

**THE OCEAN FOUNDATION AND SUBSIDIARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**KRONZEK, FISHER & LOPEZ, PLLC**  
*Certified Public Accountants*

THE OCEAN FOUNDATION AND SUBSIDIARY

FINANCIAL STATEMENTS

JUNE 30, 2017

THE OCEAN FOUNDATION AND SUBSIDIARY

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KRONZEK, FISHER & LOPEZ, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
607 2ND STREET, NE  
WASHINGTON, DC 20002-4909  
TEL: (202) 547-CPAS (2727) FAX: (202) 547-2728  
www.cpakfl.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of The Ocean Foundation

We have audited the accompanying consolidated financial statements of The Ocean Foundation (a nonprofit organization) and subsidiary, which comprise of the consolidated statement of financial position as of June 30, 2017, and the related consolidated 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**

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Ocean Foundation and subsidiary as of June 30, 2017, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18-21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the

consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Kronzek, Fisher & Lopez, PLLC*

KRONZEK, FISHER & LOPEZ, PLLC

Washington, DC

November 10, 2017

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 426,783
Investments	158,079
Receivables	3,694,182
Prepaid expenses	32,237
	<u>4,311,281</u>
PROPERTY AND EQUIPMENT	
Equipment and software	103,709
Furniture and fixtures	2,041
Vehicles	17,895
	<u>123,645</u>
Less: accumulated depreciation	<u>121,353</u>
	2,292
OTHER ASSETS	
Security deposits	12,042
	<u>12,042</u>
TOTAL ASSETS	<u>\$ 4,325,615</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable & accrued expenses	\$ 364,054
Tenant security deposit	3,100
Deferred revenue	2,950
Deferred rent liability (current portion)	1,697
	<u>371,801</u>
OTHER LIABILITIES	
Deferred rent liability (net of current)	<u>127,020</u>
TOTAL LIABILITIES	498,821
NET ASSETS	
Unrestricted - Non Designated	(108,682)
- Board Designated	2,882,588
	<u>2,773,906</u>
Temporarily Restricted	<u>1,052,888</u>
TOTAL NET ASSETS	<u>3,826,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,325,615</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE &amp; SUPPORT</b>			
Grants & contributions	\$ 1,920,728	\$ 4,620,896	\$ 6,541,624
Program service revenue	372,855	-	372,855
Rental income	29,800	-	29,800
Investment income - net realized & unrealized gain/(loss)	18,822	-	18,822
Investment income - other	953	-	953
Foreign currency exchange gain/(loss)	9,382	-	9,382
	<u>2,352,540</u>	<u>4,620,896</u>	<u>6,973,436</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,462,787	(4,462,787)	-
Total revenue & support	<u>6,815,327</u>	<u>158,109</u>	<u>6,973,436</u>
<b>EXPENSES</b>			
Program Services			
Protecting Marine Habitats	1,486,289	-	1,486,289
Protecting Species of Concern	1,843,967	-	1,843,967
Building Marine Community Capacity	1,075,069	-	1,075,069
Ocean Literacy	827,152	-	827,152
Total program expenses	<u>5,232,477</u>	<u>-</u>	<u>5,232,477</u>
Support Services			
Management & general	546,591	-	546,591
Fundraising	486,200	-	486,200
Total support expenses	<u>1,032,791</u>	<u>-</u>	<u>1,032,791</u>
Total expenses	<u>6,265,268</u>	<u>-</u>	<u>6,265,268</u>
CHANGE IN NET ASSETS (DEFICIT)	550,059	158,109	708,168
Beginning net assets	<u>2,223,847</u>	<u>894,779</u>	<u>3,118,626</u>
Ending net assets	<u>\$ 2,773,906</u>	<u>\$ 1,052,888</u>	<u>\$ 3,826,794</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 179,605	\$ 421,308	\$ 205,953	\$ 81,358	\$ 888,224	\$ -	\$ -	\$ 888,224
Salaries & wages	154,888	277,105	326,631	306,596	1,065,220	303,030	239,197	1,607,447
Payroll taxes	11,377	20,655	25,268	24,848	82,148	19,689	16,414	118,251
Employee benefits	30,651	37,830	65,712	37,743	171,936	44,105	29,264	245,305
Travel & carbon offsets	241,826	176,015	97,975	48,068	563,884	4,052	19,403	587,339
Conferences & meetings	38,277	43,297	35,721	9,479	126,774	1,724	7,719	136,217
Project & field expenses	26,160	96,270	15,739	30,513	168,682	-	6	168,688
Scientific & technical consultants	1,341	88,233	2,373	836	92,783	4,742	8,990	106,515
Research & advocacy fees	69,016	4,110	3,360	248	76,734	-	-	76,734
Communications & design fees	89,285	69,012	30,917	4,296	193,510	1,639	55,810	250,959
Web hosting, design & maint	10,429	787	6,742	5,517	23,475	597	25,094	49,166
Program mgt & support fees	553,774	522,720	191,707	196,299	1,464,500	3,660	928	1,469,088
Legal fees	1,516	1,860	1,095	839	5,310	5,827	1,377	12,514
Accounting & bookkeeping svcs	12,212	14,979	11,370	6,761	45,322	46,940	11,088	103,350
Insurance	4,879	5,957	7,019	10,072	27,927	18,755	4,430	51,112
Office expenses, supplies, equip	9,708	6,691	9,196	24,339	49,934	6,954	3,031	59,929
Occupancy	18,119	23,744	19,388	20,121	81,372	61,588	46,243	189,203
Telephone & internet	14,959	10,289	1,938	2,694	29,880	998	256	31,134
Printing & duplicating	3,624	5,938	1,140	428	11,130	943	223	12,296
Postage & delivery	1,772	1,037	2,971	1,310	7,090	300	862	8,252
Dues, books & subscriptions	3,504	1,722	5,908	8,718	19,852	2,752	6,512	29,116
Bank & donation processing fees	5,274	5,178	3,688	2,962	17,102	2,554	2,154	21,810
Depreciation & amortization	2,717	3,333	1,963	1,505	9,518	10,445	2,467	22,430
Advertising	44	4,263	203	590	5,100	168	3,523	8,791
Licenses, taxes & fees	1,332	1,634	1,092	1,012	5,070	5,119	1,209	11,398
	\$ 1,486,289	\$ 1,843,967	\$ 1,075,069	\$ 827,152	\$ 5,232,477	\$ 546,591	\$ 486,200	\$ 6,265,268



THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 5,913,606
Cash received from program service revenue	369,636
Interest received	331
Cash received from subtenant	32,750
Cash paid to employees and vendors	(6,254,768)
Net cash provided by operating activities	<u>61,555</u>
Cash flows from investing activities:	
Net cash used to purchase equipment	<u>(3,438)</u>
Net increase in cash and cash equivalents	58,117
Cash and cash equivalents - July 1, 2016	<u>368,666</u>
Cash and cash equivalents - June 30, 2017	<u>\$ 426,783</u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Change in net assets	\$ 708,168
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Donated stock	(3,647)
Net unrealized gain on investments	(18,822)
Net reinvested dividends	(431)
Depreciation & amortization	22,430
Changes in assets and liabilities:	
Increase in receivables	(624,857)
Decrease in prepaid expenses	6,601
Decrease in accounts payable & accrued expenses	(33,293)
Increase in deferred revenue	2,950
Increase in deferred rent liability	<u>2,456</u>
Net cash provided by operating activities	<u>\$ 61,555</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

**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).

A separate legal entity, SeaWeb is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is a publically supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi). The organization is now controlled and operated by The Ocean Foundation.

**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 consolidation – The consolidated financial statements include the account balances and transactions of The Ocean Foundation and SeaWeb. The Ocean Foundation and SeaWeb have been consolidated due to the presence of common control and economic interest as required under accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated.

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.

Intangible Assets – The organization had intangible assets consisting of costs related to the design and development of the organization's website, net of accumulated amortization. The website was being amortized over an estimated useful life of three years and was fully amortized at year end. Costs associated with maintaining the website are being expensed as incurred.

THE OCEAN FOUNDATION AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 8 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.

Foreign Currency Translation - Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency, at exchange rates in effect on reporting dates, and revenue and expenses are translated at rates which approximate those in effect on transaction dates. Net transaction and translation gains and losses are included as foreign currency exchange gain or loss in the accompanying consolidated statement of activities.

