

**THE OCEAN FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2025**

THE OCEAN FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ocean Foundation

Opinion

We have audited the accompanying financial statements of The Ocean Foundation (a nonprofit foundation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Ocean Foundation as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ocean Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ocean Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ocean Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ocean Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

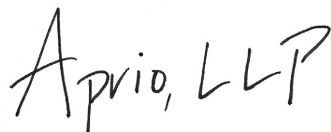
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2026, on our consideration of The Ocean Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Ocean Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Ocean Foundation's internal control over financial reporting and compliance.

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in the Ocean Foundation's Annual Report. The other information comprises program related accomplishments and financial information, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Aprivo, LLP". The letters are cursive and somewhat stylized, with the "A" being particularly large and the "P"s having long, sweeping tails.

Walnut Creek, California
April 24, 2026

**THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025**

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,575,032
Investments	786,337
Grants receivable	1,558,542
Fees receivable, net	156,322
Other receivables, net	357,705
Prepaid expenses	<u>58,711</u>
Total current assets	<u>4,492,649</u>

Property and equipment, net	<u>13,017,040</u>
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Other assets:

Right of use asset	219,970
Intangible assets, net	6,500
Security deposit	<u>11,161</u>

Total other assets	<u>237,631</u>
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Total assets	<u><u>\$ 17,747,320</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 929,805
Tenant security deposit	3,100
Operating lease liability (current portion)	60,954
Refundable advance	<u>314,369</u>

Total current liabilities	<u>1,308,228</u>
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Long-term liabilities:

Operating lease liability (net of current)	106,600
Other long-term liabilities	<u>675</u>

Total long-term liabilities	<u>107,275</u>
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Total liabilities	<u>1,415,503</u>
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Net assets:

Without donor restrictions	8,942,911
With donor restrictions - purpose restrictions	<u>7,388,906</u>

Total net assets	<u>16,331,817</u>
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Total liabilities and net assets	<u><u>\$ 17,747,320</u></u>
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See notes to the financial statements

**THE OCEAN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and other support:</u>			
Grants and contributions	\$ 534,012	\$ 11,626,744	\$ 12,160,756
Non-cash contributions	-	-	-
In-Kind contributions	-	-	-
Program and service revenue	970,252	-	970,252
Rental income	18,351	-	18,351
Investment income - net of related fees	138,658	-	138,658
Other income	22,299	-	22,299
Net assets released from restrictions	<u>12,701,384</u>	<u>(12,701,384)</u>	<u>-</u>
Total revenue and other support	<u>14,384,956</u>	<u>(1,074,640)</u>	<u>13,310,316</u>
<u>Expenses:</u>			
Program	<u>14,147,122</u>	<u>-</u>	<u>14,147,122</u>
Supporting activities:			
Management and general	1,612,043	-	1,612,043
Fundraising	<u>96,027</u>	<u>-</u>	<u>96,027</u>
Total supporting expenses	<u>1,708,070</u>	<u>-</u>	<u>1,708,070</u>
Total expenses	<u>15,855,192</u>	<u>-</u>	<u>15,855,192</u>
Change in net assets	(1,470,236)	(1,074,640)	(2,544,876)
Net assets at beginning of year	<u>10,413,147</u>	<u>8,463,546</u>	<u>18,876,693</u>
Net assets at end of year	<u>\$ 8,942,911</u>	<u>\$ 7,388,906</u>	<u>\$ 16,331,817</u>

See notes to the financial statements

**THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

	Program services	Supporting Activities		Total
		Management and general	Fundraising	
Professional fees and consulting	\$ 4,487,503	\$ -	\$ -	\$ 4,487,503
Grants awarded	3,868,989	120	-	3,869,109
Salaries and wages	2,065,396	601,952	67,657	2,735,005
Project and field expenses	1,592,181	11,235	-	1,603,416
Travel and carbon offsets	749,408	-	4,767	754,175
Employee benefits	307,172	106,701	7,887	421,760
Accounting and bookkeeping svcs	-	345,176	-	345,176
Communications and design fees	311,218	-	5	311,223
Conferences and meetings	224,821	2,256	108	227,185
Telephone and internet	99,323	123,903	664	223,890
Payroll taxes	158,118	58,542	5,346	222,006
Occupancy	54,292	114,960	4,035	173,287
Bank and donation processing fees	-	87,210	5,261	92,471
Insurance	31,486	51,505	-	82,991
Legal fees	62,989	18,249	-	81,238
Other operating expenses	-	57,267	-	57,267
Office expenses, supplies, equip	29,818	18,920	-	48,738
Depreciation and amortization	27,219	10,575	-	37,794
Postage and delivery	28,086	2,431	156	30,673
Dues, books and subscriptions	27,685	705	141	28,531
Printing and duplicating	11,458	141	-	11,599
Scientific and technical consultants	9,708	-	-	9,708
Public awareness/media campaigns	<u>252</u>	<u>195</u>	<u>-</u>	<u>447</u>
Total functional expenses	<u>\$ 14,147,122</u>	<u>\$ 1,612,043</u>	<u>\$ 96,027</u>	<u>\$ 15,855,192</u>

