

**Ocean Conservancy, Inc.**

Financial Statements  
Including Uniform Guidance Reports  
and Independent Auditor's Report

June 30, 2022 and 2021

# Ocean Conservancy, Inc.

Financial Statements  
June 30, 2022 and 2021

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Ocean Conservancy, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Ocean Conservancy, Inc. (OC), which comprise the statements of financial position as of June 30, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 OC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, OC early adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases* and all subsequent ASUs that modified ASC 842. OC has applied the modified retrospective method to adopt this standard during the year ended June 30, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

### ***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 OC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 GAAS 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 OC'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.

***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OC'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 and Other 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 (CFR) 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 accompanying supplementary information 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 our report dated October 26, 2022, on our consideration of OC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 OC'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 OC's internal control over financial reporting and compliance.



Vienna, Virginia  
October 26, 2022

**Ocean Conservancy, Inc.**

Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash	\$ 25,664,233	\$ 11,119,598
Investments	46,377,386	48,877,654
Accounts receivable	556,165	339,164
Grants receivable	931,155	1,203,580
Contributions receivable, net	8,742,868	18,612,284
Bequests and trusts receivable	1,690,872	2,035,351
Charitable remainder trusts receivable, net	985,430	1,149,032
Prepaid expenses	1,088,465	154,319
Deferred compensation plan assets	209,082	184,284
Property and equipment, net	1,080,483	9,701
Right of use asset for operating leases, net	7,191,831	-
Deposits	446,458	376,675
Other assets	57,802	92,802
	\$ 95,022,230	\$ 84,154,444
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,343,322	\$ 2,784,850
Charitable gift annuities	1,093,549	1,038,682
Lease liability for operating leases	7,627,004	-
Deferred rent	-	377,591
Deferred compensation plan liabilities	209,082	184,284
	14,272,957	4,385,407
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	10,835,900	8,826,335
Board-designated	39,009,818	39,788,725
	49,845,718	48,615,060
Total without donor restrictions		
With donor restrictions:		
Purpose and time restrictions	27,563,920	27,814,342
Perpetual in nature	3,339,635	3,339,635
	30,903,555	31,153,977
Total with donor restrictions		
Total net assets	80,749,273	79,769,037
Total liabilities and net assets	\$ 95,022,230	\$ 84,154,444

*See accompanying notes.*

**Ocean Conservancy, Inc.**

Statement of Activities  
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions, grants, and bequests	\$ 24,939,334	\$ 23,157,059	\$ 48,096,393
In-kind contributions	-	459,908	459,908
List rental income	64,093	-	64,093
Royalties	205,750	-	205,750
Other income	117,513	-	117,513
Net assets released from restrictions	23,186,391	(23,186,391)	-
<b>Total revenue and support</b>	<b>48,513,081</b>	<b>430,576</b>	<b>48,943,657</b>
<b>Expenses</b>			
Program services:			
Science, policy, and outreach	12,841,965	-	12,841,965
Marine ecosystem protection	4,517,821	-	4,517,821
Trash free seas	9,414,035	-	9,414,035
Climate	5,083,049	-	5,083,049
<b>Total program services</b>	<b>31,856,870</b>	<b>-</b>	<b>31,856,870</b>
Supporting services:			
Fundraising and membership development	5,542,533	-	5,542,533
Management and administration	3,753,886	-	3,753,886
<b>Total supporting services</b>	<b>9,296,419</b>	<b>-</b>	<b>9,296,419</b>
<b>Total expenses</b>	<b>41,153,289</b>	<b>-</b>	<b>41,153,289</b>
Change in net assets before net investment return	7,359,792	430,576	7,790,368
Investment return, net	(6,129,134)	(680,998)	(6,810,132)
<b>Change in Net Assets</b>	<b>1,230,658</b>	<b>(250,422)</b>	<b>980,236</b>
<b>Net Assets, beginning of year</b>	<b>48,615,060</b>	<b>31,153,977</b>	<b>79,769,037</b>
<b>Net Assets, end of year</b>	<b>\$ 49,845,718</b>	<b>\$ 30,903,555</b>	<b>\$ 80,749,273</b>

See accompanying notes.