**NOTE 3 - COMMITMENTS AND CONTINGENCIES**

The organization leases sixty percent of the 5<sup>th</sup> 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, 2017 contained in the lease is as follows:

For the year ending 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	\$1,347,106

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 \$128,717 as of June 30, 2017.

The organization subleases a portion of its office space for basic monthly payments of \$2,950 thru May 31, 2018.

THE OCEAN FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**NOTE 4 – 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, 2017, the organization's cash balance in excess of FDIC insurance totaled \$6,678.

**NOTE 5 – 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, 2017 was \$81,735.

**NOTE 6– IN-KIND CONTRIBUTIONS**

The organization received donated legal services to cover expenses related to activities of the organization. The value of these services totaled \$12,115, and is recognized in these financial statements respectively under contributions and professional fees.

**NOTE 7 – 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 AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

	Temporarily Restricted Purpose	Unrestricted Board Designated	Fund Total
<u>Protecting Marine Habitats</u>			
Sustainable Restaurant Group DAF	\$ -	\$ 9,630	\$ 9,630
Friends of Bica Guanaja	10	-	10
Deep Sea Mining Campaign	-	36,587	36,587
Coral Reef	874	-	874
Polar Seas	3,270	-	3,270
Coast & Beaches	5,433	66	5,499
Coastal Coordination	-	80,180	80,180
Cuba Marine Research & Conservation	-	23,197	23,197
LSIESP	82,713	1,447	84,160
Friends of the Delta	29,343	-	29,343
High Seas Alliance FSF	103,577	55,959	159,536
Belize DAF	-	82,361	82,361
Friends of GA Strait Alliance	(9)	-	(9)
Friends of Eco Alianza Loreto	9,815	-	9,815
SURMAR-ASIMAR	7,457	90,924	98,381
W. Henry Coral Reef DAF	-	37,216	37,216
Deborah Williams DAF	-	31,261	31,261
Aliso Creek Estuary Restoration	17,441	54,685	72,126
Friends of Song Saa	729	-	729
Sub-total Protecting Marine Habitats	<u>\$260,653</u>	<u>\$503,513</u>	<u>\$ 764,166</u>
<u>Protecting Species of Concern</u>			
Sea Life FIF	\$ 109	\$ -	\$ 109
The Lost Years FSF	6,890	-	6,890
Global Tuna Conservation	123,912	61,604	185,516
Sea Turtle Census Initiative	-	16,224	16,224
Marine Mammal	(35)	-	(35)
Sea Turtle FIF	419	-	419
Eastern Pacific Hawksbill Initiative	-	177,902	177,902
Shark Advocates International	108,615	404,656	513,271
ProCaguama	14,169	-	14,169
Tag-A-Giant	-	133,895	133,895
SmartFish International	-	426,982	426,982
Friends of La Tortuga Viva	4,651	-	4,651
Friends of Grupo Tortuguero	5,393	-	5,393
Friends of Tortugueros Las Playitas	471	-	471
Friends of Iemanya	424	-	424
PLF Marine Mammal Research DAF	-	169,884	169,884
Boy N. Lyon Sea Turtle CAF	-	33,268	33,268
ISSF Sea Turtle CAF	-	83,082	83,082
The Wise Laboratory	-	7,110	7,110
N. Coast Breeding Mammal Fund CAF	-	563	563
Friends of Conservacion ConCiencia	141	-	141
Too Rare to Wear	-	7,907	7,907
Sub-total Protecting Species of Concern	<u>\$265,159</u>	<u>\$1,523,077</u>	<u>\$1,788,236</u>

THE OCEAN FOUNDATION AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Bldg Marine Comm Capacity

SeaWeb Communications	\$ 79,868	\$ 124,963	\$ 204,831
eNGO Fisheries Coalition	72,607	-	72,607
Future Ocean Alliance FOF	1,850	-	1,850
Friends of Tropicalia	16,861	-	16,861
Redfish Rocks Community	22,218	5,238	27,456
The Anchor Coalition Project	(894)	-	(894)
Blue Climate Solutions	-	7,202	7,202
Ocean Conservation Research	18,245	745	18,990
Friends of Ocean Initiative	(1)	-	(1)
Anonymous	-	133,721	133,721
Friends of Island Reach	670	-	670
Sub-total Bldg Marine Comm Capacity	<u>\$211,424</u>	<u>\$271,869</u>	<u>\$483,293</u>

