

**THE OCEAN FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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, 2019, 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**

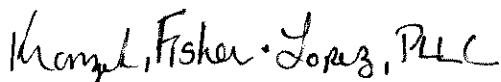
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019, 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 11, 2019

THE OCEAN FOUNDATION  
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	304,194
Investments		203,421
Receivables		2,600,987
Prepaid expenses		55,696
		3,164,298

PROPERTY AND EQUIPMENT

Equipment and software		113,284
Furniture and fixtures		2,041
Vehicles		17,895
		133,220
Less: accumulated depreciation		130,028
		3,192

OTHER ASSETS

Receivables, net of current		2,738,077
Intangible assets, net		23,292
Security deposits		12,042
		2,773,411

TOTAL ASSETS

\$ 5,940,901

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$	338,435
Line of credit		366,641
Tenant security deposit		3,100
Deferred rent liability (current portion)		10,379
Charitable gift annuity (current portion)		620
		719,175

OTHER LIABILITIES

Deferred rent liability (net of current)		110,668
Charitable gift annuity (net of current)		3,775
		114,443

TOTAL LIABILITIES

833,618

NET ASSETS

Without donor restrictions

Undesignated	\$	(920,142)
Designated by Board		3,618,794
		2,698,652

With donor restrictions - purpose restrictions

2,408,631

TOTAL NET ASSETS

5,107,283

TOTAL LIABILITIES AND NET ASSETS

\$ 5,940,901

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE &amp; SUPPORT</b>			
Grants & contributions	\$ 2,444,456	\$ 5,288,745	\$ 7,733,201
Program service revenue	759,947	-	759,947
Rental income	37,089	-	37,089
Investment income - net realized & unrealized gain/(loss)	21,186	-	21,186
Investment income - other	1,961	-	1,961
	<u>3,264,639</u>	<u>5,288,745</u>	<u>8,553,384</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,814,406	(4,814,406)	-
Total revenue & support	<u>8,079,045</u>	<u>474,339</u>	<u>8,553,384</u>
<b>EXPENSES</b>			
Program Services			
Protecting Marine Habitats	1,823,122	-	1,823,122
Protecting Species of Concern	2,140,588	-	2,140,588
Building Marine Community Capacity	1,618,215	-	1,618,215
Ocean Literacy	1,237,495	-	1,237,495
Total program expenses	<u>6,819,420</u>	<u>-</u>	<u>6,819,420</u>
Support Services			
Management & general	710,970	-	710,970
Fundraising	671,726	-	671,726
Total support expenses	<u>1,382,696</u>	<u>-</u>	<u>1,382,696</u>
Total expenses	<u>8,202,116</u>	<u>-</u>	<u>8,202,116</u>
CHANGE IN NET ASSETS (DEFICIT)	(123,071)	474,339	351,268
Beginning net assets	<u>2,821,723</u>	<u>1,934,292</u>	<u>4,756,015</u>
Ending net assets	<u>\$ 2,698,652</u>	<u>\$ 2,408,631</u>	<u>\$ 5,107,283</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 202,813	\$ 608,302	\$ 441,863	\$ 73,802	\$ 1,326,880	\$ -	\$ -	\$ 1,326,880
Salaries & wages	130,255	391,911	87,418	322,621	932,205	413,267	408,688	1,754,160
Payroll taxes	10,354	27,620	6,137	24,508	68,619	32,657	32,005	133,281
Employee benefits	22,777	45,766	13,339	40,172	122,054	64,778	55,939	242,771
Travel & carbon offsets	267,269	217,367	269,106	91,717	845,459	17,112	11,890	874,461
Conferences & meetings	104,600	9,967	106,264	19,987	240,818	2,957	7,161	250,936
Project & field expenses	38,909	233,616	112,870	31,077	416,472	1,103	626	418,201
Promotional merchandise	-	9,000	1,924	305	11,229	-	3,708	14,937
Scientific & technical consultants	2,195	2,692	1,964	11,910	18,761	8,436	7,063	34,260
Research & advocacy fees	-	-	1,990	-	1,990	-	-	1,990
Communications & design fees	145,935	27,884	16,632	10,322	200,773	-	326	201,099
Web hosting, design & maint	5,809	228	13,800	13,194	33,031	10	6,112	39,153
Program mgt & support fees	809,579	434,920	445,281	522,174	2,211,954	27,866	40,527	2,280,347
Legal fees	3,764	4,475	2,635	3,990	14,864	14,024	3,313	32,201
Accounting	2,544	3,121	4,338	5,045	15,048	9,779	2,310	27,137
Insurance	7,466	8,594	5,068	3,885	25,013	26,971	6,371	58,355
Office expenses, supplies, equip	8,134	10,321	10,746	15,169	44,370	13,563	4,189	62,122
Occupancy	15,870	19,465	21,308	17,692	74,335	60,998	56,228	191,562
Telephone & internet	18,871	14,501	3,739	5,529	42,640	4,980	1,176	48,796
Printing & duplicating	5,553	2,292	1,317	2,962	12,124	1,685	2,192	16,001
Postage & delivery	1,956	1,847	36,716	2,958	43,477	94	3,823	47,394
Dues, books & subscriptions	3,503	1,137	6,717	4,247	15,604	741	9,183	25,528
Bank & donation processing fees	12,890	4,584	5,171	4,307	26,952	2,634	5,507	35,093
Depreciation & amortization	526	645	380	290	1,841	2,020	477	4,338
Advertising	39	58,643	412	8,762	67,856	-	1,660	69,516
Licenses, taxes & fees	1,511	1,690	1,080	770	5,051	5,295	1,251	11,597
	\$ 1,823,122	\$ 2,140,588	\$ 1,618,215	\$ 1,237,485	\$ 6,819,420	\$ 710,970	\$ 671,726	\$ 8,202,116

