

**THE OCEAN FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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

THE OCEAN FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Ocean Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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**

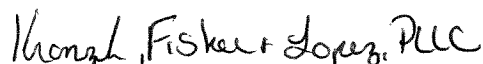
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
KRONZEK, FISHER & LOPEZ, PLLC  
Washington, DC  
November 7, 2020

THE OCEAN FOUNDATION  
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,746,930
Investments		244,372
Receivables		3,168,007
Prepaid expenses		33,643
		5,192,952

PROPERTY AND EQUIPMENT

Equipment and software		113,284
Furniture and fixtures		2,041
Vehicles		17,895
		133,220
Less: accumulated depreciation		133,220
		-

OTHER ASSETS

Investment (interest in undeveloped land)		9,300,000
Receivables, net of current		794,202
Intangible assets, net		52,193
Security deposits		12,042
		10,158,437

TOTAL ASSETS

\$ 15,351,389

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$	374,716
Tenant security deposit		3,100
Deferred rent liability (current portion)		14,916
Charitable gift annuity (current portion)		620
		393,352

OTHER LIABILITIES

Deferred rent liability (net of current)		95,752
Charitable gift annuity (net of current)		3,155
		98,907

TOTAL LIABILITIES

492,259

NET ASSETS

Without donor restrictions		
Undesignated	\$	(603,687)
Designated by Board		12,785,050
		12,181,363
With donor restrictions - purpose restrictions		2,677,767

TOTAL NET ASSETS

14,859,130

TOTAL LIABILITIES AND NET ASSETS

\$ 15,351,389

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE &amp; SUPPORT</b>			
Grants & contributions	\$ 9,926,090	\$ 7,902,282	\$ 17,828,372
Program service revenue	636,145	-	636,145
Rental income	38,340	-	38,340
Investment income - net realized & unrealized gain/(loss)	1,881	-	1,881
Investment income - other	7,743	-	7,743
	<u>10,610,199</u>	<u>7,902,282</u>	<u>18,512,481</u>
Net assets released from restriction:			
Satisfaction of program restrictions	7,633,146	(7,633,146)	-
Total revenue & support	<u>18,243,345</u>	<u>269,136</u>	<u>18,512,481</u>
<b>EXPENSES</b>			
<b>Program Services</b>			
Protecting Marine Habitats	2,901,101	-	2,901,101
Protecting Species of Concern	1,909,060	-	1,909,060
Building Marine Community Capacity	1,130,717	-	1,130,717
Ocean Literacy	1,219,186	-	1,219,186
Total program expenses	<u>7,160,064</u>	<u>-</u>	<u>7,160,064</u>
<b>Support Services</b>			
Management & general	808,868	-	808,868
Fundraising	791,702	-	791,702
Total support expenses	<u>1,600,570</u>	<u>-</u>	<u>1,600,570</u>
Total expenses	<u>8,760,634</u>	<u>-</u>	<u>8,760,634</u>
<b>CHANGE IN NET ASSETS</b>	9,482,711	269,136	9,751,847
Beginning net assets	<u>2,698,652</u>	<u>2,408,631</u>	<u>5,107,283</u>
Ending net assets	<u>\$ 12,181,363</u>	<u>\$ 2,677,767</u>	<u>\$ 14,859,130</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 545,549	\$ 467,191	\$ 304,761	\$ 32,085	\$ 1,349,586	\$ -	\$ -	\$ 1,349,586
Salaries & wages	280,706	560,664	141,935	428,047	1,411,352	506,572	496,251	2,414,175
Payroll taxes	23,198	45,345	11,969	34,593	115,105	40,047	39,643	194,795
Employee benefits	33,594	69,215	15,634	46,348	164,791	75,872	68,458	309,121
Travel & carbon offsets	287,426	158,766	126,439	49,716	622,347	1,703	23,941	647,991
Conferences & meetings	98,838	27,021	22,684	16,277	164,820	614	11,119	176,553
Project & field expenses	53,219	81,312	50,408	15,289	200,228	-	-	200,228
Promotional merchandise	27	8,853	1,652	1,655	12,187	-	818	13,005
Scientific & technical consultants	5,900	5,386	2,599	6,107	19,992	12,593	8,110	40,695
Research & advocacy fees	1,181,345	158,294	288,236	359,557	1,987,432	36,949	8,801	2,033,182
Communications & design fees	130,941	48,669	5,174	21,330	206,114	-	133	206,247
Web hosting, design & maint	10,284	3,041	738	20,124	34,187	55	13,409	47,651
Program mgt & support fees	167,138	168,878	98,171	121,224	555,411	17,794	4,203	577,408
Legal fees	902	1,106	651	1,014	3,673	3,465	819	7,957
Accounting & bookkeeping svcs	3,138	3,849	2,266	3,978	13,231	12,061	2,849	28,141
Insurance	4,525	5,762	3,269	3,946	17,502	17,394	4,154	39,050
Office expenses, supplies, equip	12,882	6,239	5,304	9,912	34,337	8,670	2,281	45,288
Occupancy	17,816	17,289	17,905	20,614	73,624	54,180	72,913	200,717
Telephone & Internet	22,326	12,808	3,442	4,946	43,522	5,677	1,504	50,703
Printing & duplicating	5,935	1,519	1,317	1,295	10,066	675	10,957	21,698
Postage & delivery	988	1,781	11,571	1,872	16,212	162	1,702	18,076
Dues, books & subscriptions	1,004	1,444	7,651	9,880	19,979	346	10,473	30,798
Bank & donation processing fees	10,751	4,164	4,413	3,889	23,217	3,781	6,741	33,739
Depreciation & amortization	1,432	1,756	1,034	2,793	7,015	5,503	1,300	13,818
Advertising	-	47,191	500	1,446	49,137	-	-	49,137
Licenses, taxes & fees	1,237	1,517	984	1,249	4,997	4,755	1,123	10,875
	\$ 2,901,101	\$ 1,909,060	\$ 1,130,717	\$ 1,219,186	\$ 7,160,064	\$ 808,868	\$ 791,702	\$ 8,760,634