See notes to the financial statements

**THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Cash flows from operating activities</u>	
Change in net assets	\$ <u>(2,544,876)</u>
Adjustments to reconcile net loss to net cash provided by operating activities	
Net realized & unrealized gain on investments	(107,996)
Depreciation and amortization	37,794
Exchange loss	23,547
Amortization of right of use lease assets	65,551
Loss on disposal of assets	146,120
Gain on termination of operating lease	(93,380)
(Increase) Decrease in assets:	
Grants receivable	3,401,348
Employee receivables	7,285
Fees receivables, net	3,677
Other receivables	(57,582)
Prepaid expenses	17,291
Increase (Decrease) in liabilities:	
Accounts payable and accrued expenses	67,091
Deferred revenue	(214,657)
Refundable advances	(575,855)
Operating lease liability	(112,157)
Charitable gift annuity	<u>(620)</u>
Total adjustments	<u>2,607,457</u>
Net cash provided by operating activities	<u>62,581</u>
<u>Cash flows from investing activities</u>	
Proceeds from the sales of investments	787,844
Purchases of investments	(2,046)
Purchases of property and equipment	(171,746)
Proceeds from the sales of property and equipment	<u>778,138</u>
Net cash provided by investing activities	<u>1,392,190</u>
<u>Cash flows from financing activities</u>	
Payments on line of credit, net	<u>(443,952)</u>
Net cash used in financing activities	<u>(443,952)</u>
Net increase in cash	1,010,819
Cash and cash equivalents, beginning of the year	<u>564,213</u>
Cash and cash equivalents, ending of the year	<u>\$ 1,575,032</u>

See notes to the financial statements

**THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITY

Derecognition of operating lease right-of-use asset	\$ 1,331,230
Derecognition of operating lease liability	(1,424,610)
Recognition of operating lease right-of-use asset	253,118
Recognition of operating lease right-of-use liability	(253,118)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 4,526
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See notes to the financial statements

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1
Nature of Foundation

Foundation:

The Ocean Foundation, ("The Foundation") is a nonprofit foundation, incorporated in California in 2001 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi). The Foundation's mission is to support ocean conservation and restoration efforts. The Foundation carries out its activities by providing fiscal sponsorship, grantmaking, donor-advised fund management, and capacity-building services to organizations and projects focused on ocean-related environmental initiatives. The Foundation conducts its work in the United States and internationally through partnerships with governmental agencies, research institutions, and nonprofit organizations.

Note 2
Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Foundation 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.

Financial Statement Presentation:

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

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.
- *Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Changes in estimates are recorded in the period in which they become known. Actual results could differ from these estimates.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents:

The Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Foundation maintains cash balances at three commercial banks, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2025, the Foundation's cash balances held at the commercial banks exceeded the FDIC limit by \$1,621,518. The Foundation has not experienced any losses through the date when the financial statements were available to be issued.

Revenue Recognition:

Exchange Transactions

In accordance with FASB Topic 606, *Revenue from Contracts with Customers*, or ASC 606, the Foundation recognizes revenue from exchange transactions when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Foundation expects to receive in exchange for those goods or services. To determine revenue recognition, the Foundation performs the following five steps:

- Identification of the contract, or contracts, with a customer (Step 1)
- Identification of the performance obligation(s) in the contract (Step 2)
- Determination of the transaction price (Step 3)
- Allocation of the transaction price to the performance obligation(s) in the contract (Step 4)
- Recognition of revenue when or as the Foundation satisfies the performance obligations (Step 5)

Fees for Services: The Foundation earns fee-for-service revenue from contracts with governmental agencies, educational institutions, nonprofits, and other organizations to provide environmental education and outreach programs; marine and coastal monitoring, scientific research, and field support services; consulting and advisory services; and program and partnership coordination. Revenue generally consists of fixed-fee arrangements with reimbursable project expenses billed in accordance with contract terms. The Foundation typically satisfies a single performance obligation for each contract. Revenue is recognized over time as services are provided and customers receive the related benefits. Amounts billed in advance of services being performed are recorded as deferred revenue and recognized as earned.

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

Contract assets and liabilities are as follows at June 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Fees receivable, net	\$ <u>156,322</u>	\$ <u>159,999</u>	\$ <u>280,242</u>
Total contract assets	\$ <u>156,322</u>	\$ <u>159,999</u>	\$ <u>280,242</u>
Deferred revenue	\$ <u>-</u>	\$ <u>214,657</u>	\$ <u>366,523</u>
Total contract liabilities	\$ <u>-</u>	\$ <u>214,657</u>	\$ <u>366,523</u>

Contributions and Other Revenue Not Subject to ASC 606

Grants and Contributions: The Foundation recognizes contributions when unconditionally promised or as restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, restricted net assets are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities - as net assets released from restrictions.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Amounts received or awarded under conditional arrangements are not recognized as revenue until the related barriers have been overcome.