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 6,564,508
Cash received from program service revenue	766,958
Interest received	672
Cash received from subtenant	37,089
Cash paid to employees and vendors	<u>(8,344,524)</u>
Net cash used by operating activities	(975,297)
Cash flows from investing activities:	
Cash paid for website development	<u>(23,292)</u>
Net cash used by investing activities	(23,292)
Cash flows from financing activities:	
Net borrowings on line of credit	<u>225,560</u>
Net cash provided by investing activities	225,560
Net decrease in cash and cash equivalents	(773,029)
Cash and cash equivalents - July 1, 2018	<u>1,077,223</u>
Cash and cash equivalents - June 30, 2019	<u>\$ 304,194</u>
Reconciliation of increase in net assets to net cash used by operating activities:	
Change in net assets	\$ 351,268
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Net unrealized gain on investments	(23,163)
Net reinvested investment income	(1,289)
Depreciation	4,338
Changes in assets and liabilities:	
Increase in receivables	(1,161,061)
Increase in prepaid expenses	(26,537)
Decrease in accounts payable & accrued expenses	(112,260)
Decrease in deferred rent liability	(5,973)
Decrease in charitable annuity	<u>(620)</u>
Net cash used by operating activities	<u>\$ (975,297)</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**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**

Change in Accounting Principle – In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities, which requires not-for-profit entities to revise the financial presentation to include: net asset classifications, provide quantitative and qualitative information as to available resources and management of liquidity and liquidity risk, information on investment expenses and returns, and the presentation of operating cash flows. The standard aims to help the reader of the financial statements to better understand the financial position of the organization and enhance consistency among similar organization. The organization adopted the new standard as of June 30, 2019, and there were no material changes to the statement of financial position, activities or cash flows as a result of the adoption.

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 Assets 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.



THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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

Intangible Assets – Intangible assets consist of costs related to the design and development of the organization's website, net of accumulated amortization. As of June 30, 2019 the website was not available for use as intended by management and had not been amortized. Once the website is active, 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.