**Ocean Conservancy, Inc.**

Statement of Activities  
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions, grants, and bequests	\$ 23,044,076	\$ 30,088,432	\$ 53,132,508
In-kind contributions	-	496,885	496,885
List rental income	47,871	-	47,871
Royalties	504,467	-	504,467
Other income	26	-	26
Net assets released from restrictions	18,963,929	(18,963,929)	-
<b>Total revenue and support</b>	<b>42,560,369</b>	<b>11,621,388</b>	<b>54,181,757</b>
<b>Expenses</b>			
Program services:			
Science, policy, and outreach	9,803,683	-	9,803,683
Marine ecosystem protection	5,163,901	-	5,163,901
Trash free seas	6,136,084	-	6,136,084
Climate	3,432,597	-	3,432,597
<b>Total program services</b>	<b>24,536,265</b>	<b>-</b>	<b>24,536,265</b>
Supporting services:			
Fundraising and membership development	4,860,283	-	4,860,283
Management and administration	2,539,386	-	2,539,386
<b>Total supporting services</b>	<b>7,399,669</b>	<b>-</b>	<b>7,399,669</b>
<b>Total expenses</b>	<b>31,935,934</b>	<b>-</b>	<b>31,935,934</b>
Change in net assets before net investment return	10,624,435	11,621,388	22,245,823
Investment return, net	7,565,014	989,153	8,554,167
<b>Change in Net Assets</b>	<b>18,189,449</b>	<b>12,610,541</b>	<b>30,799,990</b>
<b>Net Assets, beginning of year</b>	<b>30,425,611</b>	<b>18,543,436</b>	<b>48,969,047</b>
<b>Net Assets, end of year</b>	<b>\$ 48,615,060</b>	<b>\$ 31,153,977</b>	<b>\$ 79,769,037</b>

See accompanying notes.



**Ocean Conservancy, Inc.**

Statement of Functional Expenses  
For the Year Ended June 30, 2022

	Program Services					Supporting Services			
	Science, Policy, and Outreach	Marine Ecosystem Protection	Trash Free Seas	Climate	Total Program Services	Fundraising and Membership Development	Management and Administration	Total Supporting Services	Total
Salaries and wages	\$ 4,040,578	\$ 2,701,478	\$ 2,547,050	\$ 2,258,288	\$ 11,547,394	\$ 2,026,804	\$ 1,643,617	\$ 3,670,421	\$ 15,217,815
Employee benefits	1,059,148	708,133	667,653	591,961	3,026,895	531,283	442,315	973,598	4,000,493
Professional fees	2,396,164	592,818	4,095,564	948,260	8,032,806	612,471	572,567	1,185,038	9,217,844
Printing	1,604,055	931	89,220	8,304	1,702,510	1,031,803	17,471	1,049,274	2,751,784
Rent, utilities, and telephone	338,818	288,325	215,634	192,051	1,034,828	171,711	223,363	395,074	1,429,902
Delivery services	936,278	4,604	53,415	3,326	997,623	580,617	12,929	593,546	1,591,169
Travel and meetings	156,969	81,477	456,135	149,384	843,965	72,064	18,801	90,865	934,830
Supplies	226,508	39,970	145,800	52,221	464,499	117,407	48,912	166,319	630,818
Depreciation and amortization	7,241	4,841	4,564	4,047	20,693	3,632	4,802	8,434	29,127
Computer expenses	44,465	17,520	16,518	14,646	93,149	23,669	19,527	43,196	136,345
List rental expenses	144,480	-	-	-	144,480	84,664	920	85,584	230,064
Advertising	690,608	5,421	1,380	20,534	717,943	128,259	2,070	130,329	848,272
Grants and contributions	424,000	19,698	1,023,486	790,977	2,258,161	-	-	-	2,258,161
Subscriptions	280,501	32,637	46,802	37,349	397,289	123,078	80,021	203,099	600,388
Miscellaneous	17,323	12,773	25,517	5,783	61,396	8,206	6,685	14,891	76,287
Interest	-	-	-	-	-	-	20	20	20
Repairs and maintenance	10,809	7,064	21,208	5,522	44,603	16,270	5,262	21,532	66,135
Bank fees	444	131	2,741	396	3,712	1,050	459,321	460,371	464,083
Insurance	-	-	1,348	-	1,348	9	146,155	146,164	147,512
Temporary help	3,668	-	-	-	3,668	9,536	49,128	58,664	62,332
In-kind	459,908	-	-	-	459,908	-	-	-	459,908
<b>Total Expenses</b>	<b>\$ 12,841,965</b>	<b>\$ 4,517,821</b>	<b>\$ 9,414,035</b>	<b>\$ 5,083,049</b>	<b>\$ 31,856,870</b>	<b>\$ 5,542,533</b>	<b>\$ 3,753,886</b>	<b>\$ 9,296,419</b>	<b>\$ 41,153,289</b>

See accompanying notes.

