

**THE OCEAN FOUNDATION
FINANCIAL STATEMENTS**

JUNE 30, 2013

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

THE OCEAN FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2013

THE OCEAN FOUNDATION

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of Financial Position June 30, 2013	4
Statement of Activities For the year ended June 30, 2013	5
Statement of Functional Expenses For the year ended June 30, 2013	6
Statement of Cash Flows For the year ended June 30, 2013	7
NOTES TO FINANCIAL STATEMENTS	8-15

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Ocean Foundation

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, 2013, 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, 2013, 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
KRONZEK, FISHER & LOPEZ, PLLC
Washington, DC
November 7, 2013

THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,554,598
Investments		113,580
Receivables		1,102,369
Prepaid expenses		29,432
		2,799,979

PROPERTY AND EQUIPMENT

Equipment and software		100,271
Furniture and fixtures		2,041
		102,312
Less: accumulated depreciation		93,842
		8,470

OTHER ASSETS

Security Deposits		341
		341

TOTAL ASSETS

\$ 2,808,790

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$	107,277
		107,277

TOTAL LIABILITIES

107,277

NET ASSETS

Unrestricted - Non Designated		(499,320)	
- Board Designated		1,690,249	1,190,929
Temporarily Restricted			1,510,584

TOTAL NET ASSETS

2,701,513

TOTAL LIABILITIES AND NET ASSETS

\$ 2,808,790

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Grants & contributions	\$ 239,746	\$ 4,068,662	\$ 4,308,408
Program service revenue	488,421	-	488,421
Investment income - net unrealized gain/(loss)	12,657	-	12,657
Investment income - other	3,723	-	3,723
	<u>744,547</u>	<u>4,068,662</u>	<u>4,813,209</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,489,407	(4,489,407)	-
Total revenue & support	<u>5,233,954</u>	<u>(420,745)</u>	<u>4,813,209</u>
EXPENSES			
Program Services			
Protecting Marine Habitats	681,154	-	681,154
Protecting Species of Concern	1,867,260	-	1,867,260
Building Marine Community Capacity	958,197	-	958,197
Expanding Ocean Literacy	1,031,210	-	1,031,210
Total program expenses	<u>4,537,821</u>	<u>-</u>	<u>4,537,821</u>
Support Services			
Management & General	675,839	-	675,839
Fundraising	304,074	-	304,074
Total support expenses	<u>979,913</u>	<u>-</u>	<u>979,913</u>
Total expenses	<u>5,517,734</u>	<u>-</u>	<u>5,517,734</u>
CHANGE IN NET ASSETS (DEFICIT)	(283,780)	(420,745)	(704,525)
Beginning net assets	<u>1,474,709</u>	<u>1,931,329</u>	<u>3,406,038</u>
Ending net assets	<u>\$ 1,190,929</u>	<u>\$ 1,510,584</u>	<u>\$ 2,701,513</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 172,685	\$ 664,820	\$ 445,931	\$ 93,300	\$ 1,376,736	\$ -	\$ -	\$ 1,376,736
Salaries & wages	52,310	264,267	54,595	240,553	611,725	308,222	69,796	989,743
Payroll taxes	4,109	20,137	4,327	17,693	46,266	24,431	5,532	76,229
Employee benefits	5,125	31,557	6,830	39,016	82,528	38,559	8,732	129,819
Training & development	7	8,697	10	1,384	10,098	54	12	10,164
Travel & carbon offsets	48,014	102,334	131,449	77,651	359,448	20,773	23,730	403,951
Conferences & meetings	17,437	50,773	5,654	37,769	111,633	8,154	7,237	127,024
Project & field expenses	13,664	89,428	2,170	14,070	119,332	730	165	120,227
Educational merchandise	-	-	578	225	803	-	-	803
Scientific & technical consultants	70,500	162,904	-	136	233,540	-	-	233,540
Research & advocacy fees	-	-	1,357	30,359	31,716	-	-	31,716
Communications & design fees	4,094	64,628	22,976	47,556	139,254	24,855	81,086	245,195
Web hosting, design & maint	43,818	9,695	26,368	31,429	111,310	16,572	3,907	131,789
Program mgt & support fees	208,617	301,367	209,036	336,274	1,055,294	73,410	59,411	1,188,115
Legal fees	7,867	1,404	769	2,801	12,841	4,103	929	17,873
Accounting & bookkeeping svcs	8,663	23,537	12,187	12,867	57,254	68,801	15,580	141,635
Insurance	2,433	6,502	3,367	4,400	16,702	19,008	4,304	40,014
Office expenses, supplies, equip	6,379	20,752	7,012	5,792	39,935	12,994	2,943	55,872
Occupancy	4,837	15,354	5,832	13,553	39,576	32,924	7,456	79,956
Telephone & Internet	3,977	4,507	1,403	4,591	14,478	1,401	317	16,196
Printing & duplicating	485	2,721	1,530	1,895	6,631	1,844	3,706	12,181
Postage & delivery	1,264	1,918	4,008	6,457	13,647	366	83	14,096
Dues, books & subscriptions	969	13,074	2,649	5,150	21,842	5,292	6,316	33,450
Bank & donation processing fees	2,607	3,401	966	3,888	10,862	3,632	632	15,126
Depreciation	918	2,494	1,291	1,364	6,067	7,291	1,651	15,009
Advertising	137	183	5,568	400	6,288	535	121	6,944
Licenses, taxes & fees	238	806	334	637	2,015	1,888	428	4,331
	<u>\$ 681,154</u>	<u>\$ 1,867,260</u>	<u>\$ 958,197</u>	<u>\$ 1,031,210</u>	<u>\$ 4,537,821</u>	<u>\$ 675,839</u>	<u>\$ 304,074</u>	<u>\$ 5,517,734</u>

