

THE OCEAN FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2016

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

THE OCEAN FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016

THE OCEAN FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Ocean Foundation
Washington, DC

We have audited the accompanying financial statements of The Ocean Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

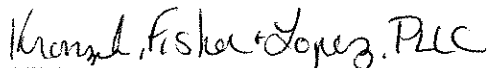
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ocean Foundation as of June 30, 2016, 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.


KRONZEK, FISHER & LOPEZ, PLLC
Washington, DC
November 3, 2016

THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	251,125
Investments		135,179
Receivables		3,069,325
Prepaid expenses		38,838
		3,494,467

PROPERTY AND EQUIPMENT

Equipment and software		100,271
Furniture and fixtures		2,041
Vehicles		17,895
		120,207
Less: accumulated depreciation		114,242
		5,965

OTHER ASSETS

Intangible assets, net		15,319
Security deposits		12,042
		27,361

TOTAL ASSETS

\$ 3,527,793

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$	397,347
Tenant security deposit		3,100
		400,447

OTHER LIABILITIES

Deferred rent liability		126,261
		126,261

TOTAL LIABILITIES

526,708

NET ASSETS

Unrestricted - Non Designated		(479,503)
- Board Designated		2,585,809
Temporarily Restricted		894,779
		3,001,085

TOTAL NET ASSETS

3,001,085

TOTAL LIABILITIES AND NET ASSETS

\$ 3,527,793

See accompanying notes to financial statements.

THE OCEAN FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Grants & contributions	\$ 1,415,256	\$ 4,111,035	\$ 5,526,291
Program service revenue	507,289	-	507,289
Investment income - net realized & unrealized gain/(loss)	971	-	971
Investment income - other	1,310	-	1,310
Rental income	39,600	-	39,600
	<u>1,964,426</u>	<u>4,111,035</u>	<u>6,075,461</u>
Net assets released from restriction:			
Satisfaction of program restrictions	5,599,699	(5,599,699)	-
Total revenue & support	<u>7,564,125</u>	<u>(1,488,664)</u>	<u>6,075,461</u>
EXPENSES			
Program Services			
Protecting Marine Habitats	1,598,339	-	1,598,339
Protecting Species of Concern	1,684,685	-	1,684,685
Building Marine Community Capacity	1,282,060	-	1,282,060
Ocean Literacy	797,973	-	797,973
Other Program Services	652,687	-	652,687
Total program expenses	<u>6,015,744</u>	<u>-</u>	<u>6,015,744</u>
Support Services			
Management & general	731,748	-	731,748
Fundraising	219,070	-	219,070
Total support expenses	<u>950,818</u>	<u>-</u>	<u>950,818</u>
Total expenses	<u>6,966,562</u>	<u>-</u>	<u>6,966,562</u>
CHANGE IN NET ASSETS (DEFICIT)	597,563	(1,488,664)	(891,101)
Beginning net assets	<u>1,508,743</u>	<u>2,383,443</u>	<u>3,892,186</u>
Ending net assets	<u>\$ 2,106,306</u>	<u>\$ 894,779</u>	<u>\$ 3,001,085</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Other Program Services	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 405,344	\$ 315,929	\$ 755,296	\$ 92,722	\$ 27,860	\$ 1,597,151	\$ -	\$ 11,141	\$ 1,608,292
Salaries & wages	126,240	307,073	153,752	230,732	240,550	1,058,347	353,969	81,045	1,493,361
Payroll taxes	9,403	23,585	11,846	18,626	18,915	82,375	22,087	5,057	109,519
Employee benefits	22,471	41,268	21,602	27,352	39,551	152,244	52,907	12,132	217,283
Training & development	1,673	89	76	2,779	13	4,630	267	2,025	6,922
Travel & carbon offsets	160,948	130,177	47,060	43,862	76,062	458,109	5,070	21,051	484,230
Conferences & meetings	39,430	30,507	18,950	15,317	8,380	112,584	10,356	7,705	130,645
Project & field expenses	43,772	155,595	969	13,768	3	214,107	53	12	214,172
Educational merchandise	-	1,487	-	-	-	1,487	-	-	1,487
Scientific & technical consultants	-	28,771	-	-	-	28,771	-	-	28,771
Research & advocacy fees	75,876	-	165	750	-	76,791	-	-	76,791
Communications & design fees	79,327	57,807	27,813	18,527	502	183,976	10,118	6,847	200,941
Web hosting, design & maint	47,103	11,623	7,870	28,789	1,990	97,375	30,444	7,056	134,875
Program mgt & support fees	515,916	489,676	186,947	222,564	221,650	1,636,753	51,166	11,740	1,699,659
Legal fees	791	1,558	552	860	232	3,993	4,685	1,073	9,751
Accounting & bookkeeping svcs	8,283	16,328	15,698	9,014	2,434	51,757	49,086	11,239	112,082
Insurance	4,176	8,273	3,754	13,653	1,227	31,083	24,748	5,666	61,497
Office expenses, supplies, equip	7,640	7,292	4,879	6,545	710	27,066	13,795	3,637	44,498
Occupancy	15,618	30,036	15,034	23,662	3,868	88,218	77,998	17,858	184,074
Telephone & Internet	8,659	7,913	1,251	2,846	90	20,759	1,620	371	22,750
Printing & duplicating	10,232	1,275	578	601	4,093	16,779	2,207	3,628	22,614
Postage & delivery	1,832	6,698	377	777	2,772	12,456	725	219	13,400
Dues, books & subscriptions	1,503	1,823	1,681	18,109	79	23,195	1,593	3,588	28,376
Bank & donation processing fees	3,964	4,140	3,643	2,480	837	15,064	1,527	2,014	18,605
Depreciation & amortization	1,726	3,401	1,205	1,878	507	8,717	10,226	2,341	21,284
Advertising	5,577	716	375	628	107	7,403	2,153	493	10,049
Licenses, taxes & fees	835	1,645	687	1,132	255	4,554	4,948	1,132	10,634
	\$ 1,598,339	\$ 1,684,685	\$ 1,282,060	\$ 797,973	\$ 652,687	\$ 6,015,744	\$ 731,748	\$ 219,070	\$ 6,966,562

