

**THE OCEAN FOUNDATION
FINANCIAL STATEMENTS**

JUNE 30, 2015

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

THE OCEAN FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2015

THE OCEAN FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Ocean Foundation

We have audited the accompanying financial statements of The Ocean Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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

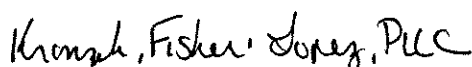
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


KRONZEK, FISHER & LOPEZ, PLLC
Washington, DC
October 16, 2015

THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,530,940
Investments	133,812
Receivables	2,445,505
Prepaid expenses	24,655
	<u>4,134,912</u>
PROPERTY AND EQUIPMENT	
Equipment and software	100,271
Furniture and fixtures	2,041
Vehicles	17,895
	<u>120,207</u>
Less: accumulated depreciation	108,277
	<u>11,930</u>
OTHER ASSETS	
Intangible assets, net	30,638
Security deposits	12,042
	<u>42,680</u>
TOTAL ASSETS	<u>\$ 4,189,522</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable & accrued expenses	\$ 127,156
Unearned revenue	52,877
Tenant security deposit	3,100
	<u>183,133</u>
OTHER LIABILITIES	
Deferred rent liability	<u>114,203</u>
TOTAL LIABILITIES	297,336
NET ASSETS	
Unrestricted - Non Designated	(559,660)
- Board Designated	2,068,403
Temporarily Restricted	<u>2,383,443</u>
TOTAL NET ASSETS	<u>3,892,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,189,522</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Grants & contributions	\$ 1,261,113	\$ 5,393,525	\$ 6,654,638
Program service revenue	431,718	-	431,718
Investment income - net realized & unrealized gain/(loss)	(6,712)	-	(6,712)
Investment income - other	1,450	-	1,450
Rental income	42,400	-	42,400
	<u>1,729,969</u>	<u>5,393,525</u>	<u>7,123,494</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,244,674	(4,244,674)	-
Total revenue & support	<u>5,974,643</u>	<u>1,148,851</u>	<u>7,123,494</u>
EXPENSES			
Program Services			
Protecting Marine Habitats	892,524	-	892,524
Protecting Species of Concern	1,588,377	-	1,588,377
Building Marine Community Capacity	887,438	-	887,438
Ocean Literacy	953,918	-	953,918
Other Program Services	653,442	-	653,442
Total program expenses	<u>4,975,699</u>	<u>-</u>	<u>4,975,699</u>
Support Services			
Management & general	672,768	-	672,768
Fundraising	172,146	-	172,146
Total support expenses	<u>844,914</u>	<u>-</u>	<u>844,914</u>
Total expenses	<u>5,820,613</u>	<u>-</u>	<u>5,820,613</u>
CHANGE IN NET ASSETS (DEFICIT)	154,030	1,148,851	1,302,881
Beginning net assets	<u>1,354,713</u>	<u>1,234,592</u>	<u>2,589,305</u>
Ending net assets	<u>\$ 1,508,743</u>	<u>\$ 2,383,443</u>	<u>\$ 3,892,186</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Protecting Marine Habitats	Protecting Species of Concern	Building Marine Community Capacity	Expanding Ocean Literacy	Other Program Services	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 116,545	\$ 358,195	\$ 655,285	\$ 174,099	\$ 40,000	\$ 1,344,124	\$ 5,739	\$ -	\$ 1,349,863
Salaries & wages	105,507	280,601	32,833	186,280	182,209	787,430	278,546	63,776	1,129,752
Payroll taxes	8,152	22,322	2,388	15,114	14,431	62,407	20,256	4,638	87,301
Employee benefits	15,092	35,250	4,670	23,511	29,039	107,562	39,618	9,102	156,282
Training & development	845	188	83	6,300	13	7,429	277	63	7,769
Travel & carbon offsets	72,288	135,247	16,528	52,670	51,797	328,530	11,655	12,670	352,855
Conferences & meetings	20,384	29,877	4,920	25,322	6,529	87,032	10,289	8,883	106,204
Project & field expenses	41,070	112,869	-	25,822	509	180,270	-	-	180,270
Educational merchandise	-	-	1,937	-	-	1,937	-	-	1,937
Scientific & technical consultants	60,744	46,405	-	500	-	107,649	-	-	107,649
Research & advocacy fees	10,500	12,533	108	1,049	22	24,212	-	-	24,212
Communications & design fees	33,236	3,293	5,613	32,821	22,905	97,868	8,170	4,371	110,409
Web hosting, design & maint	5,203	22,215	3,034	15,498	731	46,681	14,746	3,376	64,803
Program mgt & support fees	322,232	434,057	118,748	308,737	293,311	1,477,085	84,093	19,254	1,580,432
Legal fees	2,231	3,320	875	1,808	368	8,602	7,425	1,700	17,727
Accounting & bookkeeping svcs	11,330	22,333	7,914	12,329	3,330	57,236	67,140	15,372	139,748
Insurance	3,744	7,457	2,615	15,552	1,100	30,468	22,184	5,079	57,731
Office expenses, supplies, equip	11,609	9,955	2,665	4,613	874	29,716	2,704	619	33,039
Occupancy	13,649	29,646	15,851	22,503	3,556	85,205	71,695	16,415	173,315
Telephone & internet	8,269	8,865	1,070	3,963	152	22,319	3,065	702	26,086
Printing & duplicating	12,316	573	751	4,082	91	17,813	1,417	1,251	20,481
Postage & delivery	3,614	1,211	1,551	1,061	1,032	8,469	745	517	9,731
Dues, books & subscriptions	1,382	2,887	2,685	9,024	459	16,437	3,205	734	20,376
Bank & donation processing fees	4,492	4,382	1,815	2,735	433	13,857	2,391	602	16,850
Depreciation & amortization	1,242	2,448	2,856	7,316	365	14,227	7,360	1,685	23,272
Advertising	6,269	1,106	215	79	16	7,685	320	551	8,556
Licenses, taxes & fees	579	1,142	428	1,130	170	3,449	3,432	786	7,567
Exchange rate differential	-	-	-	-	-	-	6,296	-	6,296
	\$ 892,524	\$ 1,588,377	\$ 887,438	\$ 953,918	\$ 653,442	\$ 4,975,699	\$ 672,768	\$ 172,146	\$ 5,820,613