A portion of Foundation's revenue is derived from government contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, with limited discretion over spending decisions and right of return of any unused funds. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific grant provisions. Accordingly, amounts received but not yet recognized as revenue are classified as refundable advances in the statement of financial position. As of June 30, 2025, this amount is \$314,369. The Foundation received cost-reimbursable grants of approximately \$1,426,107 that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred.

Rental Income: The Foundation earns rental income under agreements that permit third parties to use its facilities or other property. Rental income is recognized on a straight-line basis over the term of each lease agreement. Amounts collected in advance are recorded as deferred revenue and recognized as rental income when earned.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2

Summary of Significant Accounting Policies (Continued)

Accounts, Fees, and Other Receivables:

The face amount of accounts receivable is reduced by an allowance for credit losses, if needed. The allowance for credit losses estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including current market factors, and forecasted economic conditions. The Foundation has elected to apply the practical expedient in accordance with ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities* and assumes that the current conditions as of the balance sheet date do not change over the remaining life of the asset. The Foundation has also elected the accounting policy option to consider post-balance sheet date cash collections when evaluating the allowance. The standard allows the Foundation to select a post-balance sheet date and the Foundation has elected to use September 30, 2025, for this purpose.

There was no allowance for accounts receivable considered necessary by management for the year ended June 30, 2025.

Grants Receivable:

Grants and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. These receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The allowance for grants receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectible.

There was no allowance for grants receivable considered necessary by management for the year ended June 30, 2025.

Donated Goods and Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation.

Additionally, volunteers may donate a significant amount of time to the Foundation's program services. The fair value of these donated services are not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2
Summary of Significant Accounting Policies (Continued)

Investments:

Investments are recorded at cost, if purchased, or at fair value on the date of donation, if donated. Investments, primarily consisting of equity securities, are stated at fair value. Investments in equity securities with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Fair Value of Financial Instruments:

The Foundation applies FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2

Summary of Significant Accounting Policies (Continued)

The following are descriptions of the valuation methods and assumptions used by the Foundation to estimate the fair values of certain financial instruments. There have been no changes to the methodologies used at June 30, 2025:

Equity Securities and Mutual funds: Consist of funds which are primarily invested in equity securities. The fair value of the securities, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Property and Equipment:

Property and equipment are stated at original cost or estimated fair value when donated. The Foundation capitalizes individual assets with cost of \$5,000 or greater. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is recognized. Depreciation of property, plant and equipment is provided using a straight-line method over the estimated useful lives of the assets, which are as follows.

Furniture and equipment	3 years
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Leases:

The Foundation recognizes and measures its leases in accordance with ASC 842 Leases. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Foundation recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable lease payments are included in lease payments when those payments depend on an index or a rate. Because the rate implicit in the lease is generally not readily determinable, the Foundation has elected to use a risk-free rate, determined using a period comparable to the lease term, in measuring its lease liabilities.

The Foundation has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Foundation accounts for both components as a single lease component.

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2
Summary of Significant Accounting Policies (Continued)

Valuation of Long-Lived Assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the estimated fair value of the assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

The Foundation did not recognize an impairment charge on its long-lived assets during the year ended June 30, 2025.

Functional Expense Allocation:

The Foundation allocates its expenses on a functional basis between program services and supporting activities. Expenses that can be specifically identified with either the program or a supporting service are charged directly. Common expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) are allocated based on time and effort using the Foundation's payroll allocations. Other expenses (such as professional services and other direct costs) are allocated in accordance with the specific services received from vendors.

Split-Interest Agreement:

The Foundation recognizes its interest in split-interest agreements, such as charitable remainder trusts or retained life estates, at fair value on the date of contribution in accordance with ASC 958-605. The Foundation records a beneficial interest in such agreements and recognizes contribution revenue when the agreement becomes irrevocable and the Foundation has an unconditional right to the benefits. Donor-retained interests, if any, are recorded as liabilities unless determined to be immaterial.

Tax Exempt Status:

The Foundation 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, 2025, as the Foundation had no net unrelated business income.

The Foundation 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 Foundation performed an evaluation of uncertain tax positions for the year ended June 30, 2025, 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, 2025, the statute of limitations for tax years through 2022 remains open with federal and state authorities.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 3

Liquidity and Availability of Resources

The following reflects the Foundation'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 financial assets subject to donor-imposed restrictions as of June 30, 2025, as described below:

Financial assets available for general expenditure within one year:

Cash and cash equivalents	\$ 1,575,032
Investments	786,337
Grants receivable	1,558,542
Fees receivable	156,322
Other receivables	<u>357,705</u>
Total financial assets	4,433,938
Less: Net assets with donor-restrictions	<u>(7,388,906)</u>
Total financial assets available for general expenditure within one year	\$ <u>(2,954,968)</u>

The Foundation monitors its liquidity to ensure it is able to meet operating needs and other contractual commitments as they become due. As reflected above, the Foundation's financial assets available for general expenditure within one year were reduced by net assets with donor restrictions of \$7,388,906. Donor-restricted resources are not considered available for general expenditure unless and until the related restrictions are satisfied.