**Ocean Conservancy, Inc.**

Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services					Supporting Services			
	Science, Policy, and Outreach	Marine Ecosystem Protection	Trash Free Seas	Climate	Total Program Services	Fundraising and Membership Development	Management and Administration	Total Supporting Services	Total
Salaries and wages	\$ 2,937,983	\$ 2,789,803	\$ 2,416,201	\$ 1,857,589	\$ 10,001,576	\$ 1,785,551	\$ 1,142,410	\$ 2,927,961	\$ 12,929,537
Employee benefits	741,904	704,492	610,055	469,086	2,525,537	450,895	267,505	718,400	3,243,937
Professional fees	1,744,665	510,053	1,500,987	642,460	4,398,165	443,362	516,337	959,699	5,357,864
Printing	1,392,116	488	31,511	2,542	1,426,657	1,010,622	21,046	1,031,668	2,458,325
Rent, utilities, and telephone	271,346	351,698	223,587	179,814	1,026,445	165,727	177,507	343,234	1,369,679
Delivery services	861,759	1,866	76,639	1,360	941,624	595,023	12,335	607,358	1,548,982
Travel and meetings	50,855	1,384	15,059	11,571	78,869	1,389	4,285	5,674	84,543
Supplies	77,544	14,806	125,897	27,861	246,108	49,210	8,370	57,580	303,688
Depreciation and amortization	8,395	7,972	6,904	5,308	28,579	5,102	5,516	10,618	39,197
Computer expenses	2,026	1,668	1,444	1,110	6,248	1,067	1,269	2,336	8,584
List rental expenses	238,362	-	-	-	238,362	97,834	1,486	99,320	337,682
Advertising	527,576	-	5,631	1,870	535,077	130,863	2,521	133,384	668,461
Grants and contributions	187,000	748,549	1,070,359	208,863	2,214,771	-	-	-	2,214,771
Subscriptions	236,611	22,103	26,131	16,754	301,599	104,774	57,699	162,473	464,072
Miscellaneous	8,385	3,936	21,514	2,793	36,628	4,802	3,135	7,937	44,565
Repairs and maintenance	5,909	5,044	4,106	3,569	18,628	3,034	3,281	6,315	24,943
Bank fees	502	39	59	47	647	1,889	213,826	215,715	216,362
Insurance	-	-	-	-	-	-	100,719	100,719	100,719
Temporary help	13,860	-	-	-	13,860	9,139	139	9,278	23,138
In-kind	496,885	-	-	-	496,885	-	-	-	496,885
<b>Total Expenses</b>	<b>\$ 9,803,683</b>	<b>\$ 5,163,901</b>	<b>\$ 6,136,084</b>	<b>\$ 3,432,597</b>	<b>\$ 24,536,265</b>	<b>\$ 4,860,283</b>	<b>\$ 2,539,386</b>	<b>\$ 7,399,669</b>	<b>\$ 31,935,934</b>

See accompanying notes.

**Ocean Conservancy, Inc.**

Statements of Cash Flows  
For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 980,236	\$ 30,799,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,127	39,197
Donation of marketable securities	(1,695,531)	(523,665)
Change in contributions receivable discount	(97,217)	123,532
Net realized and unrealized loss (gain) on investments	7,586,760	(7,929,343)
Change in charitable gift annuities' liability valuation	97,091	95,096
Donor restricted funds to be held in perpetuity	-	500,000
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(217,001)	(288,770)
Grants receivable	272,425	341,957
Contributions receivable	9,966,633	(13,732,626)
Bequests and trusts receivable	344,479	1,787,198
Charitable remainder trusts receivable	163,602	(192,218)
Prepaid expenses	(934,146)	343,191
Deferred compensation plan assets	(24,798)	(96,128)
Right of use asset for operating leases, net	(7,191,831)	-
Deposits	(69,783)	(292,600)
Other assets	35,000	-
Increase (decrease) in:		
Accounts payable and accrued expenses	2,558,472	505,624
Charitable gift annuities	(42,224)	(71,885)
Lease liability for operating leases	7,627,004	-
Deferred rent	(377,591)	79,565
Deferred compensation plan liabilities	24,798	96,128
Net cash provided by operating activities	19,035,505	11,584,243
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(1,099,909)	(9,640)
Purchases of investments	(12,302,532)	(16,179,965)
Proceeds from sales of investments	8,911,571	9,493,471
Net cash used in investing activities	(4,490,870)	(6,696,134)
<b>Cash Flows from Financing Activity</b>		
Donor restricted funds to be held in perpetuity	-	(500,000)
Net cash used in financing activity	-	(500,000)
<b>Net Increase in Cash</b>	14,544,635	4,388,109
<b>Cash, beginning of year</b>	11,119,598	6,731,489
<b>Cash, end of year</b>	\$ 25,664,233	\$ 11,119,598

See accompanying notes.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 1. Nature of Operations

Ocean Conservancy, Inc. (OC) was established in 1972 to promote healthy and diverse ocean ecosystems. OC educates and empowers citizens to take action on behalf of the ocean and the millions of people who depend on it every day. OC works with fishermen, scientists, conservation groups, businesses, decision-makers, and the public to develop sound science-based practices that protect the ocean and coastal environments. From the Arctic, to the Gulf of Mexico, to beaches and waterways around the globe, OC brings people together to find solutions to the most pressing problems facing our ocean.