Expanding Ocean Literacy

SEVENSEAS	\$ 1,034	\$ -	\$ 1,034
Friends of Environmental Sculpture	(767)	-	(767)
Friends of GOA-ON (CAF)	-	7,957	7,957
Friends of Marine Science Today	(598)	-	(598)
Friends of Conch Aid	(800)	-	(800)
The Ocean Project	55,473	200,000	255,473
Ocean Connectors	182,274	13,597	195,871
Ocean Revolution	-	178,506	178,506
The Science Exchange	22,414	184,069	206,483
The Last Ocean Project	12,874	-	12,874
Colorado Ocean Coalition	13,582	-	13,582
LivBlue	6,205	-	6,205
Deep Green Wilderness	19,429	-	19,429
Hello Ocean	4,532	-	4,532
Sub-total Expanding Ocean Literacy	<u>\$315,652</u>	<u>\$584,129</u>	<u>\$899,781</u>
Total	<u>\$ 1,052,888</u>	<u>\$ 2,882,588</u>	<u>\$ 3,935,476</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

Sustainable Restaurant Group DAF	\$ 1,070
Deep Sea Mining Campaign	46,191
Oregon Marine Reserve Partnership FSF	25,395
Coral Reef	31,974
Reef Conservation Project International	(27)
Polar Seas	600
Coast & Beaches	19,399
Coastal Coordination	113,537

THE OCEAN FOUNDATION AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Protecting Marine Habitats

Cuba Marine Research & Conservation	277,372
LSIESP	94,179
Friends of the Delta	31,068
High Seas Alliance FSF	171,031
Friends of GA Strait Alliance	19,578
Friends of Eco Alianza Loreto	15,960
Friends of Jamaica Env't Trust	5,409
SURMAR-ASIMAR	10,457
W. Henry Coral Reef DAF	50,017
Deborah Williams DAF	3,500
Aliso Creek Estuary Restoration	74,107
Friends of Song Saa	17,071
Sub-total Protecting Marine Habitats	<u>\$ 1,007,886</u>

Protecting Species of Concern

Sea Life	\$ 31
The Lost Years FSF	8,201
Global Tuna Conservation	237,008
Sea Turtle Census Initiative	137,231
Marine Mammal	114
Sea Turtle FIF	4
Eastern Pacific Hawksbill Initiative	260,626
Shark Advocates International	430,744
ProCaguama	20,349
Tag-A-Giant	219,513
Atlantic Salmon-Lost at Sea	(6)
SmartFish International	294,655
Friends of La Tortuga Viva	18,169
Friends of Grupo Tortuguero	10,202
Friends of Tortugueros Las Playitas	13
Friends of Iemanya	36,576
PLF Marine Mammal Research DAF	58,543
Boy N. Lyon Sea Turtle CAF	2,607
ISSF Sea Turtle CAF	58,097
The Wise Laboratory	33,249
N. Coast Breeding Mammal Fund CAF	14,507
Friends of Conservacion ConCiencia	14,988
Too Rare to Wear	59,093
Sub-total Protecting Species of Concern	<u>1,914,515</u>

Bldg Marine Comm Capacity

SeaWeb Communications	\$ 484,301
Conservation Media Group CAF	1,120
eNGO Fisheries Coalition	89,128
Future Ocean Alliance FOF	900
Friends of Fundacion Tropicalia	13,251

THE OCEAN FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Bldg Marine Comm Capacity

Redfish Rocks Community	32,583
The Anchor Coalition Project	1,004
Yacht Summit Foundation	(1,000)
World Ocean	1,447
Blue Climate Solutions	28,077
Ocean Conservation Research	79,092
Friends of Ocean Initiative	166
Friends of Pro Esteros	54,950
Friends of Island Reach	46,127
Sub-total Bldg Marine Comm Capacity	<u>831,145</u>