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 4,830,536
Cash received from program service revenue	526,347
Interest received	633
Cash received from subtenant	39,600
Cash paid to employees and vendors	(6,676,931)
Net cash used by operating activities	<u>(1,279,815)</u>
Net decrease in cash and cash equivalents	(1,279,815)
Cash and cash equivalents - July 1, 2015	<u>1,530,940</u>
Cash and cash equivalents - June 30, 2016	<u>\$ 251,125</u>
Reconciliation of decrease in net assets to net cash used by operating activities:	
Change in net assets	\$ (891,101)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Net unrealized gain on investments	(971)
Net reinvested dividends	(396)
Depreciation & amortization	21,284
Changes in assets and liabilities:	
Increase in receivables	(623,820)
Increase in prepaid expenses	(14,183)
Increase in accounts payable & accrued expenses	270,191
Decrease in unearned revenue	(52,877)
Increase in deferred rent liability	<u>12,058</u>
Net cash used by operating activities	<u>\$ (1,279,815)</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - ORGANIZATION

The Ocean Foundation is a non-profit organization, incorporated in California in 2001 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation - The financial statement presentation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition - Grants and contributions are recognized when an unconditional grant or contribution has been awarded, or when the organization has satisfied the conditions to the satisfaction of the funder. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence of any donor restrictions.

Unrestricted grants & contributions are recognized in the unrestricted fund when awarded. Grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When the provisions of the restriction have been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization had no permanently restricted grants

Cash and Cash Equivalents - The organization considers cash equivalents to be highly liquid investments with original maturities at time of purchase of less than 90 days.

Furniture, Equipment & Software - Furniture, Equipment & Software is recorded at cost of acquisition or fair market value of donation. Depreciation on such fixed assets is determined by the straight-line method based on an estimated useful life of three to seven years.

Intangible Assets - Intangible assets consist of costs related to the design and development of the organization's website, net of accumulated amortization. Amortization begins when the website is available for use as intended by management. Amortization will be computed over an estimated useful life of three years. Costs associated with maintaining the website will be expensed as incurred.

Functional expenses- The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, insurance, etc).

Fair Value of Financial Instruments - The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 5 for a description of financial instruments carried at fair value.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The organization leases sixty percent of the 5th Floor at 1320 19th Street, NW, Washington, DC as its office space under a ten-year and ten month lease effective May 1, 2014 and expiring February 28, 2025. Monthly base rent payments under the new lease will be abated 100% for the first five months and 50% for the subsequent ten months. The rent abatement to be recognized will be \$111,426, and will be amortized over the life of the lease as a reduction to rent expense.