OC is headquartered in Washington, D.C. and has offices located in various coastal regions of the United States. OC is funded in part by small contributions, but also receives grants and contracts from individuals, foundations, government agencies, and corporations. OC is also funded by bequests and royalties.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Presentation

The financial statements of OC are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts. OC’s Board of Directors has segregated amounts received without donor restrictions from various donors into a Board-designated fund, and has implemented an investment policy that includes an annual discretionary transfer of amounts to undesignated net assets to support operations.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. OC reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of OC's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

#### Accounts Receivable

OC's accounts receivable are all due in less than one year and are recorded at net realizable value. OC writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based on management's best estimate of the outstanding uncollectible accounts. No allowance for doubtful accounts is recorded, as management believes that all accounts receivable are fully collectible.

#### Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to OC. Grants and contributions receivable are reflected at either net realizable value, or at net present value based on projected cash flows. OC uses the allowance method to determine uncollectible receivables. OC's policy is to write-off uncollectible receivables when management determines they will not be collected based on experience, as well as management's analysis of specific receivables, including such factors as prior collection history, type of receivable, and nature of fundraising activity. At June 30, 2022 and 2021, no allowance was recorded as management believes that all grants and contributions receivable are fully collectible.

#### Bequests and Trusts Receivable

Bequests receivable represent amounts due to OC when probate courts declare a will valid and the proceeds are measurable. Trusts receivable represent amounts due to OC when trusts become irrevocable.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Charitable Remainder Trusts Receivable

Charitable remainder trusts receivable are recorded at their net realizable value, as estimated based on various assumptions including the present value of estimated future lump-sum cash flows.

#### Property and Equipment

Property and equipment acquisitions with a cost in excess of \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to 10 years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the remaining lease term or the useful life of the improvement. Donated furniture and equipment exceeding the capitalization threshold are recorded at their estimated fair value on the date received. Expenditures for repairs and maintenance are expensed as incurred.

#### Leases

OC determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets, which represent OC’s right to use an underlying asset for the lease term, and lease obligations represent OC’s obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of OC’s leases do not provide an implicit rate, OC uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. OC’s lease terms may include options to extend or terminate the lease when it is reasonably certain that OC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

#### Revenue Recognition

OC recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. 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 substantially met.

Wills are recorded as bequest revenue when probate courts declare a will valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts, and perpetual trusts, are recorded as revenue when trusts become irrevocable. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by OC over the beneficiary's lifetime.

Revenue from all other sources is recognized when earned.

#### In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

#### Functional Allocation of Expenses

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

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Measure of Operations

OC includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

#### Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for OC's fiscal year ending June 30, 2023; however, OC early adopted ASC 842 during the year ended June 30, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

#### Subsequent Events

In preparing these financial statements, OC has evaluated events and transactions for potential recognition or disclosure through October 26, 2022, the date the financial statements were available to be issued.



## Ocean Conservancy, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 3. Liquidity and Availability

OC has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of this liquidity management, the management periodically reviews OC's liquid asset needs and invests in various investments including money market funds, mutual funds, and other funds.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 25,664,233	\$ 11,119,598
Investments	46,377,386	48,877,654
Accounts receivable	556,165	339,164
Grants receivable	931,155	1,203,580
Contributions receivable, net	8,742,868	18,612,284
Bequests and trusts receivable	1,690,872	2,035,351
Charitable remainder trusts receivable, net	<u>985,430</u>	<u>1,149,032</u>
Total financial assets	<u>84,948,109</u>	<u>83,336,663</u>
Less: designated cash	(200,000)	(200,000)
Less: charitable gift annuities	(1,093,549)	(1,038,682)
Less: Board-designated fund, net of 5% annual distribution	(38,135,689)	(37,936,501)
Less: restricted by donors for purpose and time	(26,403,769)	(25,973,194)
Less: restricted by donors in perpetuity	<u>(3,339,635)</u>	<u>(3,339,635)</u>
Total available for general expenditures	<u><u>\$ 15,775,467</u></u>	<u><u>\$ 14,848,651</u></u>