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 5,391,847
Cash received from program service revenue	420,338
Interest received	1,042
Cash received from subtenant	42,940
Cash paid to employees and vendors	(5,767,644)
Net cash provided by operating activities	<u>88,523</u>
Cash flows from investing activities:	
Cash received from sale of donated stock	98,544
Cash used to acquire vehicle	(17,895)
Cash used for website development costs	(45,957)
Net cash provided by investing activities	<u>34,692</u>
Net increase in cash and cash equivalents	123,215
Cash and cash equivalents - July 1, 2014	<u>1,407,725</u>
Cash and cash equivalents - June 30, 2015	<u>\$ 1,530,940</u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Change in net assets	\$ 1,302,881
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized loss on investments	6,712
Net reinvested dividends	(408)
Donated stock	(99,925)
Depreciation & amortization	23,272
Changes in assets and liabilities:	
Increase in receivables	(1,222,723)
Increase in prepaid expenses	(11,868)
Decrease in accounts payable & accrued expenses	(53,020)
Increase in unearned revenue	52,877
Increase in deferred rent liability	<u>90,725</u>
Net cash provided by operating activities	<u>\$ 88,523</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - ORGANIZATION

The Ocean Foundation is a non-profit organization, incorporated in California in 2001 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation – The financial statement presentation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition – Grants and contributions are recognized when an unconditional grant or contribution has been awarded, or when the organization has satisfied the requirements of the condition. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence of any donor restrictions.

Unrestricted grants & contributions are recognized in the unrestricted fund when awarded. Grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When the provisions of the restriction have been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization had no permanently restricted grants

Cash and Cash Equivalents – The organization considers cash equivalents to be highly liquid investments with original maturities at time of purchase of less than 90 days.

Furniture, Equipment & Software – Furniture, Equipment & Software is recorded at cost of acquisition or fair market value of donation. Depreciation on such fixed assets is determined by the straight-line method based on an estimated useful life of three to seven years.

Intangible Assets – Intangible assets consist of costs related to the design and development of the organization's website, net of accumulated amortization. Amortization begins when the website is available for use as intended by management. Amortization will be computed over an estimated useful life of three years. Costs associated with maintaining the website will be expensed as incurred.

Functional expenses - The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, insurance, etc).