THE OCEAN FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 9,783,863
Cash received from program service revenue	719,038
Interest received	7,146
Cash received from subtenant	38,340
Cash paid to employees and vendors	<u>(8,699,482)</u>
Net cash provided by operating activities	1,848,905
Cash flows from investing activities:	
Cash paid for website development	<u>(39,528)</u>
Net cash used by investing activities	(39,528)
Cash flows from financing activities:	
Net borrowings on line of credit	<u>(366,641)</u>
Net cash used by investing activities	(366,641)
Net increase in cash and cash equivalents	1,442,736
Cash and cash equivalents - July 1, 2019	<u>304,194</u>
Cash and cash equivalents - June 30, 2020	<u>\$ 1,746,930</u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Change in net assets	\$ 9,751,847
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized gain on investments	(1,881)
Net reinvested investment income	(597)
Donated interest in undeveloped land	(9,300,000)
Donated stock	(38,472)
Depreciation & amortization	13,818
Changes in assets and liabilities:	
Decrease in receivables	1,376,855
Decrease in prepaid expenses	22,053
Increase in accounts payable & accrued expenses	36,281
Decrease in deferred rent liability	(10,379)
Decrease in charitable annuity	<u>(620)</u>
Net cash provided by operating activities	<u>\$ 1,848,905</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**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).

SeaWeb is an organization controlled and operated by The Ocean Foundation that had no activities during FY19. The organization is a separate legal entity, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and 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.

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 with donor restrictions or without donor restrictions depending on the existence of any donor restrictions.

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantors) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*Net Asset With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 over \$2,500 is recorded at cost of acquisition or fair market value of donation. Depreciation on such fixed assets is determined by the straight-line method based on an estimated useful life of three to seven years.

Intangible Assets – Intangible assets consist of costs related to the design and development of the organization's website, net of accumulated amortization. The website became active in FY20 and it will be amortized over an estimated useful life of three years. Costs associated with maintaining the website are expensed as incurred.

Functional expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.



THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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 9 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 Transaction - 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 in the accompanying statement of activities.

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2020 were determined to be collectible as follows -

Within one year	\$3,168,007
Greater than one year	<u>794,202</u>
Total	\$3,962,209

The organization does not discount the amounts greater than a year to present value because it considers the discount rate to be nominal.