At June 30, 2025, the reduction for net assets with donor restrictions exceeded the Foundation's financial assets included in the liquidity calculation, resulting in negative financial assets available for general expenditure within one year. This negative liquidity position is primarily due to donor-restricted net assets that are expected to be used for specific programmatic purposes and are not available to support general operating expenditures. The Foundation continues to monitor donor-restricted activity, anticipated contributions, revenues, and qualifying expenditures to ensure resources are used in accordance with donor intent. Management expects to meet operating needs and program commitments through available resources, anticipated funding, and donor-restricted resources used for qualifying activities.

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**Note 4
Investments**

Investments consisted of the following as of June 30, 2025:

	Assets at Fair Value as of June 30, 2025			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Bond mutual funds	\$ 38,324	\$ -	\$ -	\$ 38,324
Equity mutual funds	178,758	-	-	178,758
Total Fair Value Investments	217,082	-	-	217,082
Cash	-	-	-	569,255
Total investments	\$ 217,082	\$ -	\$ -	\$ 786,337

There were no significant transfers between the levels during the year. The Foundation's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

**Note 5
Property and Equipment**

The following is a summary of property and equipment at cost at June 30, 2025:

Undeveloped land	\$ 13,015,000
Furniture and equipment	39,598
Less: accumulated depreciation	(37,558)
Property and equipment, net	\$ 13,017,040

Depreciation and amortization expense for the year ended June 30, 2025, totaled \$37,794.

**Note 6
Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following as of June 30, 2025:

Trade payables	\$ 486,386
Grants payable	219,697
Payroll liabilities	20,362
Other accrued expenses	203,361
Total accounts payable and accrued liabilities	\$ 929,806

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 7

Line of Credit

The Foundation received a \$500,000 bank line of credit on August 29, 2017. The security for this line of credit includes all equipment, receivables and investments and the annual interest rate is prime rate of the bank plus 1%. As of June 30, 2025, the interest rate was 8.50% and the outstanding balance on the line of credit was \$-. The line of credit is on a revolving basis and currently matures in 2027.

Note 8

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2025:

	<u>Beginning Balance</u>	<u>Contributions and Income</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Purpose restricted:				
Building marine community capacity	\$ 907,958	\$ 3,059,535	\$ (2,606,665)	\$ 1,360,828
Expanding ocean literacy	2,562,545	1,840,432	(3,561,645)	841,332
Protecting marine habitats	2,710,077	4,168,028	(3,493,153)	3,384,952
Protecting species of concern	<u>2,282,966</u>	<u>2,558,749</u>	<u>(3,039,921)</u>	<u>1,801,794</u>
	<u>\$ 8,463,546</u>	<u>\$ 11,626,744</u>	<u>\$ (12,701,384)</u>	<u>\$ 7,388,906</u>

Note 9

Split-Interest Agreement

During the year ended June 30, 2024, the Foundation received a non-cash contribution of real estate known as Casa Christie. The terms of the donation agreement include provisions that meet the criteria of a split-interest agreement under ASC 958-605. Accordingly, at the time of the contribution, the Foundation recognized a beneficial interest in the donated property, representing its residual interest, which was recorded at its fair market value of MXN 18,416,554.19 (USD equivalent: \$1,082,252).

Under the original agreement, the donors, Norman and Linda, retained a minor interest in the property. Due to the immaterial nature of the retained interest, no liability was recorded at the time of the initial contribution. As the donors retained certain rights, the Foundation's interest was limited to the residual value of the property upon the occurrence of specified events, and accordingly, the asset was not recorded as property and equipment.

In July 2024, the donors formally relinquished their retained interest in the property through an amendment to the original agreement. As a result, the Foundation obtained full ownership of the property. Upon obtaining full ownership, the carrying value of the beneficial interest was reclassified to land and building and included in property and equipment.

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 9

Split-Interest Agreement (Continued)

Subsequent to obtaining full ownership, the Foundation sold the property during the year ended June 30, 2025. The sale resulted in cash proceeds of \$778,138, which are presented as proceeds from the sale of property and equipment within investing activities in the statement of cash flows. In addition, the Foundation recorded a receivable of \$290,437 related to remaining proceeds due from the sale, which is included in other receivables as of June 30, 2025.

The carrying value of the property and related costs exceeded the total consideration received and receivable, resulting in a net loss on disposal of \$146,120 for the year ended June 30, 2025. The loss is included in the statement of activities and is reflected as an adjustment to reconcile the change in net assets to net cash provided by operating activities in the statement of cash flows.

Note 10

Lease Commitments

The Foundation has obligations as a lessee for an office space. All the leases are classified as operating leases. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months). For the year ended June 30, 2025, the Foundation has no short-term lease expense.

During fiscal year 2025, the Foundation entered into a new operating lease for office space with a lease commencement date of January 1, 2025. In connection with entering into the new lease, the Foundation exited its prior office lease. As a result, the right-of-use asset and lease liability associated with the prior lease were derecognized, resulting in a gain on termination of operating lease of \$93,380 for the year ended June 30, 2025.