Fair Value of Financial Instruments - The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 8 for a description of financial instruments carried at fair value.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

The organization leases sixty percent of the 5<sup>th</sup> Floor at 1320 19th Street, NW, Washington, DC as its office space under a ten-year and ten month lease effective May 1, 2014 and expiring February 28, 2025. Monthly base rent payments under the new lease will be abated 100% for the first five months and 50% for the subsequent ten months. The rent abatement to be recognized will be \$111,426, and will be amortized over the life of the lease as a reduction to rent expense.

The organization's minimum lease commitment as of June 30, 2019 contained in the lease is as follows:

For the year ending June 30, 2020	\$151,247
June 30, 2021	155,784
June 30, 2022	160,457
June 30, 2023	165,269
June 30, 2024	170,227
June 30, 2025	<u>116,308</u>
Total	\$ 919,292

Monthly rent expense to be recognized over the lease on a straight-line basis will be \$11,739 (\$1,526,057 divided by 130 months).

The difference between the monthly rent expense and the net minimum rent payments throughout the term of the lease is being adjusted to deferred rent liability. The balance in deferred rent liability was \$121,047.

The organization subleases a portion of its office space for basic monthly rent payments of \$3,195 thru May 31, 2020.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

**NOTE 4 – LINE OF CREDIT**

The organization received a \$500,000 bank line of credit on August 29, 2017. As of June 30, 2019, the outstanding balance on the line of credit was \$366,641. All advances are due in forty eight monthly installments including interest at the rate of 6%. All personal property, cash and other assets of the organization are collateralized for this line of credit. The organization used the funds in the line of credit to facilitate organizational activities until severely delayed payments from the funders arrived. The line of credit was paid off in August 2019.

**NOTE 5 – 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, 2019, the organization's cash balance in excess of FDIC insurance totaled \$8,590. Management periodically assesses the financial condition of the financial institution and believes that the risk of any credit loss is minimal.

**NOTE 6 – 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, 2019 was \$89,942.

**NOTE 7 – 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, 2019

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions - Board Designated</u>	<u>Fund Total</u>
<u>Protecting Marine Habitats</u>			
Deep Sea Mining Campaign	\$ -	\$ 10,919	\$ 10,919
Coral Reef	6,578	-	6,578
Polar Seas	6,308	-	6,308
Coast & Beaches	460	-	460
Coastal Coordination	116,743	-	116,743
Cuba Marine Research & Conservation	71,095	-	71,095
LSIESP	98,717	2,967	101,684
Friends of the Delta	2,343	-	2,343
High Seas Alliance FSF	306,827	1,286,993	1,593,820
Friends of GA Strait Alliance	207	-	207
SURMAR-ASIMAR	88,599	25,500	114,099
W. Henry Coral Reef DAF	-	37,216	37,216
Deborah Williams DAF	-	30,261	30,261
Sub-total Protecting Marine Habitats	<u>\$697,877</u>	<u>\$1,393,856</u>	<u>\$2,091,733</u>
<u>Protecting Species of Concern</u>			
Friends of Havenworth Coastal Conserv.	\$ 27,033	\$ -	\$ 27,033
Sea Life FIF	95	-	95
Sharks & Rays FIF	116	-	116
International Fisheries Conservation	522,134	917,826	1,439,960
Sea Turtle Census Initiative	-	99,977	99,977
Marine Mammal	20,864	-	20,864
Sea Turtle FIF	1,204	-	1,204
Eastern Pacific Hawksbill Initiative	-	115,670	115,670
Shark Advocates International	159,412	139,944	299,356
ProCaguama	1,500	-	1,500
Tag-A-Giant	8,909	15,448	24,357
SmartFish International	71,550	-	71,550
Superfish Track Research Partnership	20,770	-	20,770
Friends of La Tortuga Viva	14,705	-	14,705
PLF Marine Mammal Research DAF	-	115,174	115,174
Boy N. Lyon Sea Turtle CAF	-	31,911	31,911
ISSF Sea Turtle CAF	-	65,359	65,359
The Wise Laboratory	-	180	180
Marine Mammal Commission CAF	-	-	-
N. Coast Breeding Mammal Fund CAF	-	7,906	7,906
Friends of Conservacion ConCiencia	148,484	147,076	295,560
Sub-total Protecting Species of Concern	<u>\$996,776</u>	<u>\$1,656,471</u>	<u>\$2,653,247</u>