The Board-designated fund is subject to an annual spending rate. Although OC does not intend to spend from this Board-designated fund, other than amounts appropriate for general expenditures as part of OC's annual budget approval and appropriation, these amounts could be made available through Board approval if necessary.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 4. Concentration of Credit Risk

Financial instruments that potentially subject OC to significant concentrations of credit risk consist of cash, investments, accounts receivable, grants receivable, contributions receivable, bequests and trusts receivable, and charitable remainder trusts receivable. OC maintains cash deposit and transaction accounts, along with investments, with various financial institutions and some of these values exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). OC has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Investments are exposed to various risks such as interest rate, market, and credit risks. OC's charitable remainder trusts receivable are due from donor trusts that hold investments that are subject to the same types of investment risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the investments and charitable remainder trusts receivable balances and the amounts reported in the statements of financial position.

### 5. Investments and Fair Value Measurements

OC follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

In general, and where applicable, OC uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. OC's Level 3 financial liabilities, whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement, consist of split-interest agreements.

The following table presents OC's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market accounts	\$ 2,471,028	\$ -	\$ -	\$ 2,471,028
Mutual funds:				
U.S. large cap	10,713,316	-	-	10,713,316
U.S. mid cap	2,850,258	-	-	2,850,258
U.S. small cap	4,047,812	-	-	4,047,812
International-developed	5,333,928	-	-	5,333,928
Emerging markets	1,964,047	-	-	1,964,047
Bond funds	18,855,951	-	-	18,855,951
U.S. Treasuries	136,096	-	-	136,096
Mortgage-backed securities	4,950	-	-	4,950
<b>Total investments</b>	<b>46,377,386</b>	<b>-</b>	<b>-</b>	<b>46,377,386</b>
Deferred compensation plan assets:				
Money market accounts	505	-	-	505
Fixed income	19,218	-	-	19,218
Mutual funds – real estate	9,320	-	-	9,320
Mutual funds – equities	180,039	-	-	180,039
<b>Total deferred compensation plan assets</b>	<b>209,082</b>	<b>-</b>	<b>-</b>	<b>209,082</b>
<b>Total assets at fair value</b>	<b>\$ 46,586,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,586,468</b>
Liabilities at fair value:				
Split-interest agreements	\$ -	\$ -	\$ 1,093,549	\$ 1,093,549

## Ocean Conservancy, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 5. Investments and Fair Value Measurements (continued)

The following table presents OC's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market accounts	\$ 1,690,064	\$ -	\$ -	\$ 1,690,064
Mutual funds:				
U.S. large cap	12,316,960	-	-	12,316,960
U.S. mid cap	3,428,679	-	-	3,428,679
U.S. small cap	4,464,369	-	-	4,464,369
International-developed	6,804,709	-	-	6,804,709
Emerging markets	2,187,390	-	-	2,187,390
Bond funds	17,847,653	-	-	17,847,653
U.S. Treasuries	130,988	-	-	130,988
Mortgage-backed securities	6,842	-	-	6,842
<b>Total investments</b>	<b>48,877,654</b>	<b>-</b>	<b>-</b>	<b>48,877,654</b>
Deferred compensation plan assets:				
Money market accounts	505	-	-	505
Fixed income	29,075	-	-	29,075
Mutual funds – real estate	6,248	-	-	6,248
Mutual funds – equities	148,456	-	-	148,456
<b>Total deferred compensation plan assets</b>	<b>184,284</b>	<b>-</b>	<b>-</b>	<b>184,284</b>
<b>Total assets at fair value</b>	<b>\$ 49,061,938</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,061,938</b>
Liabilities at fair value:				
Split-interest agreements	\$ -	\$ -	\$ 1,038,682	\$ 1,038,682

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

The following table provides a summary of changes in fair value of OC's Level 3 split-interest liabilities for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,038,682	\$ 1,015,471
New gift annuities	133,096	194,694
Distributions	(175,320)	(266,579)
Change in value	97,091	95,096
	<u>                    </u>	<u>                    </u>
Ending balance	<u>\$ 1,093,549</u>	<u>\$ 1,038,682</u>

Net investment return consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 914,696	\$ 736,589
Realized gain	253,401	866,369
Unrealized (loss) gain	(7,840,161)	7,062,974
Less: investment management fees	(138,068)	(111,765)
	<u>                    </u>	<u>                    </u>
Total investment return, net	<u>\$ (6,810,132)</u>	<u>\$ 8,554,167</u>