The termination of the prior lease was a noncash transaction and is reflected as an adjustment to reconcile the change in net assets to net cash provided by operating activities in the statement of cash flows. The Foundation also recognized a new right-of-use asset and lease liability upon commencement of the new lease. The new lease has an initial noncancelable term of three years and expires on December 31, 2027.

The components of the lease for the year ending June 30, 2025, are as follows:

	<u>Amount</u>
Operating lease cost	\$ 44,259
Cash paid for amounts included in the measurement of lease liabilities - operating lease	\$ 88,505
Lease liabilities arising from obtaining right of use assets	\$ 253,118
Weighted-average remaining lease term - operating lease	2.58 years
Weighted-average discount rate - operating lease	4.29 %

**THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 10
Lease Commitments (Continued)

Maturities of the lease liability under the noncancelable operating leases as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Total Lease Payment</u>
2026	\$ 66,770
2027	69,134
2028	<u>40,925</u>
Total undiscounted lease payments	176,829
Less: imputed interest	<u>(9,275)</u>
Total lease liability	<u>\$ 167,554</u>

Note 11
Retirement Plan

The Foundation 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 Foundation 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. Retirement plan expenses for the year ended June 30, 2025, totaled \$154,161.

Note 12
Subsequent Events

Management considered all events through April 24, 2026, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Foundation is not aware of any other significant events that occurred subsequent to June 30, 2025, but prior to the issuance of this report, that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

**THE OCEAN FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Federal Awards				
Department of Commerce				
Research and Development Cluster				
Congressionally Identified Awards and Projects	11.469		\$ 225,052	\$ -
Unallied Science Program	11.472		<u>239,033</u>	<u>127,888</u>
Total Research and Development Cluster			<u>464,085</u>	<u>127,888</u>
Broad Agency Announcement	11.015		35,026	-
Oceanic Acidification Program	11.017		210,252	-
Marine Debris Program	11.999		140,000	-
Climate & Atmospheric Research	11.431		337,056	-
Habitat Conservation	11.463		135,887	-
Unallied Science Program	11.472		20,077	-
Unallied Management Projects	11.454		4,051	-
Pass through from National Sanctuary Foundation				
Unallied Management Projects	11.454	5300-24-01-101/2208-G-452	455	
Unallied Management Projects	11.454	6900-24-09-203	<u>39,875</u>	-
Total ALN 19.017			44,381	
Pass through from National Fish and Wildlife Foundation				
National Oceanic and Atmospheric Administration	11.473	0318.23.076205	<u>14,334</u>	<u>-</u>
Total Department of Commerce			<u>1,401,098</u>	<u>127,888</u>

See notes to the Schedule of Expenditures of Federal Awards

**THE OCEAN FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Interior:				
Marine Turtle Conservation Fund	15.645		68,858	-
Endangered Species Recovery Implementation	15.657		99,890	-
Fish & Wildlife Coordination and Assistance	15.664		5,259	-
Economic, Social and Political Developments of the Territories	15.875		26,841	-
National Wildlife Refuge System Enhancements	15.654		46,520	-
Pass through from National Fish and Wildlife Foundation NFWF-USFWS Conservation Partnership	15.663	0310.23.078333/0310.23.07833 3/0310.19.063171	<u>66,179</u>	<u>-</u>
Total Department of Interior			<u>313,547</u>	<u>-</u>
Department of State				
Public Diplomacy Programs	19.040		29,548	-
Environmental and Scientific Partnership and Programs	19.017		313,376	-
Pass through from International Union for Conservation of Nature and Natural Resources Environmental and Scientific Partnership and Programs	19.017	SAQMIP23CA0133	<u>284,640</u>	<u>-</u>
Total ALN 19.017			<u>598,016</u>	
Total Department of State			<u>627,564</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,342,209</u>	<u>\$ 127,888</u>

See notes to the Schedule of Expenditures of Federal Awards

THE OCEAN FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of The Ocean Foundation under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Ocean Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Ocean Foundation.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Ocean Foundation has elected to use de minimis indirect cost rate allowed under the Uniform Guidance.

**THE OCEAN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I-Summary of Auditors' Results

Financial Statements

Report on the Financial Statements and on the Supplementary Schedule of Federal Awards:

Opinion on audited financial statements:	Unmodified
Going concern issue	No

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards:

Instances of fraud, non-compliance, or abuse of law, regulations, contracts or grants that have a material effect on the financial statements	No
Significant deficiencies or material weaknesses indicator	No

Federal Awards

Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance:

Opinion on compliance with laws, regulations, and contracts applicable to each major program	Unmodified
Significant deficiencies or material weaknesses in internal controls over compliance indicator	Yes

Schedule of Findings and Questioned Costs

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of OMB Uniform Guidance	Yes
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Low-risk auditee indicator	No

Identification of Major Programs

Grantor/Program or Cluster Title	Federal Assistance Listing Number
Congressionally Identified Awards and Projects - R&D Cluster	11.469
Unallied Science Program - R&D Cluster	11.472
Department of State - Environmental and Scientific Partnership and Programs	19.017