The organization determined that no allowance for uncollectible pledges was necessary for grants and other receivables based on historical information and management's analysis of the pledges outstanding as of June 30, 2020.

**NOTE 4 - 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, 2020 contained in the lease is as follows:

For the year ending 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	\$ 768,045

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 OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

**NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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 \$110,668.

The organization subleases a portion of its office space for basic monthly rent payments of \$3,195 thru May 31, 2021.

**NOTE 5 – LINE OF CREDIT**

The organization received a \$500,000 bank line of credit on August 29, 2017. As of June 30, 2020, the outstanding balance on the line of credit was \$0. All advances are due in forty-eight monthly installments including interest. All personal property, cash and other assets of the organization are collateralized for this line of credit.

**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, 2020, the organization's cash balance in excess of FDIC insurance totaled \$1,407,156. It is the opinion of management that the solvency of the referenced financial institution is not a particular concern at this time.

**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, 2020 was \$121,833.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS AND WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED**

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: With Donor Restrictions, Without Donor Restrictions - Board Designated, and Without Donor Restrictions.

It uses the category of "Without Donor Restrictions - 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 "Without Donor Restrictions - Board Designated." In the second situation, the organization has a donor advised fund, which has goals that 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 "Without Donor Restrictions - Board Designated."

Net Assets With Donor Restrictions and Without Donor Restrictions – Board Designated are available for the following purposes:

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

	With Donor Restriction Purpose	Without Donor Restrictions Designated by Board	Fund Total
<u>Protecting Marine Habitats</u>			
Baja Dad Holdings	\$ -	\$ 9,300,000	\$ 9,300,000
Deep Sea Mining Campaign	-	8,519	8,519
Coral Reef	-	117	117
Polar Seas	-	239	239
Coast & Beaches	-	-	-
Coastal Coordination	44,828	4,500	49,328
Cuba Marine Research & Conservation	66,935	9,840	76,775
LSIESP	105,202	2,099	107,301
Friends of the Delta	4,809	-	4,809
High Seas Alliance FSF	1,049,335	476,236	1,525,571
Friends of GA Strait Alliance	-	178	178
SURMAR-ASIMAR	101,049	18,500	119,549
W. Henry Coral Reef DAF	-	27,216	27,216
Deborah Williams DAF	-	27,761	27,761
Sub-total Protecting Marine Habitats	<u>\$1,372,158</u>	<u>\$9,875,205</u>	<u>\$11,247,363</u>
<u>Protecting Species of Concern</u>			
Saving Ocean Wildlife	\$ 12,846	\$ 250	\$ 13,096
Friends of Havenworth Coastal Conserv.	26,706	522	27,228
Sea Life FIF	-	-	-
Sharks & Rays FIF	-	22	22
International Fisheries Conservation	49,834	985,591	1,035,425
Sea Turtle Census Initiative	-	64,200	64,200
Marine Mammal	-	1,600	1,600
Sea Turtle FIF	-	-	-
Eastern Pacific Hawksbill Initiative	43,222	186,219	229,441
Shark Advocates International	165,481	90,618	256,099
ProCaguama	-	-	-
Tag-A-Giant	172,310	35,565	207,875
SmartFish International	-	29,947	29,947
Superfish Track Research Partnership	-	4,513	4,513
Friends of La Tortuga Viva	-	3,024	3,024
Friends of Grupo Tortuguero	5,754	300	6,054
PLF Marine Mammal Research DAF	-	115,174	115,174
Boy N. Lyon Sea Turtle CAF	-	30,108	30,108
ISSF Sea Turtle CAF	-	54,541	54,541
The Wise Laboratory	-	912	912
Marine Mammal Commission CAF	-	-	-
N. Coast Brewing Mammal Fund CAF	-	11,975	11,975
Friends of Conservacion ConCienca	167,010	26,000	193,010
Sub-total Protecting Species of Concern	<u>\$643,163</u>	<u>\$1,641,081</u>	<u>\$2,284,244</u>