### 6. Contributions Receivable

Contributions receivable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 8,137,092	\$ 11,184,434
Receivable in one to five years	645,000	7,564,291
	<u>                    </u>	<u>                    </u>
Total contributions receivable	8,782,092	18,748,725
Less: discount to present value (3.20% and 1.84%, respectively)	(39,224)	(136,441)
	<u>                    </u>	<u>                    </u>
Contributions receivable, net	<u>\$ 8,742,868</u>	<u>\$ 18,612,284</u>

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 7. Charitable Remainder Trusts Receivable

OC is the remainder beneficiary in two irrevocable charitable remainder trusts, which are expected to be distributed upon termination of life interests retained by the donor. The amounts receivable from these trusts are revalued annually. The expected future cash flows from the trusts have been recorded at the estimated net realizable value using a present value approach with a discount rate of 3.6% and 1.2% at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the estimated value of these receivables totaled \$985,430 and \$1,149,032, respectively. The estimated net present values of the charitable remainder trusts are considered to be net assets with donor restrictions until the funds are received.

### 8. Property and Equipment

Property and equipment consists of the following at June 30:

	2022	2021
Leasehold improvements	\$ 914,054	\$ 295,440
Computers and equipment	893,913	893,913
Website development	657,016	408,516
Furniture and fixtures	-	5,847
	<hr/>	<hr/>
Total property and equipment	2,464,983	1,603,716
Less: accumulated depreciation and amortization	(1,384,500)	(1,594,015)
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 1,080,483</u>	<u>\$ 9,701</u>

### 9. Leases

OC leases office space for its headquarters in Washington, D.C. and its regional offices throughout the United States under the terms of noncancelable operating leases that expire at various dates through January 2031. Certain leases provide for additional rent based on OC's pro-rata share of increases in real estate taxes and operating expenses, as well as a percentage of any Consumer Price Index increases.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 9. Leases (continued)

Supplemental qualitative information related to the office leases are as follows:

Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	75,866
Right of use assets obtained in exchange for lease obligations	\$	7,191,831
Weighted-average remaining lease term (in years)		9.4
Weighted-average discount rate		2.98%

Maturities of the lease liabilities under OC's office leases are as follows for the years ending June 30:

2023	\$	1,029,407
2024		975,168
2025		946,915
2026		970,588
2027		994,853
Thereafter		<u>3,770,262</u>
Total minimum lease payments		8,687,193
Less: discount to present value at 2.98%		<u>(1,060,189)</u>
Present value of operating lease liabilities	\$	<u><u>7,627,004</u></u>

Rent expense for the years ended June 30, 2022 and 2021 totaled \$1,222,423 and \$1,172,249, respectively.

## Ocean Conservancy, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 10. Charitable Gift Annuities

OC has entered into charitable gift annuity arrangements with a number of donors. In exchange for contributions, these arrangements require OC to make annual fixed payments during the lives of the donors. The annuity payment obligations are based on donor life expectancies as presented in actuarial tables, discounted at rates ranging from 0.4% to 7.4%. The contributions are treated as contribution revenue when received and are included in net assets without donor restrictions in the accompanying financial statements. Contribution revenue related to charitable gift annuities for the years ended June 30, 2022 and 2021 totaled \$123,087 and \$61,616, respectively.

#### 11. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Purpose restricted	\$ 23,777,165	\$ 22,019,950
Time restricted	2,626,605	3,953,244
Unappropriated earnings on endowments	1,160,150	1,841,148
Perpetual in nature	3,339,635	3,339,635
Total net assets with donor restrictions	<u>\$ 30,903,555</u>	<u>\$ 31,153,977</u>

#### 12. Endowments

OC holds its endowment funds in a separate investment account with Bank of America. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

OC's donor-restricted endowment funds consist of two funds:

- a) *General Fund* – \$2,839,635 of the endowment corpus has no purpose restrictions, and was established to provide continuing support for general operations of OC, the earnings of which can be used to fund either specific programs or to provide continuing support for general operations of OC
- b) *Caroline Macomber Fellowship Endowment Fund* – \$500,000 of the endowment corpus is restricted for the Caroline Macomber Fellowship Endowment Fund which is used to fund a fellowship position at the direction of the *International Coastal Cleanup* program



## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 12. Endowments (continued)

#### Interpretation of Relevant Law

The Board of Directors of OC has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, OC retains in perpetuity (a) the original value of initial gift amounts donated to the endowment, (b) the original value of subsequent gift amounts donated to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by OC in a manner consistent with the standard of prudence prescribed by UPMIFA.

OC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of OC and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of OC; and (7) the investment policies of OC.