The organization's minimum lease commitment as of June 30, 2016 contained in the lease is as follows:

For the year ending June 30, 2016	\$ 128,809
June 30, 2017	138,410
June 30, 2018	142,564
June 30, 2019	146,840
June 30, 2020	151,247
June 30, 2021	155,784
June 30, 2022	160,457
June 30, 2023	165,269
June 30, 2024	170,227
June 30, 2025	<u>116,308</u>
Total	\$1,475,915

Monthly rent expense to be recognized over the lease on a straight line basis will be \$11,739 (\$1,526,057 divided by 130 months).

The difference between the monthly rent expense and the net minimum rent payments throughout the term of the lease is being adjusted to deferred rent liability. The balance in deferred rent liability was \$126,261 as of June 30, 2016.

The organization subleases a portion of its office space for basic monthly payments of \$2,700 thru May 31, 2017.

NOTE 4 – TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

The organization's purpose is to encourage and facilitate a variety of philanthropic and programmatic work to preserve the health of the Oceans, globally. To further this goal, the organization manages a variety of funds some of which actively conduct programs and some of which raise and grant money to further various important Ocean conservation goals.

The organization designates its Net Assets in three categories: Temporarily Restricted, Unrestricted - Board Designated, and Unrestricted. The organization has no permanently restricted net assets.

It uses the category of "Unrestricted - Board Designated" for two types of situations. In the first type of situation, a fund will generate program service revenue, which, as earned income rather than support, is not restricted, but the Board has designated that funds may keep their revenues, and therefore that part of a fund's balance is characterized as "Unrestricted - Board Designated." In the second situation, the organization has a donor advised fund which has goals which are as broad as the world's Oceans, identical to the exempt purpose of the organization itself. However, since a key strategy in encouraging philanthropic support for the Oceans is to nurture and develop various types of funds including donor advised funds, the organization has designated the broad donor advised fund's net assets as "Unrestricted - Board Designated."

Temporarily Restricted and Unrestricted – Board Designated Net Assets are available for the following purposes:

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

	Temporarily Restricted Purpose	Unrestricted Board Designated	Fund Total
<u>Protecting Marine Habitats</u>			
Friends of Bica Guanaja	\$ 10	\$ -	\$ 10
Deep Sea Mining Campaign	12,000	20,949	32,949
Oregon Marine Reserve Partnership FSF	25,215	25	25,240
Coral Reef	30,108	1,950	32,058
Polar Seas	875	-	875
Reef Conservation Project International	(27)	-	(27)
Coast & Beaches	6,613	17,379	23,992
Coastal Coordination	-	31,717	31,717
Cuba Marine Research & Conservation	-	110,295	110,295
LSIESP	16,942	73,115	90,057
Friends of the Delta	10,411	-	10,411
High Seas Alliance FSF	65,347	162,414	227,761
Belize DAF	-	82,361	82,361
Friends of GA Strait Alliance	-	8,720	8,720
Friends of Eco Alianza Loreto	-	17,475	17,475
Friends of Jamaica Env't Trust	-	342	342
SURMAR-ASIMAR	40,650	65,188	105,838
W. Henry Coral Reef DAF	-	87,233	87,233
Deborah Williams DAF	-	34,761	34,761
Aliso Creek Estuary Restoration	-	146,232	146,232
Friends of Song Saa	2,053	-	2,053
Sub-total Protecting Marine Habitats	<u>\$210,197</u>	<u>\$860,156</u>	<u>\$1,070,353</u>

Protecting Species of Concern

The Lost Years FSF	\$ -	\$ 8,064	\$ 8,064
Global Tuna Conservation	192,146	230,378	422,524
Sea Turtle Bycatch	45,083	6,200	51,283
Marine Mammal	(428)	-	(428)
Sea Turtle FIF	-	423	423
Eastern Pacific Hawksbill Initiative	30,632	188,699	219,331
Shark Advocates International	19,924	99,591	119,515
ProCaguama	34,518	-	34,518
Tag-A-Giant	-	120,869	120,869
Atlantic Salmon-Lost at Sea	(6)	-	(6)
SmartFish International	21,637	-	21,637
Friends of La Tortuga Viva	-	3,569	3,569
Friends of Grupo Tortuguero	-	14,944	14,944
Friends of Tortugueros Las Playitas	-	374	374
Friends of Iemanya	36,400	-	36,400
PLF Marine Mammal Research DAF	-	18,927	18,927
Boy N. Lyon Sea Turtle CAF	-	35,300	35,300
ISSF Sea Turtle CAF	-	41,179	41,179
The Wise Laboratory	-	14,398	14,398
Sub-total Protecting Species of Concern	<u>\$379,906</u>	<u>\$782,915</u>	<u>\$1,162,821</u>