Section II - Findings - Financial Statements Audit

None

**THE OCEAN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

Finding 2025-001: Reportable finding considered a material weakness - Cash Management

Program Name: Environmental and Scientific Partnerships and Programs, Congressionally Identified Awards and Projects (R&D Cluster), Unallied Science Program (R&D Cluster)

Assistance Listing: 19.017, 11.469, 11.472

Federal Awarding Agency: US Department of State and US Department of Commerce

Federal Award Number: SAQMIP23CA0133 (pass-through); SAQMIP22CA0082 (Direct), NA22NOS4690220-T1-01, NA25NMF472C0146-T1-01

Pass-through Entity: International Union for Conservation of Nature and Natural Resources

Pass-through Entity Award Number: AVUS-00186

Criteria: Federal regulations under 2 CFR §200.305 require recipients of Federal awards to maintain written procedures that minimize the time between the receipt and disbursement of Federal funds, to deposit advance payments in interest-bearing accounts when applicable, and to remit interest earned in excess of \$500 annually to the Federal government. Entities are also required to have adequate internal controls to ensure that drawdown and reimbursement requests are properly reviewed, approved, and supported by allowable expenditures.

Condition: During testing, it was noted that the Organization did not maintain formal supporting documentation demonstrating the specific expenditures funded by certain advances received under Federal awards. While the advances were allowable under the terms of the awards, documentation was not maintained to clearly support how the funds were applied to program costs.

Cause: The Organization's controls over documenting and tracking the use of advanced Federal funds were not designed or operating effectively to ensure that expenditures funded by advances were clearly identified, supported, and retained for review.

Effect: As a result, the Organization was unable to demonstrate through formal documentation how certain advanced funds were applied to allowable program expenditures, which increases the risk of noncompliance with cash management requirements and inadequate support for the use of Federal funds.

Repeat Finding: This is a repeat finding.

Questioned Costs: \$2,828, representing the estimated interest that should have been remitted to the Federal agency.

**THE OCEAN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)

Perspective: While the advances noted were allowable under the terms of the awards and no noncompliance was identified in the underlying expenditures tested, the Organization did not maintain formal documentation clearly demonstrating how certain advanced funds were applied to program costs. As a result, the issue relates to the documentation and support maintained over cash management rather than the allowability of the related expenditures.

Recommendation: - It is recommended that the Foundation:

1. Develop and implement written cash-management procedures that comply with Federal regulations.
2. Ensure that advance funds are disbursed timely and only as needed to meet immediate program cash requirements.
3. Maintain advance funds in interest-bearing accounts unless an exemption applies.
4. Establish a formal review and approval process for drawdown and reimbursement requests, supported by detailed documentation.
5. Remit any interest earned in excess of \$500 annually to the appropriate Federal payment system.

Management's response and corrective action plan (unaudited): See corrective action plan.

Finding 2025-002: Reportable finding considered a material weakness - Reporting

Program Name: Environmental and Scientific Partnerships and Programs, Unallied Science Program (R&D Cluster)

Assistance Listing: 19.017, 11.472

Federal Awarding Agency: US Department of State and US Department of Commerce

Federal Award Number: SAQMIP23CA0133 (pass-through); SAQMIP22CA0082 (Direct); NA25NMF472C0146-T1-01

Pass-through Entity: International Union for Conservation of Nature and Natural Resources

Pass-through Entity Award Number: AVUS-00186

Criteria: Under the Reporting compliance requirement, the Organization is required to submit financial and programmatic reports in accordance with applicable Federal statutes, regulations, and the terms and conditions of the Federal award. In addition, when applicable, recipients are required to report certain first-tier subawards under the Federal Funding Accountability and Transparency Act (FFATA) in accordance with 2 CFR Part 170 and applicable award terms.

**THE OCEAN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)

Condition: Aprio noted instances of noncompliance related to Reporting. Based on the grants tested, required financial and/or programmatic reports were due during the fiscal year; however, the Organization did not maintain evidence that certain required reports had been prepared and submitted in accordance with the applicable award requirements. In addition, for a subaward subject to FFATA reporting requirements, the Organization did not maintain evidence that the required subaward information had been reported in SAM.gov in accordance with applicable Federal requirements.

Cause: The Organization did not have adequate internal controls in place to consistently identify reporting requirements, track reporting deadlines, monitor compliance with award-specific reporting obligations, and retain documentation evidencing preparation, review, and submission of required reports, including FFATA reporting when applicable.

Effect: As a result, the Organization was not in compliance with the applicable Reporting requirement. Failure to submit or document required financial, programmatic, and FFATA reports may limit the awarding agency's ability to monitor grant performance, subaward activity, and compliance with award terms, and increases the risk of noncompliance with Federal requirements.

Repeat Finding: This is not a repeat finding.

Questioned Costs: None reported

Perspective: While no questioned costs were identified, the lack of documentation supporting submission of required reports, including FFATA reporting when applicable, increases the risk that the Organization may not be able to demonstrate compliance with reporting requirements on a timely basis. The issue reflects an opportunity to strengthen controls over identifying, tracking, preparing, reviewing, submitting, and retaining support for required grant reporting.