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See accompanying notes to financial statements

THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 5,061,797
Cash received from program service revenue	448,145
Interest received	2,800
Cash paid to contractors and vendors	<u>(5,507,762)</u>
Net cash provided by operating activities	4,980
Cash flows from investing activities:	
Sale of donated stock	99,703
Purchase of interest in investment fund	(100,000)
Acquisition of equipment	<u>(5,963)</u>
Net cash used by investing activities	<u>(6,260)</u>
Net decrease in cash and cash equivalents	(1,280)
Cash and cash equivalents - July 1, 2012	<u>1,555,878</u>
Cash and cash equivalents - June 30, 2013	<u><u>\$ 1,554,598</u></u>
Reconciliation of decrease in net assets to net cash provided by operating activities:	
Change in net assets	\$ (704,525)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	15,009
Net unrealized gain on investments	(12,657)
Reinvested investment income - other	(923)
Donated stock	(99,703)
Changes in assets and liabilities:	
Decrease in receivables	818,216
Decrease in prepaid expenses	45,233
Decrease in accounts payable & accrued expenses	(50,270)
Decrease in deferred revenue	<u>(5,400)</u>
Net cash provided by operating activities	<u><u>\$ 4,980</u></u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Accounting Standard – The organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification*. The FASB Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP). Accordingly, references to GAAP have been updated for the appropriate Codification reference.

Basis of accounting - The financial statements of the organization have been prepared on the accrual basis of accounting.

Revenue Recognition – Unconditional grants and contributions are recognized as revenue when awarded. Conditional grants and contributions are recognized as revenue when the condition is met. Restricted revenue is classified in the temporarily restricted fund until the provisions of the restriction are satisfied. Unrestricted grants & contributions are recognized in the unrestricted fund when awarded.

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.

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, 2013

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The organization subleases office space located at 1990 M Street, NW, Suite 250, Washington DC under a seven-year lease effective June 1, 2007 and expiring May 31, 2014. Effective September 1, 2010, the organization entered an agreement to amend its sublease to increase its office space to 1,566 square feet. Monthly base rent payments under the amended sublease are \$5,411, provided however, that the amount of the monthly base rent shall automatically increase by 2.5% on each anniversary of the commencement date of the sublease. The minimum lease commitment contained in the lease is \$62,546 for fiscal year ending June 30, 2014.