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Bldg Marine Comm Capacity

SeaWeb Communications	\$ 168,711	\$ 220,198	\$ 388,909
eNGO Fisheries Coalition	37,654	-	37,654
Future Ocean Alliance FOF	-	2,750	2,750
Friends of Tropicalia	-	11,357	11,357
Redfish Rocks Community	7,342	27,718	35,060
Yacht Summit Foundation	(1,000)	-	(1,000)
World Ocean	-	1,447	1,447
Blue Climate Solutions	15,519	3,000	18,519
Ocean Conservation Research	-	11,214	11,214
Friends of Ocean Initiative	-	115	115
Anonymous	-	133,721	133,721
Friends of Pro Esteros	(50)	-	(50)
Friends of Island Reach	-	677	677
Sub-total Bldg Marine Comm Capacity	<u>\$228,176</u>	<u>\$412,197</u>	<u>\$640,373</u>

Expanding Ocean Literacy

Friends of Environmental Sculpture	\$ -	\$ 133	\$ 133
Friends of GOA-ON (CAF)	(6,293)	-	(6,293)
Friends of Marine Science Today	-	305	305
The Ocean Project	-	154,335	154,335
Ocean Connectors	34,500	91,487	125,987
Ocean Revolution	7,166	60,453	67,619
The Science Exchange	20,000	170,669	190,669
The Last Ocean Project	15,124	100	15,224
Colorado Ocean Coalition	(131)	21,245	21,114
LivBlue	-	10,836	10,836
Sonar and Whales FSF	-	10,099	10,099
Deep Green Wilderness	-	14	14
Ocean Courier FSF	6,134	10,865	16,999
Sub-total Expanding Ocean Literacy	<u>\$76,500</u>	<u>\$530,541</u>	<u>\$607,041</u>
Total Net Assets	<u>\$ 894,779</u>	<u>\$ 2,585,809</u>	<u>\$ 3,480,588</u>

Net assets were released from donor restrictions by incurring expenses or satisfying the purpose of time restriction specified by donors as shown below. In the case of the Anonymous Donor Advised Fund, the amount shown as released includes the reclassification of the fund from Temporarily Restricted to Unrestricted – Board Designated based on the broad purposes discussed above.

Protecting Marine Habitats

Friends of Bica Guanaja	\$ 17
Friends of Seaflower	228
Deep Sea Mining Campaign	36,507
Oregon Marine Reserve Partnership FSF	316,819
Coral Reef	251,556
Reef Conservation Project International	5,027
Coast & Beaches	71,259
Coastal Coordination	48,371
Cuba Marine Research & Conservation	305,667

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Protecting Marine Habitats

LSIESP	90,142
Friends of the Delta	91,136
High Seas Alliance FSF	149,140
Belize DAF	35,017
Friends of GA Strait Alliance	1,027
Friends of Eco Alianza Loreto	7,022
Friends of Jamaica Env't Trust	656
SURMAR-ASIMAR	20,201
W. Henry Coral Reef DAF	102,344
Deborah Williams DAF	3,500
Aliso Creek Estuary Restoration	123,768
Friends of Song Saa	19,642
Sub-total Protecting Marine Habitats	<u>\$ 1,679,046</u>

Protecting Species of Concern

Rebuilding US Fisheries	\$ 18,131
The Lost Years FSF	9,952
Global Tuna Conservation	146,577
Sea Turtle Bycatch	183,537
Marine Mammal	1,055
Sea Turtle FIF	1,822
Eastern Pacific Hawksbill Initiative	289,173
Shark Advocates International	150,210
ProCaguama	25,272
Tag-A-Giant	77,562
Atlantic Salmon-Lost at Sea	95,958
SmartFish International	245,635
Friends of La Tortuga Viva	9,415
Friends of Grupo Tortuguero	(4,997)
Friends of Tortugueros Las Playitas	4,779
Friends of Iemanya	66,350
PLF Marine Mammal Research DAF	136,107
Boy N. Lyon Sea Turtle CAF	2,551
ISSF Sea Turtle CAF	95,702
The Wise Laboratory	34,351
Sub-total Protecting Species of Concern	<u>1,589,142</u>