Fair Value of Financial Instruments - The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 5 for a description of financial instruments carried at fair value.

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

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The organization leases sixty percent of the 5th Floor at 1320 19th Street, NW, Washington, DC as its office space under a ten-year and ten month lease effective May 1, 2014 and expiring February 28, 2025. Monthly base rent payments under the new lease were 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, 2015 contained in the lease is as follows:

For the year ending June 30, 2015	\$ 50,142
June 30, 2016	128,809
June 30, 2017	138,410
June 30, 2018	142,564
June 30, 2019	146,840
June 30, 2020	151,247
June 30, 2021	155,784
June 30, 2022	160,457
June 30, 2023	165,269
June 30, 2024	170,227
June 30, 2025	<u>116,308</u>
Total	\$1,526,057

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

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 \$114,203 as of June 30, 2015.

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

NOTE 4 – TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

The organization’s purpose is to encourage and facilitate a variety of philanthropic and programmatic work to preserve the health of the Oceans, globally. To further this goal, the organization manages a variety of funds some of which actively conduct programs and some of which raise and grant money to further various important Ocean conservation goals.

The organization designates its Net Assets in three categories: Temporarily Restricted, Unrestricted - Board Designated, and Unrestricted – Non Designated. The organization has no permanently restricted net assets.

It uses the category of “Unrestricted - Board Designated” for two types of situations. In the first type of situation, a fund will generate program service revenue, which, as earned income rather than support, is not restricted, but the Board has designated that funds may keep their revenues, and therefore that part of a fund’s balance is characterized as “Unrestricted - Board Designated.” In the second situation, the organization has a donor advised fund which has goals which are as broad as the world’s Oceans, identical to the exempt purpose of the organization itself. However, since a key strategy in encouraging philanthropic support for the Oceans is to nurture and develop various types of funds including donor advised funds, the organization has designated the broad donor advised fund’s net assets as “Unrestricted - Board Designated.”

Temporarily Restricted and Unrestricted – Board Designated Net Assets are available for the following purposes:

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Protecting Marine Habitats</u>			
Friends of Bica Guanaja	\$ 27	\$ -	\$ 27
Friends of Seaflower	228	-	228
Deep Sea Mining Campaign	39,457	-	39,457
Oregon Marine Reserve Partnership FSF	113,725	168,309	282,034
Coral Reef	86,664	-	86,664
Polar Seas	875	-	875
Coast & Beaches	18,245	3,380	21,625
Coastal Coordination	59,886	201	60,087
Cuba Marine Research & Conservation	62,101	24,718	86,819
LSIESP	88,616	2,420	91,036
Friends of the Delta	53,546	-	53,546
High Seas Alliance FSF	145,978	-	145,978
Belize DAF	-	117,378	117,378
Friends of GA Strait Alliance	134	-	134
Friends of Eca Alianza Loreto	20,947	-	20,947
Friends of Jamaica Env't Trust	728	-	728
Friends of SINADES	3,158	-	3,158
SURMAR-ASIMAR	36,804	26,980	63,784
W. Henry Coral Reef DAF	-	189,577	189,577
Deborah Williams DAF	-	38,261	38,261
Aliso Creek Estuary Restoration	270,000	-	270,000
Friends of Song Saa	76	-	76
Sub-total Protecting Marine Habitats	<u>\$1,001,195</u>	<u>\$571,224</u>	<u>\$1,572,419</u>
<u>Protecting Species of Concern</u>			
Rebuilding US Fisheries	\$ 18,131	\$ -	\$ 18,131
The Lost Years FSF	12,591	-	12,591
Global Tuna Conservation	405,318	163,783	569,101
Sea Turtle Bycatch	-	68,739	68,739
Marine Mammal	472	-	472
Sea Turtle FIF	395	-	395
Eastern Pacific Hawksbill Initiative	-	242,798	242,798
Shark Advocates International	62,057	-	62,057
ProCaguama	-	5,940	5,940
Tag-A-Giant	12,877	36,104	48,981
Atlantic Salmon-Lost at Sea	17,476	-	17,476
SmartFish International	267,272	-	267,272
Friends of La Tortuga Viva	3,649	-	3,649
Friends of Grupo Tortuguero	9,923	-	9,923
Friends of Tortugueros Las Playitas	4,653	-	4,653
Friends of Iemanya	22,750	-	22,750
PLF Marine Mammal Research DAF	-	80,534	80,534
Boy N. Lyon Sea Turtle CAF	-	37,306	37,306
ISSF Sea Turtle CAF	-	41,880	41,880
The Wise Laboratory	10,049	8,088	18,137
Sub-total Protecting Species of Concern	<u>\$847,613</u>	<u>\$685,172</u>	<u>\$1,532,785</u>