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Bldg Marine Comm Capacity

Ocean State of Mind	\$ 45,836	\$ -	\$ 45,836
Big Ocean	4,300	227,377	231,677
The Acadia DAF	-	29,973	29,973
Future Ocean Alliance FOF	-	-	-
Friends of Fundacion Tropicalia	-	77	77
Redfish Rocks Community	14,064	53,032	67,096
Blue Climate Solutions	13,159	8,429	21,588
Ocean Conservation Research	-	5,887	5,887
Friends of Sustainable Travel	1,390	2,629	4,019
Anonymous	-	78,721	78,721
Friends of Pro Esteros	58	-	58
Friends of Island Reach	155	-	155
Sub-total Bldg Marine Comm Capacity	<u>\$78,962</u>	<u>\$406,125</u>	<u>\$485,087</u>

Expanding Ocean Literacy

Who Saved the Whale Lagoon	\$ -	\$ 98,100	\$ 98,100
Friends of Darwin 200	-	165,593	165,593
earthDECKS.org	-	154	154
SEVENSEAS	19,762	2,718	22,480
The Ocean Project	-	215,751	215,751
Ocean Connectors	235,423	117,488	352,911
Ocean Revolution	60,123	250	60,373
The Science Exchange	-	188,266	188,266
The Last Ocean Project	5,398	-	5,398
Inland Ocean Coalition	237,354	67,119	304,473
LivBlue	-	2,024	2,024
Deep Green Wilderness	25,424	-	25,424
Luke's Lobster DAF	-	5,176	5,176
Sub-total Expanding Ocean Literacy	<u>\$583,484</u>	<u>\$862,639</u>	<u>\$1,446,123</u>

Total Net Assets	<u>\$ 2,677,767</u>	<u>\$12,785,050</u>	<u>\$15,462,817</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 With Donor Restrictions to Without Donor Restrictions – Board Designated based on the broad purposes discussed above.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Protecting Marine Habitats

Deep Sea Mining Campaign	\$ 37,114
Blue Resilience Initiative	213,929
Plastics Initiative	28,600
SeaGrass Grow-Restoration	47,569
Latin American/Caribbean Initiative	406,289
EcoEarnings	6,750
The Srgasso Sea Project	58,555
11th Hour Racing	3,558
Conservation Alliance	661
Antarctica/Southern Ocean	194,000
High Seas	456,196
NE Right Whale	653,101
Coral Reef	7,186
Polar Seas	7,317
Coast & Beaches	460
Coastal Coordination	96,915
Cuba Marine Research & Conservation	224,260
LSIESP	119,343
Friends of the Delta	22,534
High Seas Alliance FSF	487,679
Friends of GA Strait Alliance	9,689
SURMAR-ASIMAR	23,050
W. Henry Coral Reef DAF	10,000
Deborah Williams DAF	2,500
Sub-total Protecting Marine Habitats	<u>3,117,255</u>

Protecting Species of Concern

Saving Ocean Wildlife	\$ 2,154
Friends of Havenworth Coastal Conservation	15,027
Sea Life	95
Sharks & Rays	213
International Fisheries Conservation	454,369
St. Croix Leatherbacks - Sea Turtle Census Initiative	276,528
Marine Mammal FIF	21,334
Sea Turtle FIF	1,204
Eastern Pacific Hawksbill Initiative	98,787
Shark Advocates International	321,383
ProCaguama	1,500
Tag-A-Giant	272,433
SmartFish International	41,603
Superfish Tracking Research Partnership	37,257
Friends of La Tortuga Viva	27,265
Friends of Grupo Tortuguero	(6,087)
Boyd N. Lyon Sea Turtle CAF	2,353
ISSF Sea Turtle CAF	71,418
The Wise Laboratory	10,612
N. Coast Breeding Mammal Fund CAF	37,847
Friends of Conservacion ConCiencia	<u>143,550</u>
Sub-total Protecting Species of Concern	1,830,845

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Bldg Marine Comm Capacity

Ocean State of Mind	\$ 29,164
Ocean Leadership Fund	221,191
Creative Works	43,041
International Ocean Acidification Initiative	647,123
Marine Photo Bank	2,366
World Ocean Initiative	(35,750)
Tropicalia	16,824
UN Decade of Ocean Science	102,222
Big Ocean	65,998
The Acadia DAF	10,000
Friends of Future Ocean Alliance	50
Friends of Fundacion Tropicalia	20,472
Redfish Rocks Community	35,008
Blue Climate Solutions	10,597
Ocean Conservation Research	140,540
Friends of Sustainable Travel	56,063
Friends of Pro Esteros	54,915
Sub-total Bldg Marine Comm Capacity	<u>1,419,824</u>