#### Spending Policies

*Spending Policy for the General Fund* – The donors' intent in contributing to the General Fund was to provide an ongoing source of funding for general operations. There are no donor restrictions as to how income generated from the endowment should be used. In order to honor donor intent, OC's Board of Directors has authorized an annual distribution of 5% of the fair market value of the fund. The fair market value of the fund is measured by taking the rolling average of the quarterly fair market values for the prior three years on a fiscal quarter basis.

*Spending Policy for the Caroline Macomber Fellowship Endowment Fund* – Any income generated from this fund is to be used for the specified program.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 12. Endowments (continued)

#### Return Objectives, Risk Parameters, and Strategies

OC follows a conservative investment policy for the endowment fund that attempts to preserve fully the original corpus and optimize returns. Should significant, new donations be made to the endowment fund, OC's investment policy would permit a strategy of long-term growth of the endowment fund. Under such a policy, the endowment fund would be invested in a manner that is intended to produce a real rate of return in excess of the spending policy.

#### Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). OC has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by OC in net assets with donor restrictions.

At June 30, 2022, the Caroline Macomber Fellowship Endowment Fund with original gift value of \$500,000, fair value of \$472,095, and deficiency of \$27,905, was reported in net assets with donor restrictions. During the year, OC did not appropriate any expenditure from the underwater Caroline Macomber Fellowship Endowment Fund. Management expects these amounts to be fully recovered with favorable market fluctuations in the future. There were no fund deficiencies at June 30, 2021.

#### Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Endowment corpus	\$ -	\$ 3,339,635	\$ 3,339,635
Unappropriated earnings on endowment	-	1,160,150	1,160,150
Total endowment net assets	<u>\$ -</u>	<u>\$ 4,499,785</u>	<u>\$ 4,499,785</u>

**Ocean Conservancy, Inc.**

Notes to Financial Statements  
June 30, 2022 and 2021

**12. Endowments (continued)**

Composition of Endowment Net Assets (continued)

Endowment net assets composition was as follows at June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Endowment corpus	\$ -	\$ 3,339,635	\$ 3,339,635
Unappropriated earnings on endowment	-	1,841,148	1,841,148
Total endowment net assets	<u>\$ -</u>	<u>\$ 5,180,783</u>	<u>\$ 5,180,783</u>

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ -	\$ 5,180,783	\$ 5,180,783
Investment return, net:			
Interest and dividends	-	81,577	81,577
Realized gain	-	31,572	31,572
Unrealized loss	-	(782,140)	(782,140)
Investment management fees	-	(12,007)	(12,007)
Total investment return, net	<u>-</u>	<u>(680,998)</u>	<u>(680,998)</u>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 4,499,785</u>	<u>\$ 4,499,785</u>

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 12. Endowments (continued)

#### Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ 3,691,630	\$ 3,691,630
Investment return, net:			
Interest and dividends	-	76,103	76,103
Realized gain	-	107,434	107,434
Unrealized gain	-	816,063	816,063
Investment management fees	-	(10,447)	(10,447)
Total investment return, net	<u>-</u>	<u>989,153</u>	<u>989,153</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 5,180,783</u>	<u>\$ 5,180,783</u>

### 13. Contingencies

#### Government Grants Contingency

Funds received from government agencies are subject to audit under the provisions of those grant agreements. The ultimate determination of amounts received under these grant agreements is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

## Ocean Conservancy, Inc.

Notes to Financial Statements  
June 30, 2022 and 2021

### 14. Retirement Plans

#### Defined Contribution Plan

OC has a defined contribution plan that covers all eligible employees of OC who are at least age 18, have completed one year of service, and have worked 1,000 hours or more in the preceding 12-month period. Contributions to the plan, as determined annually by OC's Board of Directors, are 6% of qualifying compensation of the participants. OC recorded contributions to the plan of \$740,422 and \$644,138 for the years ended June 30, 2022 and 2021, respectively.

#### Deferred Compensation Plan

OC adopted a non-qualified deferred compensation plan under Internal Revenue Code (IRC) Section 457(b) for executive employees. Deferred compensation and investments designated for such deferrals are only available and taxable upon termination of employment, retirement, death, or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, and investment earnings related thereto, are solely the property and rights of OC. At June 30, 2022 and 2021, the deferred compensation plan assets and corresponding liabilities held at fair value amounted to \$209,082 and \$184,284, respectively, and are included in the accompanying statements of financial position. OC contributed \$3,400 and \$4,850 to the plan for the years ended June 30, 2022 and 2021, respectively.

### 15. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include all overhead expenses reported on the accompanying statements of functional expenses, which are allocated on the basis of estimates of time and effort, except grants and contributions, interest, and in-kind expenses.

### 16. Related Party Transactions

During the years ended June 30, 2022 and 2021, OC recorded contributions from Board members totaling \$195,000 and \$722,933, respectively.

