OCEAN CONSERVANCY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION REQUIRED BY THE UNIFORM GUIDANCE

YEAR ENDED JUNE 30, 2024

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ocean Conservancy, Inc.
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ocean Conservancy, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter Regarding Restatement of Prior Period Net Assets

As described in Note 20 to the financial statements, The Organization restated net assets of July 1, 2023, to properly reflect net assets with donor restrictions. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Board of Directors
Ocean Conservancy, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of the Organization'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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
December 23, 2024

OCEAN CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash	$ 10,057,457
Investments	65,478,167
Accounts Receivable	86,577
Grants Receivable	397,786
Contributions Receivable, Net	5,145,292
Bequests and Trusts Receivable	4,117,863
Charitable Remainder Trusts Receivable, Net	1,102,926
Prepaid Expenses	890,609
Deferred Compensation Plan Assets	498,419
Property and Equipment, Net	1,298,537
Right-of-Use Assets - Operating Leases	6,029,937
Deposits	106,126
Other Assets	57,802
Total Assets	$ 95,267,498

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable and Accrued Expenses	$ 4,977,821
Charitable Gift Annuities	1,259,159
Lease Liabilities - Operating Leases	6,546,391
Deferred Compensation Plan Liabilities	498,419
Total Liabilities	13,281,790
NET ASSETS	
Without Donor Restrictions:	
Undesignated	8,578,545
Board-Designated	47,502,125
Total Without Donor Restrictions	56,080,670
With Donor Restrictions:	
Purpose and Time Restrictions	22,530,053
Perpetual in Nature	3,374,985
Total With Donor Restrictions	25,905,038
Total Net Assets	81,985,708
Total Liabilities and Net Assets	$ 95,267,498

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions, Grants, and Bequests	$ 24,927,817	$ 21,662,027	$ 46,589,844
In-Kind Contributions	482,834	-	482,834
List Rental Income	39,989	-	39,989
Royalties	362,408	-	362,408
Other Income	171,787	-	171,787
Net Assets Released from Restrictions	21,254,780	(21,254,780)	-
Total Revenue and Support	47,239,615	407,247	47,646,862
EXPENSES			
Program Services:			
Science, Policy, and Outreach	14,898,263	-	14,898,263
Marine Ecosystem Protection	4,769,019	-	4,769,019
Trash Free Seas	10,979,793	-	10,979,793
Climate	9,091,426	-	9,091,426
Total Program Services	39,738,501	-	39,738,501
Supporting Services:			
Fundraising and Membership Development	7,204,124	-	7,204,124
Management and Administration	5,174,066	-	5,174,066
Total Supporting Services	12,378,190	-	12,378,190
Total Expenses	52,116,691	-	52,116,691
CHANGE IN NET ASSETS BEFORE NET INVESTMENT RETURN	(4,877,076)	407,247	(4,469,829)
Investment Return, Net	5,505,981	626,825	6,132,806
CHANGE IN NET ASSETS	628,905	1,034,072	1,662,977
Net Assets - Beginning of Year	55,451,765	25,519,066	80,970,831
Restatement Due to Correction of the Error	-	(648,100)	(648,100)
Net Assets - Beginning of Year, As Restated	55,451,765	24,870,966	80,322,731
NET ASSETS - END OF YEAR	$ 56,080,670	$ 25,905,038	$ 81,985,708

