			
Individual and board donations	$ 158,043	$ -	$ 158,043
Corporate and foundation donations	249,303	1,905,643	2,154,946
Grants and contracts	161,335	-	161,335
Events	42,849	-	42,849
Contributed nonfinancial assets	56,046	-	56,046
Merchandise sales	10,863	-	10,863
Change in unamortized discount	-	(40,015)	(40,015)
Net assets released from restrictions	673,502	(673,502)	-
Total revenue and support	1,351,941	1,192,126	2,544,067
Expenses:			
Program services	1,009,139	-	1,009,139
General and administrative	303,363	-	303,363
Fundraising	104,764	-	104,764
Total expenses	1,417,266	-	1,417,266
Increase (decrease) in net assets	(65,325)	1,192,126	1,126,801
Net assets at beginning of year	153,422	347,051	500,473
Net assets at end of year	**$ 88,097**	**$ 1,539,177**	**$ 1,627,274**

Statement of Cash Flows
For the Year Ended December 31, 2023

Operating activities:	
Increase in net assets	$ 1,126,801
Adjustments to reconcile to cash used for operating activities:	
Change in unamortized discount	40,015
Changes in:	
Grants and contributions receivable	(1,223,019)
Inventory	6,566
Prepaid expenses and other current assets	(665)
Accounts payable and accrued liabilities	8,916
Grants payable	(500)
Accrued payroll liabilities	8,376
Cash used for operating activities	(33,510)
Net decrease in cash and cash equivalents	(33,510)
Cash and cash equivalents at beginning of year	319,693
Cash and cash equivalents at end of year	$ 286,183
Additional cash flow information:	
State taxes paid	$ 200
Interest and finance charges paid	$ -

SAVE THE WAVES COALITION

Statement of Functional Expenses
For the Year Ended December 31, 2023

	World Surfing Reserves	Surf Protected Area Networks	Stewardship and Resilience	Campaigns and Outreach	Program Support	Total Program Services	General and Administrative	Fund-raising	Total Expenses 2023
Salaries and wages	$ 127,978	$ 86,059	$ 87,372	$ 52,456	$ 85,643	$ 439,508	$ 206,004	$ 48,687	**$ 694,199**
Payroll taxes	9,927	6,477	16,785	3,803	7,021	44,013	16,653	3,625	**64,291**
Employee benefits	28,688	17,734	26,592	10,740	14,795	98,549	42,432	8,425	**149,406**
Total salaries and related expenses	166,593	110,270	130,749	66,999	107,459	582,070	265,089	60,737	**907,896**
Bank fees	82	188	831	1,610	25	2,736	322	2,465	**5,523**
Conferences and education	-	-	50	-	196	246	-	-	**246**
Events	3,186	-	-	105,884	-	109,070	105	4,426	**113,601**
Grants	35,195	14,000	-	-	-	49,195	-	-	**49,195**
Insurance	1,119	710	2,185	433	624	5,071	1,695	331	**7,097**
Merchandise and related support	791	-	52	16,852	677	18,372	56	1,517	**19,945**
Occupancy	3,885	2,462	3,936	1,501	2,163	13,947	5,880	1,148	**20,975**
Office and supplies	37	97	94	156	-	384	2,869	39	**3,292**
Other	88	-	50	600	826	1,564	200	-	**1,764**
Printing and postage	-	116	62	1,349	13	1,540	157	1,187	**2,884**
Professional services	10,280	16,815	45,931	15,600	43,998	132,624	7,771	18,600	**158,995**
Telephone and technology	507	431	2,058	37	926	3,959	10,713	15	**14,687**
Travel and meals	33,496	11,623	14,983	25,648	2,611	88,361	8,506	14,299	**111,166**
Totals	$ 255,259	$ 156,712	$ 200,981	$ 236,669	$ 159,518	$ 1,009,139	$ 303,363	$ 104,764	**$ 1,417,266**

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

1. Organization

Save The Waves Coalition ("Save The Waves") is a California nonprofit public benefit corporation formed in February 2003. Save The Waves protects, stewards, and defends surf ecosystems around the globe. Save The Waves works in coalition with local organizations and groups, utilizing a unique combination of protected area creation, stewardship, and grassroots mobilization. The organization's program activities include (a) protecting, defending, and stewarding surf ecosystems, (b) engaging and aiding communities in the ongoing effective management of surf ecosystems, (c) creating well-managed protected areas in high priority coastal ecosystems, and (d) mounting and assisting with international campaigns to protect and defend surf ecosystems under threat. Additional information can be found at www.savethewaves.org/model.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Save The Waves have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Save The Waves' ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Save The Waves' cash consists of cash on deposit in checking and savings accounts. When applicable, cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of creation.

Concentrations of Credit Risk – Financial instruments that potentially subject Save The Waves to concentrations of credit risk consist principally of cash and cash equivalents. Save the Wave maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Save The Waves manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Save The Waves has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Save The Waves' mission.