## Ocean Conservancy, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

#### 17. Allocation of Joint Costs

OC conducts direct mail campaigns that incur joint costs for informational materials, which include fundraising appeals. These joint costs are allocated on a basis that the management of OC determines to be appropriate based on its policies and practices, and the content and purpose of the specific informational materials in accordance with the provisions of the current authoritative guidance.

These costs were allocated as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Program services	\$ 4,063,994	\$ 3,498,428
Fundraising and membership development	2,381,449	2,306,977
Management and administrative	<u>25,885</u>	<u>35,043</u>
Total joint costs	<u>\$ 6,471,328</u>	<u>\$ 5,840,448</u>

#### 18. Income Taxes

The Internal Revenue Service has determined that OC is exempt from federal income taxes under IRC Section 501(c)(3), except for taxes on unrelated business income. OC is not a private foundation under IRC Section 509(a)(1). No tax expense is recorded in the accompanying financial statements for the years ended June 30, 2022 and 2021, as there were no unrelated business activities.

Management evaluated OC's tax positions and has concluded that OC has taken no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED  
BY THE UNIFORM GUIDANCE**

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**INDEPENDENT AUDITOR’S 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 of  
Ocean Conservancy, Inc.

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 Ocean Conservancy, Inc. (OC), which comprise the statement of financial position as of June 30, 2022; 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 October 26, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered OC’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 OC’s internal control. Accordingly, we do not express an opinion on the effectiveness of OC’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.



***Report on Internal Control over Financial Reporting (continued)***

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 OC'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Vienna, Virginia  
October 26, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Ocean Conservancy, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Ocean Conservancy, Inc.’s (OC) 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 OC’s major federal programs for the year ended June 30, 2022. OC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, OC complied, in all material respects, with the types of 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, 2022.

***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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OC 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 OC’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 OC's federal programs.

***Auditor's 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 OC'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 OC'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 OC'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 OC'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 OC'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.

## **Report on Internal Control over Compliance**

*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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
October 26, 2022

**Ocean Conservancy, Inc.**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Agency or Pass- Through Grant Number</b>	<b>Amount Paid to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>Department of Commerce</u></b>				
<u>Direct Awards:</u>				
Marine Debris Program	11.999	NA19NOS9990147	\$ 25,000	\$ 96,931
Marine Debris Program	11.999	NA18NOS9990133	-	150,000
Marine Debris Program	11.999	NA20NOS9990024	22,055	116,942
Marine Debris Program	11.999	NA21NOS9990119	-	196,378
Total ALN 11.999			47,055	560,251
Total Department of Commerce Awards			47,055	560,251
<b><u>Department of State</u></b>				
<u>Direct Awards:</u>				
Environmental and Scientific Partnerships and Programs	19.017	SLMAQM19GR2390	-	180,010
Environmental and Scientific Partnerships and Programs	19.017	SLMAQM18GR2263	-	22,091
Total ALN 19.017			-	202,101
Total Department of State Awards			-	202,101
<b>Total Expenditures of Federal Awards</b>			<b>\$ 47,055</b>	<b>\$ 762,352</b>

See accompanying notes to the schedule of expenditures of federal awards.

## Ocean Conservancy, Inc.

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

#### 1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of OC under the programs of the federal government for the year ended June 30, 2022. The information in the SEFA is presented in accordance with the 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). Because the SEFA presents only a selected portion of the operations of OC, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of OC.

#### 2. **Summary of Significant Accounting Policies**

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

#### 3. **Indirect Cost Rate**

OC records its expenditures of federal awards using the indirect cost and fringe benefit rate per the nonprofit rate agreement with the federal government, which was approved in accordance with the authority of the Uniform Guidance.

In this manner, OC has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**Ocean Conservancy, Inc.**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**Section I – Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over the major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
11.999	Marine Debris Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Ocean Conservancy, Inc.**

Schedule of Findings and Questioned Costs (continued)  
For the Year Ended June 30, 2022

**Section II – Findings – Financial Statement Audit**

There were no financial statement findings reported during the 2022 audit.

**Section III – Findings and Questioned Costs – Major Federal Award Programs Audit**

There were no findings or questioned costs over major federal awards reported during the 2022 audit.



**Ocean Conservancy, Inc.**

Corrective Action Plan  
For the Year Ended June 30, 2022

There were no findings for the year ended June 30, 2022, and therefore, a corrective action plan was not needed.

**Ocean Conservancy, Inc.**

Schedule of Prior Audit Findings  
For the Year Ended June 30, 2022

OC did not meet the threshold for the Uniform Guidance audit during the year ended June 30, 2021.