Bldg Marine Comm Capacity

SeaWeb Communications	\$ 565,656
Conservation Media Group CAF	531,448
eNGO Fisheries Coalition	150,087
Future Ocean Alliance FOF	900
Friends of Tropicalia	20,739
Redfish Rocks Community	24,658
Yacht Summit Foundation	1,000
Friends of Wilderness Markets	20,000

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Bldg Marine Comm Capacity

World Ocean	1,186
Blue Climate Solutions	40,524
Ocean Conservation Research	85,781
SEetheWILD	22
Friends of Ocean Initiative	13,469
Friends of Pro Esteros	55,505
Friends of Island Reach	77,856
Anonymous	11,000
Sub-total Bldg Marine Comm Capacity	<u>1,599,831</u>

Expanding Ocean Literacy

SEVENSEAS	\$ 496
Friends of Environmental Sculpture	3,267
Friends of GOA-ON CAF	24,398
Friends of Marine Science Today	935
Friends of Ocean Classrooms	900
Friends of Virginia Divearium	900
The Ocean Project	317,274
Ocean Connectors	138,288
Ocean Revolution	73,333
The Science Exchange	27,192
The Last Ocean Project	29,020
Colorado Ocean Coalition	41,639
LivBlue	24,430
Sonar and Whales FSF	1,000
Deep Green Wilderness FOF	36,636
Hello Ocean	11,972
Sub-total Expanding Ocean Literacy	<u>731,680</u>
Total Purpose Restricted Net Assets Released and Reclassified	<u>\$ 5,599,699</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The organization follows FASB ASC 820-10 for financial assets (and liabilities) measured on a recurring basis, effective January 1, 2008. FASB ASC 820-10 clarifies fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. FASB ASC 820-10 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, as a basis for considering market participant assumptions in fair value measurements, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, through corroboration with observable market data (market corroborated inputs).

Level 3 – unobservable inputs for the asset or liability including inputs that reflect the reporting entity's own assumptions in determining the fair value measurements.

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

Assets Measured at Fair Value

Description	Fair Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 10,120	\$10,120	\$ -	\$ -
Partnership	<u>135,179</u>	<u>-</u>	<u>-</u>	<u>135,179</u>
	<u>\$145,299</u>	<u>\$10,120</u>	<u>\$ -</u>	<u>\$135,179</u>

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

Money Market Fund – is valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Money Market Funds seek a stable \$1.00 net asset value. The net asset value is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Partnership – Interest in Rockefeller Ocean Fund, L.P. is valued at the current market value of the organization's interest in the undisclosed underlying securities which make up the assets in the partnership's portfolio.

The Organization provides Rockefeller Financial with specialized insight and research on marine trends, risks and opportunities, as well as analysis and thought-leadership on marine conservation initiatives. Applying this research alongside its internal asset management capabilities, Rockefeller's experienced investment team works to identify best-in-class public companies whose businesses are involved across the board spectrum of the ocean network globally. The strategy seeks investment opportunities in diverse industries ranging from maritime transportation, manufacturing and industrial services, healthcare, ocean energy, water and wastewater utilities, water pumps and valves, remote sensing, leak monitoring, consulting as well as engineering for water infrastructure and technologies to maximize water supplies through purification and metering.

The following table presents the Organization's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the year ended June 30, 2016.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2015 balance	\$133,812
Purchases	-
Net unrealized gains (losses)	971
Net investment income – other	<u>396 *</u>
June 30, 2016 balance	<u>\$135,179</u>

*This amount is comprised of dividends less expenses and fees.

NOTE 6 – RETIREMENT PLAN

The Organization offers eligible employees the option of investing in a tax-deferred 401(k) retirement plan. Employee elective deferrals are allowed after one year of service. The Organization will contribute, at its sole discretion, an amount determined from year to year on a pro rata basis. The employer contributions vest over a five year period. Pension expense for the fiscal year ended June 30, 2016 was \$83,783.

NOTE 7 – INCOME TAXES

The organization is exempt from income taxes under Internal Revenue Code 501(c)(3) and applicable DC statutes. No provision for income taxes is required at June 30, 2016, as the Organization had no net unrelated business income.

The organization follows FASB ASC 740-10, Income Taxes the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2016, the statute of limitations for tax years 2012 through 2014 remains open with federal and DC authorities

NOTE 8 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through November 3, 2016, the date the financial statements were available to be issued. There were no subsequent events identified through November 3, 2016, required to be disclosed in these financial statements.