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

Bldg Marine Comm Capacity

Conservation Media Group CAF	\$ -	\$ 427,480	\$ 427,480
Future Ocean Alliance FOF	3,650	-	3,650
Friends of Ocean Initiative	1,400	-	1,400
Friends of Tropicalia	11,564	-	11,564
World Ocean	1,800	-	1,800
Blue Climate Solutions	26,043	-	26,043
Ocean Conservation Research	20,832	7,450	28,282
SEetheWILD	22	-	22
Anonymous	-	144,721	144,721
Friends of Pro Esteros	455	-	455
Friends of Island Reach	1,476	-	1,476
Sub-total Bldg Marine Comm Capacity	<u>\$67,242</u>	<u>\$579,651</u>	<u>\$646,893</u>

Expanding Ocean Literacy

Friends of GOA-ON CAF	\$ -	\$ 10,605	\$ 10,605
Friends of Virginia Divearium	(10)	-	(10)
The Ocean Project	90,808	176,232	267,040
Ocean Connectors	21,928	29,500	51,428
Ocean Revolution	118,961	-	118,961
The Science Exchange	152,452	14,979	167,431
The Last Ocean Project	44,145	-	44,145
Colorado Ocean Coalition	32,678	40	32,718
LivBlue	726	1,000	1,726
Sonar and Whales FSF	5,599	-	5,599
Ocean Courier FSF	106	-	106
Sub-total Expanding Ocean Literacy	<u>\$467,393</u>	<u>\$232,356</u>	<u>\$699,749</u>

Total Net Assets	<u>\$ 2,383,443</u>	<u>\$ 2,068,403</u>	<u>\$ 4,451,846</u>
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Net assets were released from donor restrictions by incurring expenses or satisfying the purpose of time restriction specified by donors as shown below. In the case of the Anonymous Donor Advised Fund, the amount shown as released includes the reclassification of the fund from Temporarily Restricted to Unrestricted – Board Designated based on the broad purposes discussed above.

Protecting Marine Habitats

Friends of Bica Guanaja	\$ 498
Friends of Seaflower	27
Deep Sea Mining Campaign	42,556
Ocean Defense FSF	6,898
Oregon Marine Reserve Partnership FSF	(7,034)
Oregon Marine Reserve Partnership CAF	206,000
Coral Reef	15,650
Polar Seas	40,101
Coast & Beaches	2,136
Coastal Coordination	93,265
Cuba Marine Research & Conservation	226,021
LSIESP	91,335
Guanaja Mangrove Restoration	1,062

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

Protecting Marine Habitats

Friends of the Delta	96,344
High Seas Alliance FSF	77,151
Friends of GA Strait Alliance	1,603
Friends of Eca Alianza Loreto	871
Friends of Jamaica Env't Trust	2,542
Friends of SINADES	312
SURMAR-ASIMAR	11,529
W. Henry Coral Reef DAF	10,076
Deborah Williams DAF	3,700
Coastal CODE CAF	5,000
FutureSea Oregon FOF	(900)
Aliso Creek Estuary Restoration	30,000
Friends of Song Saa	924
Sub-total Protecting Marine Habitats	\$ 957,667

Protecting Species of Concern

Rebuilding US Fisheries	\$ 56,869
The Lost Years FSF	19,323
Global Tuna Conservation	260,059
Sea Turtle Bycatch	48,992
Marine Mammal	13,867
Sea Turtle FIF	5,763
Eastern Pacific Hawksbill Initiative	238,614
Shark Advocates International	100,951
ProCaguama	35,593
Tag-A-Giant	55,641
Atlantic Salmon-Lost at Sea	1,000
SmartFish International	256,352
Friends of La Tortuga Viva	11,090
Friends of Grupo Tortuguero	12
Friends of Tortugueros Las Playitas	319
Friends of Iemanya	107,450
PLF Marine Mammal Research DAF	173,815
Boy N. Lyon Sea Turtle CAF	2,530
ISSF Sea Turtle CAF	104,701
The Wise Laboratory	(16,137)
Sub-total Protecting Species of Concern	1,476,804