Expanding Ocean Literacy

Who Save the Whale Lagoon	\$ 10,900
Deep Blue	5,000
SeaGrass Grow-Gen/Education	10,578
SeaWeb	6,184
Rockefeller Ocean Strategy	30,000
Boater Behavior Project	17,466
NCEL Offshore Drilling/Plastics	42,678
Friends of Darwin 200	26,407
earthDECKS.org	24,708
SEVENSEAS	16,042
The Ocean Project	401,263
Ocean Connectors	282,369
Ocean Revolution	75,394
The Science Exchange	52,460
The Last Ocean Project	2,500
Inland Ocean Coalition	232,611
The LivBlue Foundation	9,739
Friends of Deep Green Wilderness	17,292
Luke's Lobster DAF	1,631
Sub-total Expanding Ocean Literacy	<u>1,265,222</u>

Total Purpose Restricted Net Assets  
Released and Reclassified

\$ 7,633,146

**NOTE 9 – FAIR VALUE MEASUREMENTS**

The organization follows FASB ASC 820-10 for financial assets (and liabilities) measured on a recurring basis, as amended. 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.

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

**NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)**

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 following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

Assets Measured at Fair Value

Description	Fair Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 11,013	\$ 11,013	\$ -	\$ -
Equities	32,780	32,780	-	-
Mutual funds/ETFS	12,055	12,055	-	-
Equity interest (100%) Partnership	9,300,000	-	-	9,300,000
	<u>199,537</u>	<u>-</u>	<u>-</u>	<u>199,537</u>
	<u>\$ 9,555,385</u>	<u>\$ 55,848</u>	<u>\$ -</u>	<u>\$9,499,537</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.

Equities, Mutual funds and ETFS – 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. At June 30, 2020 this investment is valued at \$199,537.

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

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

**NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2020.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2019 balance	\$190,627
Purchases/Fees	(130)
Net unrealized gains (losses)	685
Investment income – other	<u>8,355 *</u>
June 30, 2020 balance	<u>\$199,537</u>

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

The Organization received a donation of 100% of the shares of Baja Dad Holdings S.R.L. de C.V. The assets of Baja Dad Holdings S. R. L de C.V consist of 323 hectares of land with approximately 1.5 linear kilometers of ocean frontage in San Juanico Gulf in the municipality of Loreto, Baja California Sur, Mexico. This land has been independently appraised at \$9,300,000. The intent of the organization is to subsequently dissolve the S.R.L de C.V. upon donating the land to a Mexican, NGO, who will execute the suggestions of the donor.

**NOTE 10 – 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, 2020, 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, 2020 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, 2020, the statute of limitations for tax years 2016 through 2018 remains open with federal and DC authorities

**NOTE 11 - LIQUIDITY**

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for as a board designated fund.



THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

**NOTE 11 – LIQUIDITY (CONTINUED)**

Financial assets, at year end (including LOC & credit card limit)	\$ 5,700,507
Less those unavailable for general expenditures within one year due to:	
Restriction by donor for purpose	(2,677,766)
Board designated funds not available for TOF	<u>(3,485,050)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (462,309)</u>
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As demonstrated above, the organization does have liquid assets to finance its operations although at June 30, 2020, all liquid assets were with board designation or donor restriction. In the short term the organization is using these assets to continue its operations. Most of these assets are budgeted to pay core expenses but the efforts of those core operations are with board designation or donor restriction to be spent on programs. The organization is currently fundraising to generate contributions without donor restrictions, to reimburse these programs and fund ongoing operations.

**NOTE 12 – SUBSEQUENT EVENTS**

The organization's management has evaluated subsequent events through November 7, 2020, the date the financial statements were available to be issued. There were no subsequent events identified through November 7, 2020, required to be disclosed in these financial statements, except for the organization extending its office lease through February 28, 2031.

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of businesses and organizations. The extent of the impact of COVID-19 on the organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the organization's funders, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent of which COVID-19 may impact the Organization's financial condition or results of operations is uncertain