Expanding Ocean Literacy

SEVENSEAS	\$ 116
Friends of Environmental Sculpture	900
Friends of GOA-ON CAF	(6,750)
Friends of Marine Science Today	903
The Ocean Project	279,388
Ocean Connectors	146,377
Ocean Revolution	159,615
The Science Exchange	46,248
The Last Ocean Project	2,500
Colorado Ocean Coalition	32,006
LivBlue	21,767
Sonar and Whales FSF	10,106
Deep Green Wilderness FOF	1,910
Hello Ocean	14,155
Sub-total Expanding Ocean Literacy	<u>709,241</u>

Total Purpose Restricted Net Assets Released and Reclassified	<u><u>\$ 4,462,787</u></u>
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**NOTE 8 – 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:



THE OCEAN FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

**NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)**

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 following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

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	\$ 9,972	\$ 9,972	\$ -	\$ -
Equity Securities	3,639	3,639	-	-
Partnership	<u>154,440</u>	<u>-</u>	<u>-</u>	<u>154,440</u>
	<u>\$168,051</u>	<u>\$13,611</u>	<u>\$ -</u>	<u>\$154,440</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.

Equity Securities are measured using quoted market prices for identical assets in active markets.

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 OCEAN FOUNDATION AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

**NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2017.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2016 balance	\$135,179
Purchases/Fees	(191)
Net unrealized gains (losses)	168
Investment income – other	<u>19,284 *</u>
June 30, 2017 balance	<u>\$154,440</u>

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

**NOTE 9 – 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, 2017, 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, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2015 remains open with federal and DC authorities

**NOTE 10 – SUBSEQUENT EVENTS**

The organization's management has evaluated subsequent events through November 10, 2017, the date the financial statements were available to be issued. There were no subsequent events identified through November 10, 2017, required to be disclosed in these financial statements.

**SUPPLEMENTARY INFORMATION**

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

	The Ocean Foundation	SeaWeb	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 426,783	\$ -	\$ -	\$ 426,783
Investments	158,079			158,079
Receivables	3,694,182			3,694,182
Prepaid expenses	32,237			32,237
	<u>4,311,281</u>	<u>-</u>	<u>-</u>	<u>4,311,281</u>
<b>PROPERTY AND EQUIPMENT</b>				
Equipment and software	103,709			103,709
Furniture and fixtures	2,041			2,041
Vehicles	17,895			17,895
	<u>123,645</u>	<u>-</u>	<u>-</u>	<u>123,645</u>
Less: accumulated depreciation	121,353			121,353
	<u>2,292</u>	<u>-</u>	<u>-</u>	<u>2,292</u>
<b>OTHER ASSETS</b>				
Security deposits	12,042			12,042
	<u>12,042</u>	<u>-</u>	<u>-</u>	<u>12,042</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,325,615</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,325,615</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>				
Accounts payable & accrued expenses	\$ 364,054	\$ -	\$ -	\$ 364,054
Tenant security deposit	3,100			3,100
Deferred revenue	2,950			2,950
Deferred rent liability (current portion)	1,697			1,697
	<u>371,801</u>	<u>-</u>	<u>-</u>	<u>371,801</u>
<b>OTHER LIABILITIES</b>				
Deferred rent liability (net of current)	127,020			127,020
	<u>127,020</u>	<u>-</u>	<u>-</u>	<u>127,020</u>
<b>TOTAL LIABILITIES</b>	<u>498,821</u>	<u>-</u>	<u>-</u>	<u>498,821</u>
<b>NET ASSETS</b>				
Unrestricted - Non Designated	(108,682)			
- Board Designated	<u>2,882,588</u>	2,773,906		2,773,906
Temporarily Restricted		<u>1,052,888</u>		<u>1,052,888</u>
<b>TOTAL NET ASSETS</b>	<u>3,826,794</u>	<u>-</u>	<u>-</u>	<u>3,826,794</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,325,615</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,325,615</u></u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	The Ocean Foundation			SeaWeb		Total
	Unrestricted	Temporarily Restricted	Total	Total	Eliminations	
<b>REVENUE &amp; SUPPORT</b>						
Grants & contributions	\$ 2,037,512	\$ 4,620,896	\$ 6,658,408	\$ -	\$ (116,784)	\$ 6,541,624
Program service revenue	372,855	-	372,855	-	-	372,855
Rental income	29,800	-	29,800	-	-	29,800
Investment income - net realized & unrealized gain/(loss)	18,822	-	18,822	-	-	18,822
Investment income - other	953	-	953	-	-	953
Foreign currency exchange gain/(loss)	9,382	-	9,382	-	-	9,382
	2,469,324	4,620,896	7,090,220	-	(116,784)	6,973,436
Net assets released from restriction:						
Satisfaction of program restrictions	4,462,787	(4,462,787)	-	-	-	-
Total revenue & support	6,932,111	158,109	7,090,220	-	(116,784)	6,973,436
<b>EXPENSES</b>						
Program Services						
Protecting Marine Habitats	1,486,289	-	1,486,289	-	-	1,486,289
Protecting Species of Concern	1,843,967	-	1,843,967	-	-	1,843,967
Building Marine Community Capacity	1,074,312	-	1,074,312	117,541	(116,784)	1,075,069
Ocean Literacy	827,152	-	827,152	-	-	827,152
Total program expenses	5,231,720	-	5,231,720	117,541	(116,784)	5,232,477
Support Services						
Management & general	546,591	-	546,591	-	-	546,591
Fundraising	486,200	-	486,200	-	-	486,200
Total support expenses	1,032,791	-	1,032,791	-	-	1,032,791
Total expenses	6,264,511	-	6,264,511	117,541	(116,784)	6,265,268
CHANGE IN NET ASSETS (DEFICIT)	667,600	158,109	825,709	(117,541)	-	708,168
Beginning net assets	2,106,306	894,779	3,001,085	117,541	-	3,118,626
Ending net assets	\$ 2,773,906	\$ 1,052,888	\$ 3,826,794	\$ -	\$ -	\$ 3,826,794