Recommendation: - It is recommended that the Foundation:

1. Develop and implement formal procedures for identifying reporting requirements under each Federal award, including FFATA reporting requirements when applicable.
2. Maintain a centralized tracking mechanism for required financial, programmatic, and FFATA reports and related due dates.
3. Retain documentation evidencing the preparation, review, submission, and, where applicable, confirmation of submission of required reports.
4. Establish a formal review process to help ensure reports are completed accurately and submitted timely in accordance with award requirements.

Management's response and corrective action plan (unaudited): See corrective action plan.

**THE OCEAN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section IV -Prior Year Financial Statement Findings

Finding 2024-001 - Financial Statement Audit

Criteria - Per generally accepted accounting principles (GAAP), financial statements must be free from material misstatement to present fairly, in all material respects, the financial position and results of operations of the Foundation.

Original condition - During the audit, it was noted that a material prior-period adjustment was required to correct a classification error in the Foundation's financial statements. Specifically, net assets previously reported as board-designated were determined not to be subject to donor restrictions. This error resulted in a misstatement in the presentation of net asset classifications in the prior-year financial statements.

Status - Corrected

Reason - The prior-year matter related to the presentation of net asset classifications. During the current-year audit, management evaluated the underlying cause of the prior-year misstatement and updated its financial reporting review procedures. No prior-period adjustment was required in the current year, and the financial statements are fairly stated in accordance with U.S. GAAP.

Anticipated completion date - Completed during the year ended June 30, 2025.

Planned corrective action - Management enhanced its financial statement review procedures and internal documentation related to net asset classification to prevent similar presentation issues in future periods.

Responsible person - Jennifer Stahl, outside accountant, with the support from the Financial Team and Executive Director.

Section V -Prior Year Federal Award Compliance Findings

Finding 2024-002: Reporting U.S. Department of State AL# 19.017 - Cash Management

Program Name: Environmental and Scientific Partnerships and Programs **Assistance Listing:** 19.017

Federal awarding agency: US Department of State

Pass-through Entity: N/A- Direct Award

Criteria - In accordance with 2 CFR 200.302 and 2 CFR 200.303, recipients of Federal awards must maintain effective internal control over Federal awards, including controls to ensure financial reports and reimbursement requests are accurate, supported, reviewed, and approved prior to submission.

Original condition - During the prior-year audit, two instances were identified in which advance funds were not disbursed within a reasonable period after receipt and were not maintained in an interest-bearing account. In addition, reimbursement requests lacked secondary approval and were not supported by detailed underlying expenditures at the time of submission.

**THE OCEAN FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Section V -Prior Year Federal Award Compliance Findings (Continued)

Status - See current year finding 2025-001.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
The Ocean Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Ocean Foundation, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the The Ocean Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the The Ocean Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the The Ocean Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

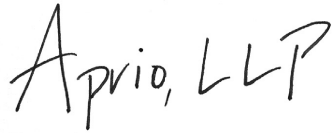
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the The Ocean Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprivo, LLP". The letters are cursive and somewhat stylized.

Walnut Creek, California
April 24, 2026



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Ocean Foundation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Ocean Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Ocean Foundation's major federal programs for the year ended June 30, 2025. The Ocean Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Ocean Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Ocean Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Ocean Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Ocean Foundation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Ocean Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Ocean Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Ocean Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Ocean Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Ocean Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on The Ocean Foundation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Ocean Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

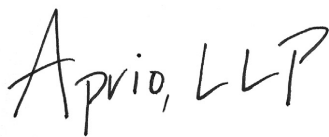
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The Ocean Foundation's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Ocean Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Walnut Creek, California
April 24, 2026

THE OCEAN FOUNDATION

Management Response and Corrective Action Plan

For the Year Ended June 30, 2025

The Ocean Foundation's management acknowledges the findings identified in the FY2025 audit and appreciates the thoroughness of Aprio's review. We are pleased to note that the FY2025 audit resulted in an unmodified opinion on the financial statements with no financial statement findings, and that the prior-year financial statement finding (2024-001) has been marked as corrected. These outcomes reflect real progress, and we submit this corrective action plan in the same spirit: with a commitment to continuing that progress through the two remaining federal compliance findings.

Two factors bear directly on those findings. First, the FY2025 audit was conducted immediately after the FY2024 audit, leaving the Foundation minimal time to absorb lessons from the prior audit and implement process changes before FY2025 fieldwork commenced. Second, the Foundation's current controller relationship with YPTC only began on April 1, 2025 — less than three months before the close of the fiscal year under review. YPTC has had limited time to fully assess, document, and improve the Foundation's compliance infrastructure, and the progress already made in that short period reflects both their expertise and their commitment to the Foundation's needs.

We offer this as an explanation, and not an excuse, for the findings described below — and as important context for why we are confident that the procedures now being established will be fully operational and demonstrable in the FY2026 audit.