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Bldg Marine Comm Capacity

The Acadia DAF	\$ -	\$ 39,973	\$ 39,973
Future Ocean Alliance FOF	50	-	50
Friends of Fundacion Tropicalia	8,221	-	8,221
Redfish Rocks Community	42,859	9,100	51,959
Blue Climate Solutions	-	23,756	23,756
Ocean Conservation Research	22,010	3,831	25,841
Friends of Sustainable Travel	2,147	-	2,147
Anonymous	-	78,721	78,721
Friends of Island Reach	155	-	155
Sub-total Bldg Marine Comm Capacity	<u>\$75,442</u>	<u>\$155,381</u>	<u>\$230,823</u>

Expanding Ocean Literacy

SEVENSEAS	\$ 803	\$ -	\$ 803
Friends of GOA-ON (CAF)	-	17,325	17,325
The Ocean Project	37,929	224,000	261,929
Ocean Connectors	187,552	139,052	326,604
Ocean Revolution	103,636	-	103,636
The Science Exchange	166,021	30,350	196,371
The Last Ocean Project	7,898	-	7,898
Inland Ocean Coalition	120,504	-	120,504
LivBlue	7,803	1,500	9,303
Deep Green Wilderness	6,390	-	6,390
Luke's Lobster DAF	-	859	859
Sub-total Expanding Ocean Literacy	<u>\$638,536</u>	<u>\$413,086</u>	<u>\$1,051,622</u>
Total Net Assets	<u>\$2,408,631</u>	<u>\$ 3,618,794</u>	<u>\$6,027,425</u>

Net assets were released from donor restrictions by incurring expenses or satisfying the purpose of time restriction specified by donors as shown below. In the case of the Anonymous Donor Advised Fund, the amount shown as released includes the reclassification of the fund from 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, 2019

Protecting Marine Habitats

Sustainable Restaurant Group DAF	\$	9,204
Deep Sea Mining Campaign		58,821
Coral Reef		459
Polar Seas		1,418
Coast & Beaches		1,325
Coastal Coordination		85,521
Cuba Marine Research & Conservation		120,875
LSIESP		101,500
Friends of the Delta		21,500
High Seas Alliance FSF		442,309
Belize DAF		57,344
Friends of GA Strait Alliance		15,462
Friends of Eco Alianza Loreto		12,389
SURMAR-ASIMAR		14,486
Friends of Song Saa		4,171
Sub-total Protecting Marine Habitats		<u>946,784</u>

Protecting Species of Concern

Friends of Havenworth Coastal Conservation	\$	2,789
Sea Life		17
Sharks & Rays		35
International Fisheries Conservation		383,843
Sea Turtle Census Initiative		324,465
Marine Mammal		(3,061)
Eastern Pacific Hawksbill Initiative		247,536
Shark Advocates International		323,438
ProCaguama		24,804
Tag-A-Giant		217,040
SmartFish International		146,162
Superfish Tracking Research Partnership		(15,770)
Friends of La Tortuga Viva		41,048
Friends of Grupo Tortuguero		9,999
Friends of Tortugueros Las Playitas		358
Friends of Iemanya		(3,580)
PLF Marine Mammal Research DAF		46,451
Boy N. Lyon Sea Turtle CAF		2,545
ISSF Sea Turtle CAF		48,762
The Wise Laboratory		24,384
Marine Mammal Commission CAF		39
N. Coast Brewing Mammal Fund CAF		46,920
Friends of Conservacion ConCiencia		329,512
Sub-total Protecting Species of Concern		<u>2,197,736</u>