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	The Ocean Foundation							SeaWeb			Consolidating Totals					
	Protecting			Building Marine			Expanding Ocean Literacy	Total Program	Management & General	Fundraising	Total Expenses	Eliminations	Program Services	Management & General	Fundraising	Total
	Protecting Marine Habitats	Species of Concern	Capacity	Community	Capacity	Expanding Ocean Literacy										
Grants awarded	\$ 179,605	\$ 421,308	\$ 205,953	\$ 81,358	\$ 888,224	\$ -	\$ -	\$ -	\$ 888,224	\$ 116,784	\$ (116,784)	\$ 888,224	\$ -	\$ -	\$ -	\$ 888,224
Salaries & wages	154,888	277,105	326,631	306,596	1,065,220	303,030	239,197	1,607,447	-	-	-	1,065,220	303,030	239,197	1,607,447	
Payroll taxes	11,377	20,655	25,268	24,848	118,251	19,689	16,414	118,251	-	-	-	82,148	19,689	16,414	118,251	
Employee benefits	30,651	37,830	65,712	37,743	245,305	44,105	29,264	245,305	-	-	-	171,936	44,105	29,264	245,305	
Travel & carbon offsets	241,826	176,015	97,975	48,068	563,884	4,052	19,403	563,884	-	-	-	563,884	4,052	19,403	567,339	
Conferences & meetings	38,277	43,297	35,721	9,479	136,217	1,724	7,719	136,217	-	-	-	126,774	1,724	7,719	136,217	
Project & field expenses	26,160	96,270	15,739	30,513	168,688	-	6	168,688	-	-	-	168,682	-	6	168,688	
Scientific & technical consultants	1,341	86,233	2,373	836	92,783	4,742	8,990	106,515	-	-	-	92,783	4,742	8,990	106,515	
Research & advocacy fees	69,016	4,110	3,360	248	76,734	-	-	76,734	-	-	-	76,734	-	-	76,734	
Communications & design fees	89,285	69,012	30,917	4,296	193,510	1,639	55,810	250,959	-	-	-	193,510	1,639	55,810	250,959	
Web hosting, design & maint	10,429	787	6,742	5,517	23,475	597	25,094	49,166	-	-	-	23,475	597	25,094	49,166	
Program mgt & support fees	553,774	522,720	191,707	196,299	1,464,500	3,660	928	1,469,088	-	-	-	1,464,500	3,660	928	1,469,088	
Legal fees	1,516	1,860	1,095	899	5,310	5,827	1,377	12,514	-	-	-	5,310	5,827	1,377	12,514	
Accounting & bookkeeping svcs	12,212	14,979	10,850	6,761	44,802	46,940	11,088	102,850	520	-	-	45,322	46,940	11,088	103,350	
Insurance	4,879	5,957	7,019	10,072	27,927	18,755	4,430	51,112	-	-	-	27,927	18,755	4,430	51,112	
Office expenses, supplies, equip	9,708	6,691	9,196	24,339	49,934	6,964	3,031	59,929	-	-	-	49,934	6,964	3,031	59,929	
Occupancy	18,119	23,744	19,388	20,121	81,372	61,588	46,243	189,203	-	-	-	81,372	61,588	46,243	189,203	
Telephone & internet	14,959	10,289	1,938	2,694	29,880	998	256	31,134	-	-	-	29,880	998	256	31,134	
Printing & duplicating	3,624	5,938	1,140	428	11,130	943	223	12,296	-	-	-	11,130	943	223	12,296	
Postage & delivery	1,772	1,037	2,971	1,310	7,090	300	862	8,252	-	-	-	7,090	300	862	8,252	
Dues, books & subscriptions	3,504	1,722	5,878	8,718	19,822	2,752	6,512	29,086	30	-	-	19,852	2,752	6,512	29,116	
Bank & donation processing fees	5,274	5,178	3,481	2,962	16,895	2,554	2,154	21,603	207	-	-	17,102	2,554	2,154	21,810	
Depreciation & amortization	2,717	3,333	1,963	1,505	9,518	10,445	2,467	22,430	-	-	-	9,518	10,445	2,467	22,430	
Advertising	44	4,263	203	590	5,100	168	3,523	8,791	-	-	-	5,100	168	3,523	8,791	
Licenses, taxes & fees	1,332	1,634	1,092	1,012	5,070	5,119	1,209	11,398	-	-	-	5,070	5,119	1,209	11,398	
	\$ 1,486,289	\$ 1,843,967	\$ 1,074,312	\$ 827,152	\$ 5,231,720	\$ 546,591	\$ 486,200	\$ 6,264,511	\$ 117,541	\$ (116,784)	\$ 5,232,477	\$ 546,591	\$ 486,200	\$ 6,265,268		

