

**THE OCEAN FOUNDATION
FINANCIAL STATEMENTS**

JUNE 30, 2014

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

THE OCEAN FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014

THE OCEAN FOUNDATION

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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, 2014, 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

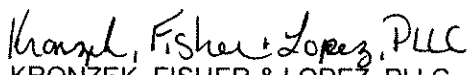
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2014, 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
October 30, 2014

THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,407,725
Investments		138,735
Receivables		1,222,782
Prepaid expenses		12,787
		2,782,029

PROPERTY AND EQUIPMENT

Equipment and software		100,271
Furniture and fixtures		2,041
		102,312
Less: accumulated depreciation		100,324
		1,988

OTHER ASSETS

Security deposits		12,042
		12,042

TOTAL ASSETS

\$ 2,796,059

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$	203,654
Tenant security deposit		3,100
		206,754

TOTAL LIABILITIES

206,754

NET ASSETS

Unrestricted - Non Designated	(612,038)	
- Board Designated	1,966,751	1,354,713
Temporarily Restricted		1,234,592

TOTAL NET ASSETS

2,589,305

TOTAL LIABILITIES AND NET ASSETS

\$ 2,796,059

See accompanying notes to financial statements.

THE OCEAN FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Grants & contributions	\$ 674,605	\$ 4,049,668	\$ 4,724,273
Program service revenue	535,873	-	535,873
Investment income - net unrealized gain/(loss)	24,597	-	24,597
Investment income - other	1,517	-	1,517
Rental income	3,100	-	3,100
	<u>1,239,692</u>	<u>4,049,668</u>	<u>5,289,360</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,325,660	(4,325,660)	-
Total revenue & support	<u>5,565,352</u>	<u>(275,992)</u>	<u>5,289,360</u>
EXPENSES			
Program Services			
Protecting Marine Habitats	887,611	-	887,611
Protecting Species of Concern	1,749,645	-	1,749,645
Building Marine Community Capacity	619,997	-	619,997
Ocean Literacy	965,921	-	965,921
Other Program Services	260,867	-	260,867
Total program expenses	<u>4,484,041</u>	<u>-</u>	<u>4,484,041</u>
Support Services			
Management & general	625,824	-	625,824
Fundraising	291,703	-	291,703
Total support expenses	<u>917,527</u>	<u>-</u>	<u>917,527</u>
Total expenses	<u>5,401,568</u>	<u>-</u>	<u>5,401,568</u>
CHANGE IN NET ASSETS (DEFICIT)	163,784	(275,992)	(112,208)
Beginning net assets	<u>1,190,929</u>	<u>1,510,584</u>	<u>2,701,513</u>
Ending net assets	<u>\$ 1,354,713</u>	<u>\$ 1,234,592</u>	<u>\$ 2,589,305</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 146,205	\$ 596,230	\$ 314,517	\$ 158,725	\$ 30,000	\$ 1,245,677	\$ -	\$ -	\$ 1,245,677
Salaries & wages	52,777	317,958	36,865	208,668	82,243	698,511	312,752	71,608	1,082,871
Payroll taxes	3,945	23,604	2,744	15,893	6,982	53,168	23,283	5,331	81,782
Employee benefits	8,687	40,845	6,068	29,630	9,358	94,588	51,481	11,959	158,028
Training & development	823	193	1,955	1,181	29	4,181	580	133	4,894
Travel & carbon offsets	70,152	127,282	23,403	87,866	8,529	317,232	13,003	29,924	360,159
Conferences & meetings	10,573	52,503	5,524	44,056	577	113,233	11,641	35,995	160,869
Project & field expenses	13,653	109,648	139	31,875	989	156,304	166	38	156,508
Educational merchandise	-	-	806	-	-	806	-	-	806
Scientific & technical consultants	60,075	11,535	-	-	-	71,610	-	-	71,610
Research & advocacy fees	-	3,000	-	17,210	4,500	24,710	-	-	24,710
Communications & design fees	54,796	46,028	8,427	31,290	60	140,601	1,213	81,199	223,013
Web hosting, design & maint	19,667	11,041	8,189	7,849	761	47,507	15,341	3,513	66,361
Program mgt & support fees	327,313	336,109	171,852	269,276	108,205	1,212,755	30,138	6,900	1,249,793
Legal fees	1,991	3,924	1,390	3,638	585	11,528	11,796	3,063	26,387
Accounting & bookkeeping svcs	12,151	23,952	8,488	13,223	3,571	61,385	72,007	16,487	149,879
Insurance	2,465	4,877	1,722	3,374	724	13,162	14,607	3,345	31,114
Office expenses, supplies, equip	42,741	8,233	7,796	8,382	485	67,637	9,780	2,835	80,252
Occupancy	8,551	17,899	9,533	16,043	2,059	54,085	41,511	9,504	105,100
Telephone & Internet	9,803	4,535	1,659	5,406	151	21,554	3,045	697	25,296
Printing & duplicating	32,565	1,246	947	1,492	68	36,318	1,368	5,466	43,152
Postage & delivery	3,036	980	2,832	646	392	7,886	371	986	9,243
Dues, books & subscriptions	2,123	1,558	2,031	5,695	136	11,543	2,744	628	14,915
Bank & donation processing fees	2,697	4,638	1,109	3,525	222	12,191	4,127	977	17,295
Depreciation	526	1,036	367	572	154	2,655	3,114	713	6,482
Advertising	67	339	1,474	157	20	2,057	399	91	2,547
Licenses, taxes & fees	229	452	160	249	67	1,157	1,357	311	2,825
	\$ 887,611	\$ 1,749,645	\$ 619,997	\$ 965,921	\$ 260,867	\$ 4,484,041	\$ 625,824	\$ 291,703	\$ 5,401,568

THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 4,608,619
Cash received from program service revenue	531,114
Interest received	959
Cash received from subtenant	6,200
Cash paid to employees and vendors	<u>(5,293,765)</u>
Net cash used by operating activities	<u>(146,873)</u>
Net decrease in cash and cash equivalents	(146,873)
Cash and cash equivalents - July 1, 2013	<u>1,554,598</u>
Cash and cash equivalents - June 30, 2014	<u><u>\$ 1,407,725</u></u>
Reconciliation of decrease in net assets to net cash used by operating activities:	
Change in net assets	\$ (112,208)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Net unrealized gain on investments	(24,597)
Net reinvested dividends	(558)
Depreciation	6,482
Changes in assets and liabilities:	
Decrease in receivables	(120,413)
Decrease in prepaid expenses	16,645
Increase in security deposits	(11,701)
Increase in accounts payable & accrued expenses	96,377
Increase in tenant security deposit	<u>3,100</u>
Net cash used by operating activities	<u><u>\$ (146,873)</u></u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 requirements of the condition. 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.

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 6 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, 2014

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, 2014 contained in the lease is as follows:

For the year ending June 30, 2015	\$ 50,142
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	\$1,526,057

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).

As of June 1, 2014, the organization began subleasing a portion of its office space for basic monthly payments of \$3,100 thru May 31, 2016.

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."

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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	\$ 1,013	\$ -	\$ 1,013
Ocean Defense	4,748	-	4,748
Polar Seas	328	-	328
Coast & Beaches	-2,158	9,232	7,074
Coastal Coordination	43,303	-	43,303
Cuba Marine Rsrch & Cons	34,514	25,546	60,060
LSIESP	98,772	554	99,326
Guanaja Mangrove Restoration	762	-	762
Friends of the Delta	49,890	-	49,890
High Seas Alliance FSF	91,642	9,911	101,553
Belize DAF	-	117,378	117,378
Friends of GA Strait Alliance	111	-	111
Friends of Seaflower	255	-	255
Friends of Eco Alianza Loreto	14,218	-	14,218
Friends of Jamaica Enviro. Trust	2,995	-	2,995
SURMAR-ASIMAR	3,278	36,055	39,333
W. Henry Coral Reef DAF	-	199,653	199,653
Deborah Williams DAF	-	39,961	39,961
Coastal CODE CAF	-	4,881	4,881
Sub-total Protecting Marine Habitats	<u>\$343,671</u>	<u>\$443,171</u>	<u>\$786,842</u>
<u>Protecting Species of Concern</u>			
The Lost Years	\$ 27,414	\$ -	\$ 27,414
Global Tuna Conservation	73,118	130,000	203,118
Sea Turtle Bycatch	117,531	-	117,531
Marine Mammal	13,948	-	13,948
Sea Turtle	1,082	-	1,082
Eastern Pacific Hawksbill Initiative	-	205,777	205,777
Shark Advocates International	-	62,880	62,880
ProCaguama	-	18,534	18,534
Tag-A-Giant	10,599	-	10,599
Atlantic Salmon-Lost at Sea	18,476	-	18,476
SmartFish International	25,624	-	25,624
Friends of La Tortuga Viva	1,851	-	1,851
Friends of Grupo Tortuguero	9,834	-	9,834
Friends of Tortugueros Las Playitas	1,722	-	1,722
Friends of Iemanya	18,200	-	18,200
PLF Marine Mammal Research DAF	-	143,349	143,349
Boyd N. Lyon Sea Turtle CAF	-	39,391	39,391
ISSF Sea Turtle CAF	-	65,382	65,382
Sub-total Protecting Species of Concern	<u>\$319,399</u>	<u>\$665,313</u>	<u>\$ 984,712</u>

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Bldg Marine Comm Capacity

Future Ocean Alliance	\$ 5,450	\$ -	\$ 5,450
World Oceans FIF	22,127	11,500	33,627
Blue Climate Solutions	49,972	-	49,972
Ocean Conservation Research	5,072	-	5,072
SEetheWILD	29,575	31,145	60,720
Anonymous	-	154,721	154,721
Friends of Pro Esteros	9	-	9
Friends of Island Reach	2,545	-	2,545
Our Ocean CAF	-	81,000	81,000
Sub-total Bldg Marine Comm Capacity	<u>\$114,750</u>	<u>\$278,366</u>	<u>\$393,116</u>