THE OCEAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

Bldg Marine Comm Capacity

Big Ocean	\$ 21,845
The Acadia DAF	50,027
SeaWeb Communications	28,296
eNGO Fisheries Coalition	134,247
Future Ocean Alliance FOF	900
Friends of Fundacion Tropicalia	1,191
Redfish Rocks Community	37,508
Blue Climate Solutions	5,550
Ocean Conservation Research	112,953
Unchartered Blue	2,500
Friends of Sustainable Travel	90,968
Friends of Pro Esteros	59,943
Friends of Island Reach	31,653
Friends of Trezco Systems	5,433
Sub-total Bldg Marine Comm Capacity	<u>583,014</u>

Expanding Ocean Literacy

earthDECKS.org	\$ 35,056
Friends of Environmental Sculpture	767
SEVENSEAS	7,660
Friends of GOA-ON CAF	44,451
The Ocean Project	439,640
Ocean Connectors	242,561
Ocean Revolution	101,180
The Science Exchange	54,237
The Last Ocean Project	2,501
Inland Ocean Coalition	111,599
LivBlue	7,487
Deep Green Wilderness FOF	30,634
Hello Ocean	32
Luke's Lobster DAF	9,067
Sub-total Expanding Ocean Literacy	<u>1,086,872</u>

Total Purpose Restricted Net Assets	
Released and Reclassified	<u>\$ 4,814,406</u>

**NOTE 8 – 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. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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

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, 2019:

Assets Measured at Fair Value

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 9,932	\$ 9,932	\$ -	\$ -
Equities	12,794	12,794	-	-
Partnership	<u>190,627</u>	<u>-</u>	<u>-</u>	<u>190,627</u>
	<u>\$213,353</u>	<u>\$22,726</u>	<u>\$ -</u>	<u>\$190,627</u>

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

Money Market Fund – is valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Money Market Funds seek a stable \$1.00 net asset value. The net asset value is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

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

Partnership – Interest in Rockefeller Ocean Fund, L.P. is valued at the current market value of the organization's interest in the underlying securities which make up the assets in the partnership's portfolio.

The Organization provides Rockefeller Financial with specialized insight and research on marine trends, risks and opportunities, as well as analysis and thought-leadership on marine conservation initiatives. Applying this research alongside its internal asset management capabilities, Rockefeller's experienced investment team works to identify best-in-class public companies whose businesses are involved across the board spectrum of the ocean network globally. The strategy seeks investment opportunities in diverse industries ranging from

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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, 2019.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2018 balance	\$170,160
Purchases/Fees	(325)
Investment income – other	<u>20,792</u> *
June 30, 2019 balance	<u>\$190,627</u>

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

**NOTE 9 – INCOME TAXES**

The organization is exempt from income taxes under Internal Revenue Code 501(c)(3) and applicable DC statutes. No provision for income taxes is required at June 30, 2019, 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, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 remains open with federal and DC authorities

**NOTE 10 - 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.

Financial assets, at year end	\$3,269,427
Less those unavailable for general expenditures within one year due to:	
Restriction by donor for purpose	(2,408,631)
Board designated funds not available for TOF	<u>(1,689,740)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>(\$ 828,944)</u>



THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

**NOTE 10 – LIQUIDITY (CONTINUED)**

As demonstrated above, the organization does have liquid assets to finance its operations although at June 30, 2019, all liquid assets were with donor restrictions or without donor restrictions – board designated. 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 donor restrictions to be spent on designated programs. The organization is currently fundraising to generate contributions without donor restrictions, to reimburse these projects and fund ongoing operations.

**NOTE 11 – SUBSEQUENT EVENTS**

The organization's management has evaluated subsequent events through November 11, 2019, the date the financial statements were available to be issued. There were no subsequent events identified through November 11, 2019, required to be disclosed in these financial statements.