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:

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Protecting Marine Habitats</u>			
Deep Sea Mining Campaign	\$ 25,913	\$ -	\$ 25,913
Coral Reef	-	15,246	15,246
Polar Seas	6,083	-	6,083
Coastal Coordination	58,206	-	58,206
Cuba Marine Rsrch & Cons	57,112	-	57,112
Lagoon Time	15,300	-	15,300

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Protecting Marine Habitats (cont.)</u>			
LSIESP	87,484	-	87,484
Surfers Without Borders	1,357	3,225	4,582
Guanaja Mangrove Restoration	3,766	-	3,766
High Seas Alliance CAF	-	200,442	200,442
Belize DAF	-	117,378	117,378
Friends of GA Strait Alliance	41	-	41
Friends of Seaflower	211	-	211
Friends of Eco Alianza Loreto	1,505	-	1,505
Friends of Jamaica Enviro. Trust	73	-	73
SURMAR-ASIMAR	32,235	-	32,235
W. Henry Coral Reef DAF	-	197,153	197,153
Deborah Williams DAF	-	38,611	38,611
Coastal CODE CAF	-	5,850	5,850
Tensaw Delta Natl Park Pro CAF	<u>42,005</u>	<u>-</u>	<u>42,005</u>
Sub-total Protecting Marine Habitats	<u>\$331,291</u>	<u>\$577,905</u>	<u>\$909,196</u>

Protecting Species of Concern

Global Tuna Conservation	\$149,314	\$ 201,813	\$ 351,127
Sea Turtle Bycatch	89,678	-	89,678
Marine Mammal	347	-	347
Eastern Pacific Hawksbill Initiative	-	96,784	96,784
Shark Advocates International	46,197	36,799	82,996
ProCaguama	-	272,364	272,364
Tag-A-Giant	-	50,963	50,963
Atlantic Salmon-Lost at Sea	-	1,607	1,607
Sea Stewards Healthy Oceans	21,190	20	21,210
Friends of La Tortuga Viva	977	-	977
Friends of Grupo Tortuguero	-	14,337	14,337
Friends of Tortugueros Las Playitas	835	-	835
Friends of Iemanya	35,125	-	35,125
PLF Marine Mammal Research DAF	-	24,680	24,680
Boyd N. Lyon Sea Turtle CAF	-	40,778	40,778
ISSF Sea Turtle CAF	<u>-</u>	<u>53,567</u>	<u>53,567</u>
Sub-total Protecting Species of Concern	<u>\$343,663</u>	<u>\$793,712</u>	<u>\$1,137,375</u>

Bldg Marine Comm Capacity

World Oceans FIF	\$ 29,846	\$ -	\$ 29,846
Gulf Restoration Fund	18,980	-	18,980
Blue Cloud Spatial	27,689	-	27,689
Blue Climate Solutions	53,497	-	53,497
Ocean Conservation Research	48,000	-	48,000
SEEtheWILD	125,491	2,139	127,630

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Bldg Marine Comm Capacity (cont.)</u>			
JACK DAF	-	<u>224,721</u>	<u>224,721</u>
Sub-total Bldg Marine Comm Capacity	\$303,503	\$226,860	\$530,363
 <u>Expanding Ocean Literacy</u>			
The Ocean Project	\$194,567	\$ -	\$194,567
Ocean Connectors	8,108	17,500	25,608
Ocean Doctor	47,337	-	47,337
Ocean Revolution	91,019	8,333	99,352
Oceans are Talking	-	267	267
The Science Exchange	99,630	27,394	127,024
The Last Ocean Project	70,720	-	70,720
Colorado Ocean Coalition	-	35,050	35,050
LivBlue	<u>20,746</u>	<u>3,228</u>	<u>23,974</u>
Sub-total Expanding Ocean Literacy	<u>\$ 532,127</u>	<u>\$ 91,772</u>	<u>\$ 623,899</u>
 Total Net Assets	 <u>\$1,510,584</u>	 <u>\$1,690,249</u>	 <u>\$3,200,833</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

Deep Sea Mining Campaign	26,897
Coral Reef	60,186
Polar Seas	32,625
Coast & Beaches	13,850
Coastal Coordination	86,794
Cuba Marine Rsrch & Cons	70,742
Lagoon Time	1,700
LSIESP	103,706
Surfers Without Borders	6,618
Guanaja Mangrove Restoration	9,694
Watersheds Project	1,000
High Seas Alliance CAF	119,779
Friends of GA Strait Alliance	1,133
Friends of Seaflower	18
Friends of Eco Alianza Loreto	14,152
Friends of Jamaica Env't Trust	6,134
Friends of SINADES	9,000

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

Protecting Marine Habitats (cont.)