Expanding Ocean Literacy

Friends of GOA-ON CAF	\$ -	\$ 49,187	\$ 49,187
The Ocean Project	60,977	353,686	414,663
Ocean Connectors	-	41,430	41,430
Ocean Revolution	191,328	63,800	255,129
Ocean Doctor FOF	9,566	10,000	19,566
The Science Exchange	122,344	24,457	146,800
The Last Ocean Project	38,898	-	38,898
Colorado Ocean Coalition	10,674	37,341	48,015
LivBlue	13,935	-	13,935
Sonar and Whales	9,000	-	9,000
Ocean Courier	50	-	50
Sub-total Expanding Ocean Literacy	<u>\$ 456,772</u>	<u>\$ 579,901</u>	<u>\$ 1,036,673</u>

Total Net Assets	<u>\$1,234,592</u>	<u>\$1,966,751</u>	<u>\$ 3,201,343</u>
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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	\$ 27,901
Ocean Defense FSF	13,728
Coral Reef	17,860
Polar Seas	46,105
Coast & Beaches	358
Coastal Coordination	120,203
Cuba Marine Rsrch & Cons	48,011
Lagoon Time	28,060
LSIESP	70,564
Surfers Without Borders	4,682
Guanaja Mangrove Restoration	11,353
Friends of the Delta	103,226
High Seas Alliance FSF	187,777

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Protecting Marine Habitats

Friends of GA Strait Alliance	754
Friends of Seaflower	6
Friends of Eco Alianza Loreto	(9,638)
Friends of Jamaica Env't Trust	29,622
Friends of SINADES	3,800
SURMAR-ASIMAR	39,107
W. Henry Coral Reef DAF	2,500
Deborah Williams DAF	150
Coastal CODE CAF	26,670
FutureSea Oregon FOF	900
Sub-total Protecting Marine Habitats	\$ 773,699

Protecting Species of Concern

The Lost Years FSF	\$ 12,602
Global Tuna Conservation	156,009
Sea Turtle Bycatch	121,587
Marine Mammal	2,999
Sea Turtle FIF	12,041
Eastern Pacific Hawksbill Initiative	270,469
Shark Advocates International	153,873
ProCaguama	429,890
Tag-A-Giant	87,223
Atlantic Salmon-Lost at Sea	3,131
Sea Stewards Healthy Oceans	21,210
SmartFish International	(25,624)
Friends of La Tortuga Viva	5,919
Friends of Grupo Tortuguero	8,553
Friends of Tortugueros Las Playitas	113
Friends of Iemanya	71,925
PLF Marine Mammal Rsrch DAF	283,331
Boyd N. Lyon Sea Turtle CAF	2,587
ISSF Sea Turtle CAF	89,986
Sub-total Protecting Species of Concern	\$ 1,707,824

Bldg Marine Comm Capacity

Future Ocean Alliance FOF	\$ (450)
World Ocean	418,774
Gulf Restoration Fund	18,980
Blue Cloud Spatial	27,689
Blue Climate Solutions	3,526
Ocean Conservation Research	105,697
SEetheWILD	137,390
Friends of Pro Esteros	49,991
Friends of Island Reach	8,006
Luso-American Development FDN FOF	801
Our Ocean Coalition CAF	9,000
Anonymous	70,000
Sub-total Bldg Marine Comm Capacity	\$ 849,404

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Expanding Ocean Literacy

The Ocean Project	\$ 397,364
Ocean Connectors	96,237
Friends of GOA-ON CAF	12,313
Ocean Doctor	67,376
Ocean Revolution	186,704
Oceans are Talking	1,000
The Science Exchange	25,309
The Last Ocean Project	38,397
Colorado Ocean Coalition	86,659
LivBlue	75,921
Sonar and Whales FSF	1,000
ZUVUYA FSF	2,603
Friend of Fund Conch Aid	900
Deep Green Wilderness FOF	900
Ocean Courier FSF	<u>2,050</u>
Sub-total Expanding Ocean Literacy	\$ 994,733
Total Purpose Restricted Net Assets Released and Reclassified	<u>\$ 4,325,660</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 for the asset or liability including inputs that reflect the reporting entity's own assumptions in determining the fair value measurements.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2014:

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	\$ 10,082	\$10,082	\$ -	\$ -
Partnership	<u>138,735</u>	<u>-</u>	<u>-</u>	<u>138,735</u>
	<u>\$148,817</u>	<u>\$10,082</u>	<u>\$ -</u>	<u>\$138,735</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, 2014.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2013 balance	\$113,580
Purchases	-
Net unrealized gains (losses)	24,597
Investment income – other	<u>558 *</u>
June 30, 2014 balance	<u>\$138,735</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, 2014

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, 2014, the organization's cash balance in excess of FDIC insurance totaled \$858,238.

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, 2014 was \$64,757.

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, 2014, 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, 2014, 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, 2014, 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 October 30, 2014, the date the financial statements were available to be issued. There were no subsequent events identified through October 30, 2014, required to be disclosed in these financial statements.