The Foundation also underwent significant transitions in financial leadership between November 2024 and April 2025: moving from a full-time Financial Director, to a contract fractional CFO, to our current controller relationship with YPTC. This turnover disrupted the continuity of financial controls during a critical period. Since engaging YPTC, the Foundation has made meaningful infrastructure improvements, including:

- Migration from QuickBooks Desktop to QuickBooks Online, providing improved access, internal controls, and reporting capability
- Establishment of more structured month-end close procedures
- Strengthened review processes for grant-related accounts
- Additional systems and workflow improvements, including enhanced financial reporting and accounts payable processes

YPTC brings the continuity and expertise needed to sustain these improvements across a full audit cycle. The Foundation is also actively evaluating the capacity of its broader finance team and investing in further systems improvements in the coming year.

Overall responsibility for this corrective action plan rests with Mark J. Spalding, President & CEO, supported by Jennifer Stahl (YPTC) and Mia DeMezza, Senior Operations Consultant.

Finding 2025-001: Cash Management

Management's Response

The Foundation notes that advances received under the identified federal awards were allowable under the terms of those awards and that no unallowable expenditures were identified. The finding relates solely to the level of documentation maintained to link advance funds to specific program expenditures and to the identification of interest earned on advance funds. We acknowledge that both documentation practices can be strengthened and are committed to doing so in the future.

We recognize that related observations were identified in the FY2024 audit and acknowledge that the compressed timeline between the completion of that audit and the commencement of FY2025 fieldwork limited the implementation of procedural changes. The controls described below will be in place for the FY2026 audit cycle.

Regarding the questioned costs of \$2,828, representing estimated interest that should have been remitted to the federal agency, the Foundation will engage with the relevant federal agency to resolve this amount in accordance with applicable requirements.

Corrective Actions

1. The Foundation will strengthen its cash management documentation practices by pulling ledger detail to support each drawdown request in the future, providing a clear record linking advances to program expenditures. This practice will be consistently applied across all applicable federal awards.
2. Drawdown and reimbursement requests will include a secondary review before submission, with supporting documentation retained in the award file.
3. Advance funds will be held in an interest-bearing account unless a specific exemption applies. Interest earned on advance funds will be calculated annually, and any amount in excess of \$500 will be remitted to the appropriate federal payment system in accordance with 2 CFR §200.305.
4. Written cash management procedures will be finalized and communicated to relevant staff. These procedures will reflect the Foundation's operational structure and be calibrated to ensure compliance without imposing tracking requirements beyond federal guidance.

Responsible Party: YPTC, in coordination with Foundation management

Target Completion Date: Procedures will be operational for the FY2026 audit cycle

Finding 2025-002: Reporting

Management's Response

The Foundation acknowledges this finding. The reporting gaps identified — including missed quarterly report submissions and the absence of documentation confirming FFATA subaward reporting in SAM.gov — resulted from a period of significant staffing transition and the absence of a centralized, consistently monitored tracking system for award-specific reporting obligations. This finding was not identified in the FY2024 audit, and the Foundation takes the need to establish durable controls in this area seriously.

Specifically, the missed quarterly reporting occurred during the financial leadership transition described above, when no single staff member had clear, ongoing visibility across all active award reporting calendars. The FFATA gap reflects the absence of a systematic process to identify and track subaward reporting obligations at award initiation.

Regarding the specific FFATA subaward, the required information has since been entered in SAM.gov as of April 20, 2026.

Corrective Actions

5. The Foundation will update its existing grants calendar — already shared with program and project managers and directors — to incorporate all required financial, programmatic, and FFATA filing and monitoring dates for each active award. This calendar will serve as the centralized tracking mechanism for award reporting obligations.
6. The Foundation's revenue recognition form will be updated to include subaward and subrecipient identification at award initiation, ensuring that FFATA reporting obligations are flagged from the outset of each award.
7. Subrecipients will be isolated in the Foundation's general ledger to provide greater transparency and facilitate monitoring of subaward activity.
8. A compliance checklist for new awards will be established, incorporating reporting deadlines, FFATA obligations where applicable, and submission confirmation requirements. Documentation of report submissions will be retained in the award file.
9. The Foundation will conduct periodic internal reviews to confirm that reports due in the preceding period were submitted on time and that documentation is on file, with any exceptions escalated to senior management.

Responsible Party: YPTC, in coordination with Foundation management and program staff

Target Completion Date: Procedures will be operational for the FY2026 audit cycle

Closing Statement

The Ocean Foundation enters FY2026 with an unmodified audit opinion, no financial statement findings, a corrected prior-year finding, greater financial leadership stability than it has experienced in several years, and a meaningfully improved technology and systems infrastructure. The two federal compliance findings addressed above reflect a specific and

identifiable period of institutional disruption; the conditions that produced them have changed materially.

We are committed to demonstrating full resolution of these matters in the FY2026 audit cycle and welcome Aprio's continued engagement as we implement these improvements. Management will provide updates on implementation progress upon request.

Submitted by:



Mark J. Spalding, President & CEO

The Ocean Foundation

Date: April 24, 2026