2. Summary of Significant Accounting Policies *(continued)*

Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. When applicable, unconditional promises to give 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 risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). When applicable, Save The Waves groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Contributed Nonfinancial Assets – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

2. Summary of Significant Accounting Policies *(continued)*

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

Net Assets without Donor Restrictions
Net assets without donor restrictions represent funds available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but has opted not to do so as of December 31, 2023.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities,* which requires Save The Waves to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, payroll taxes, employee benefits, rent, insurance, and similar overhead) have been allocated based on time and effort using Save The Waves' payroll allocations. Other expenses (such as professional fees and other direct costs) have been allocated in accordance with the specific services received.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 958)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute them are accounted for as a refundable advance until the conditions have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided. Revenue from merchandise sales is recognized at the time of the sale. Revenue from hosted events is recognized when the event occurs.

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition *(continued)* – 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-imposed restrictions. Contributions 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.

A portion of Save The Waves' revenue is derived from cost-reimbursable state and local government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Save The Waves has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as conditional advances on the statements of financial position. Save The Waves received cost-reimbursable grants of $151,265 that have not been recognized at December 31, 2023 because qualifying expenditures have not yet been incurred.

Income Taxes – Save The Waves is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Save The Waves is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Save The Waves files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if any.

Save The Waves has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Save The Waves continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

ASU 2016-02, Leases (Topic 842) Accounting for Leases requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

2. Summary of Significant Accounting Policies *(continued)*

Recent and Relevant Accounting Pronouncements *(continued)* – *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of May 13, 2024 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that Save The Waves has the ability to continue as a going concern.

ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, Save The Waves has incorporated these clarifying standards within the audited financial statements.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosures, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Update also requires certain enhanced disclosures for contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of funds on deposit in various financial institutions. The composition of cash and equivalents is as follows at December 31, 2023:

Checking (bearing interest at .15% at December 31, 2023)	**$**	**235,272**
Savings (bearing interest at 4.0% at December 31, 2023)		**50,911**
Total cash and cash equivalents	**$**	**286,183**

Save The Waves attempts to limit its credit risk associated with cash and cash equivalents by utilizing high quality financial institutions.

4. Grants and Contributions Receivable

Grants and contributions receivable include commitments from a variety of donors including individuals, foundations, and corporations. Grants and contributions receivable are expected to be collected as follows at December 31, 2023:

Grants and contributions due within one year	$	611,088
Grants and contributions due in one to three years		800,000
Subtotal		1,411,088
Less discount to reflect present value at 4% per annum		(40,015)
Subtotal		1,371,073
Total grants and contributions due within one year		(611,088)
Total grants and contributions receivable, noncurrent (net)	$	759,985

Save The Waves uses the direct write-off method with regards to receivables deemed uncollectible. During the year ended December 31, 2023, Save The Waves recognized no bad debts. Management has evaluated the receivables as of December 31, 2023, and determined that such amounts are fully collectible based on the financial strength of the donors involved and an analysis of historical experience.

5. Liquidity

Save The Waves regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Save The Waves has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Save The Waves considers all expenditures related to its ongoing work to protect and preserve the coastal environment to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Save The Waves operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by Save The Waves and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	$	286,183
Grants and contributions receivable, current		611,088
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects		(229,192)
Financial assets available to meet general expenditures over the next twelve months	$	668,079

5. Liquidity *(continued)*

A significant amount of the support received by Save The Waves is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, Save The Waves must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Save The Waves' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

6. Occupancy

Save The Waves leases office space in Santa Cruz, California under a month-to-month operating lease agreement. This agreement requires a monthly rental payment of $1,600 as of December 31, 2023. Rent expense for the office space amounted to $19,200 for the year ended December 31, 2023.

Save The Waves has elected the short-term lease exemption for all leases with a term of 12 or fewer months for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for any short-term leases are recognized on a straight-line basis.

7. Net Assets with Donor Restrictions

Save The Waves recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expire. Net assets with donor restrictions consist of the following at December 31:

Restricted for:		
Specific locations	$	**79,192**
Save The Waves mobile app		**150,000**
Future periods		**1,350,000**
Unamortized discount		**(40,015)**
Total net assets with donor restrictions	$	**1,539,177**

During the year ended December 31, 2023, contributions to net assets with donor restrictions amounted to $1,905,643. Net assets released from restrictions amounted to $673,502 during the year ended December 31, 2023.

8. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25*, *Compensated Absences*. Under ASC 710.25, Save The Waves is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination. Sick leave is not paid upon termination. Accrued payroll liabilities amounted to $36,214 at December 31, 2023.

9. Contributed Nonfinancial Assets

Save The Waves received the following contributions of nonfinancial assets during the year ended December 31, 2023:

Clothing and accessories	$	40,386
Food and beverages		15,310
Other goods		350
Total	$	56,046

The contributed clothing, accessories, food, and beverages are used for various Save The Waves events. These items are valued at prices that would be received for selling similar products. The other goods were used for Save The Waves programmatic activities and were also valued at prices that would be received for selling similar products. None of the donated goods and donor-imposed restrictions.

Volunteers contribute significant amounts of time to various Save The Waves activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

10. Commitments and Contingencies

In the normal course of business, Save The Waves could be subject to certain commitments and contingencies, such as commitments to enter into contracts and future projects, which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Save The Waves to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Save The Waves' control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

11. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Save The Waves has evaluated subsequent events through May 13, 2024, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.