SURMAR-ASIMAR	1,000
W. Henry Coral Reef DAF	25,100
Coastal CODE DAF	19,720
Tensaw Delta Natl Park Project CAF	47,995
Sub-total Protecting Marine Habitats	\$ 657,843

Protecting Species of Concern

Global Tuna Conservation	\$ 51,255
Sea Turtle Bycatch	59,762
Marine Mammal	196
Sea Turtle FIF	16,794
Eastern Pacific Hawksbill Initiative	137,723
Shark Advocates International	118,258
ProCaguama	320,395
Tag-A-Giant	379,963
Atlantic Salmon-Lost at Sea	47,611
Sea Stewards Healthy Oceans	8,334
Baja Loggerhead Mortality	-50
Friends of La Tortuga Viva	10,060
Friends of Grupo Tortuguero	52,575
Friends of Tortugueros Las Playitas	3,243
Friends of Iemanya	60,496
PLF Marine Mammal Rsrch DAF	484,460
Boyd N. Lyon Sea Turtle CAF	2,693
ISSF Sea Turtle CAF	68,589
Sub-total Protecting Species of Concern	\$ 1,822,357

Bldg Marine Comm Capacity

World Ocean	\$ 394,913
Gulf Restoration Fund	12,216
Marine Ecosystems Service Plan	20,107
Blue Cloud Spatial	192,931
Blue Climate Solutions	473
Ocean Conservation Research	80,737
SEetheWILD	218,229
JSCK DAF	99,970
Friends of Pro Esteros	35,000
Sub-total Bldg Marine Comm Capacity	\$ 1,054,576

Expanding Ocean Literacy

Blue Legacy	\$ 12,242
The Ocean Project	485,602
Ocean Connectors	68,470
Ocean Doctor	25,953

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

Expanding Ocean Literacy (cont.)

Ocean Revolution	133,431
The Art of Coral	7,001
The Seas Around You	3,865
Oceans are Talking	36,291
Friends of Casa Hogar	405
The Science Exchange	30,176
The Last Ocean Project	12,493
Colorado Ocean Coalition	43,625
LivBlue	<u>95,077</u>
Sub-total Expanding Ocean Literacy	\$ 954,631
Total Purpose Restricted Net Assets Released and Reclassified	<u>\$ 4,489,407</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.

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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

Assets Measured at Fair Value

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 10,074	\$10,074	\$ -	\$ -
Partnership	<u>113,580</u>	<u>-</u>	<u>-</u>	<u>113,580</u>
	<u>\$123,654</u>	<u>\$10,074</u>	<u>\$ -</u>	<u>\$113,580</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, 2013.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2012 balance	\$ -
Purchases	100,000
Net unrealized gains (losses)	12,657
Investment income – other	<u>923 *</u>
June 30, 2013 balance	<u>\$113,580</u>

*This amount is comprised of dividends, realized capital gains (losses), less expenses and fees.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

NOTE 6 – CONCENTRATION OF CREDIT RISK

The organization maintains cash balances in excess of \$250,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013, the organization's cash balance in excess of FDIC insurance totaled \$1,004,229.

NOTE 7 – 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, 2013 was \$56,352.

NOTE 8 – 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, 2013, 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, 2013, and determined that there were no matters that would require recognition in the financial statements or which may have any affect on its tax-exempt status. As of June 30, 2013, the statute of limitations for tax years 2010 through 2012 remains open with federal and DC authorities.

NOTE 9 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through November 7, 2013, the date the financial statements were available to be issued. There were no subsequent events identified through November 7, 2013, required to be disclosed in these financial statements.