Bldg Marine Comm Capacity

Conservation Media Group CAF	\$ 372,520
Future Ocean Alliance FOF	1,800
Friends of Ocean Initiative	10,100
Friends of Tropicalia	1,501
World Ocean	247,291
Blue Cloud Spatial	5,964

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

<u>Bldg Marine Comm Capacity</u>	
Blue Climate Solutions	23,929
Ocean Conservation Research	84,566
SEetheWILD	78,232
Friends of Pro Esteros	49,554
Friends of Island Reach	40,197
Luso-American Development FDN FOF	(801)
Anonymous	10,000
Sub-total Bldg Marine Comm Capacity	<u>924,853</u>

Expanding Ocean Literacy

Friends of GOA-ON CAF	\$ 59,092
Friends of Ocean Classrooms	900
Friends of Virginia Divearium	922
The Ocean Project	352,044
Ocean Connectors	88,050
Ocean Revolution	211,418
Friends of Ocean Doctor	19,617
The Science Exchange	28,677
The Last Ocean Project	1,004
Colorado Ocean Coalition	44,000
LivBlue	52,480
Sonar and Whales FSF	21,901
Friends of Conch Aid	900
Deep Green Wilderness FOF	901
Ocean Courier FSF	3,444
Sub-total Expanding Ocean Literacy	<u>885,350</u>

Total Purpose Restricted Net Assets Released and Reclassified	<u>\$ 4,244,674</u>
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NOTE 5 – FAIR VALUE MEASUREMENTS

The organization follows FASB ASC 820-10 for financial assets (and liabilities) measured on a recurring basis, effective January 1, 2008. FASB ASC 820-10 clarifies fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. FASB ASC 820-10 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, as a basis for considering market participant assumptions in fair value measurements, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, through corroboration with observable market data (market corroborated inputs).

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2015:

Assets Measured at Fair Value

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 10,090	\$10,090	\$ -	\$ -
Partnership	<u>133,812</u>	<u>-</u>	<u>-</u>	<u>133,812</u>
	<u>\$143,902</u>	<u>\$10,090</u>	<u>\$ -</u>	<u>\$133,812</u>

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

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

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

The Organization provides Rockefeller Financial with specialized insight and research on marine trends, risks and opportunities, as well as analysis and thought-leadership on marine conservation initiatives. Applying this research alongside its internal asset management capabilities, Rockefeller's experienced investment team works to identify best-in-class public companies whose businesses are involved across the board spectrum of the ocean network globally. The strategy seeks investment opportunities in diverse industries ranging from maritime transportation, manufacturing and industrial services, healthcare, ocean energy, water and wastewater utilities, water pumps and valves, remote sensing, leak monitoring, consulting as well as engineering for water infrastructure and technologies to maximize water supplies through purification and metering.

The following table presents the Organization's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the year ended June 30, 2015.

<u>Change in Level 3 Category</u>	<u>Interest in Limited Partnership</u>
July 1, 2014 balance	\$138,735
Purchases	-
Net unrealized gains (losses)	(5,331)
Net investment income – other	<u>408 *</u>
June 30, 2015 balance	<u>\$133,812</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 6 – CONCENTRATION OF CREDIT RISK

The organization maintains cash balances in excess of \$250,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015, the organization's cash balance in excess of FDIC insurance totaled \$1,020,850.

NOTE 7 – RETIREMENT PLAN

The Organization offers eligible employees the option of investing in a tax-deferred 401(k) retirement plan. Employee elective deferrals are allowed after one year of service. The Organization will contribute, at its sole discretion, an amount determined from year to year on a pro rata basis. The employer contributions vest over a five year period. Pension expense for the fiscal year ended June 30, 2015 was \$71,148.

NOTE 8 – INCOME TAXES

The organization is exempt from income taxes under Internal Revenue Code 501(c)(3) and applicable DC statutes. No provision for income taxes is required at June 30, 2015, 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, 2015, 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, 2015, the statute of limitations for tax years 2011 through 2013 remains open with federal and DC authorities

NOTE 9 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through October 16, 2015, the date the financial statements were available to be issued. There were no subsequent events identified through October 16, 2015, required to be disclosed in these financial statements.