See accompanying notes to financial statements.

THE OCEAN FOUNDATION AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

	The Ocean Foundation	SeaWeb	Eliminations	Total
Cash flows from operating activities:				
Cash received from grants & contributions	\$ 6,030,390	\$ -	\$ (116,784)	\$ 5,913,606
Cash received from program service revenue	369,636	-	-	369,636
Interest received	331	-	-	331
Cash received from subtenant	32,750	-	-	32,750
Cash paid to employees and vendors	(6,254,011)	(117,541)	116,784	(6,254,768)
Net cash provided/(used) by operating activities	<u>179,096</u>	<u>(117,541)</u>	<u>-</u>	<u>61,555</u>
Cash flows from investing activities:				
Net cash used to purchase equipment	<u>(3,438)</u>	<u>-</u>	<u>-</u>	<u>(3,438)</u>
Net increase/(decrease) in cash and cash equivalents	175,658	(117,541)	-	58,117
Cash and cash equivalents - July 1, 2016	<u>251,125</u>	<u>117,541</u>	<u>-</u>	<u>368,666</u>
Cash and cash equivalents - June 30, 2017	<u>\$ 426,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,783</u>
Reconciliation of increase/(decrease) in net assets to net cash provided/(used) by operating activities:				
Change in net assets	\$ 825,709	\$ (117,541)	\$ -	708,168
Adjustments to reconcile increase/(decrease) in net assets to net cash provided/(used) by operating activities:				
Donated stock	(3,647)			(3,647)
Net unrealized gain on investments	(18,822)			(18,822)
Net reinvested dividends	(431)			(431)
Depreciation & amortization	22,430			22,430
Changes in assets and liabilities:				
Increase in receivables	(624,857)			(624,857)
Decrease in prepaid expenses	6,601			6,601
Decrease in accounts payable & accrued expenses	(33,293)			(33,293)
Increase in deferred revenue	2,950			2,950
Increase in deferred rent liability	<u>2,456</u>			<u>2,456</u>
Net cash provided/(used) by operating activities	<u>\$ 179,096</u>	<u>\$ (117,541)</u>	<u>\$ -</u>	<u>\$ 61,555</u>

See accompanying notes to financial statements.