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	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	$ 5,131,338	$ 2,356,180	$3,427,426	$3,465,873	$ 14,380,817	$2,592,204	$2,588,294	$ 5,180,498	$ 19,561,315
Employee Benefits	1,138,169	522,618	759,885	768,757	3,189,429	574,971	558,797	1,133,768	4,323,197
Professional Fees	2,451,775	835,029	4,241,494	1,352,357	8,880,655	1,055,398	840,430	1,895,828	10,776,483
Printing	1,748,039	1,508	81,807	2,464	1,833,818	1,300,390	30,448	1,330,838	3,164,656
Rent, Utilities, and Telephone	319,891	186,051	217,432	236,890	960,264	162,078	249,238	411,316	1,371,580
Delivery Services	1,114,368	948	63,683	1,417	1,180,416	811,101	17,351	828,452	2,008,868
Travel and Meetings	478,112	257,921	865,831	448,102	2,049,966	140,640	164,708	305,348	2,355,314
Supplies	152,132	15,365	126,490	23,130	317,117	96,308	36,794	133,102	450,219
Depreciation and Amortization	50,045	22,979	119,975	33,802	226,801	25,281	38,804	64,085	290,886
Computer Expenses	56,011	25,719	37,412	37,982	157,124	28,295	51,460	79,755	236,879
List Rental Expenses	135,783	-	-	-	135,783	52,278	385	52,663	188,446
Advertising	566,111	-	13,547	61,208	640,866	150,537	1,830	152,367	793,233
Grants and Contributions	704,600	486,328	839,580	2,565,526	4,596,034	-	-	-	4,596,034
Subscriptions	394,014	42,628	103,173	66,589	606,404	176,447	198,723	375,170	981,574
Miscellaneous	18,081	8,409	55,950	9,948	92,388	16,494	12,208	28,702	121,090
Repairs and Maintenance	7,978	6,816	19,739	6,489	41,022	4,030	6,186	10,216	51,238
Bank Fees	1,156	520	6,369	10,892	18,937	918	198,405	199,323	218,260
Insurance	-	-	-	-	-	-	155,389	155,389	155,389
In-Kind Advertising	422,544	-	-	-	422,544	11,827	87	11,914	434,458
Temporary help	8,116	-	-	-	8,116	4,927	24,529	29,456	37,572
Total Expenses by Function	$ 14,898,263	$ 4,769,019	$ 10,979,793	$ 9,091,426	$ 39,738,501	$ 7,204,124	$ 5,174,066	$ 12,378,190	$ 52,116,691

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 1,662,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	290,886
Noncash Operating Lease Expense	487,952
Realized/Unrealized (Gain) Loss on Operating Investments	(4,511,960)
Contributions Restricted to Endowment	(15,000)
Change in Charitable Gift Annuities' Liability Valuation	85,592
Changes in Operating Assets and Liabilities:	
Accounts Receivable, Net	1,155,246
Grants Receivable, Net	(56,629)
Contributions Receivable, Net	8,222,137
Bequests and Trusts Receivable, Net	(2,352,542)
Charitable Remainder Trusts Receivable, Net	(86,089)
Prepaid Expenses	674,713
Deposits	(5,841)
Accounts Payable and Accrued Expenses	(1,651,028)
Lease Liabilities - Operating Leases	(406,671)
Deferred Compensation Plan Liabilities	143,285
Net Cash Provided by Operating Activities	3,637,028
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(162,141)
Purchases of Investments	(13,830,887)
Proceeds from Sales of Investments	7,087,876
Net Cash Used by Investing Activities	(6,905,152)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted to Endowment	15,000
Payments to Beneficiaries of Split-InterestAgreements	(175,373)
Proceeds from Establishment of Split-Interest Agreements	126,098
Net Cash Used by Financing Activities	(34,275)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,302,399)
Cash and Cash Equivalents - Beginning of Year	13,359,856
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,057,457
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Recognition of Right-of-Use Assets - Operating Leases	$ 278,040
Recognition of Lease Liabilities - Operating Leases	$ 278,040

See accompanying Notes to Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Ocean Conservancy, Inc. (the Organization) was established in 1972 to promote healthy and diverse ocean ecosystems. The Organization educates and empowers citizens to take action on behalf of the ocean and the millions of people who depend on it every day. The Organization 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, the Organization brings people together to find solutions to the most pressing problems facing our ocean.

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

Basis of Accounting and Presentation

The financial statements of the Organization 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. The Organization'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. The Organization 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 statement of activities as net assets released from restrictions.

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 in net investment return in the accompanying statement of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Organization's accounts receivable are all due in less than one year and are recorded at net realizable value. The Organization writes off accounts receivable when they become uncollectible. When necessary, an allowance for credit losses is determined based on management's best estimate of the outstanding uncollectible accounts. No allowance for credit losses 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 the Organization. Grants and contributions receivable are reflected at either net realizable value, or at net present value based on projected cash flows. The Organization uses the allowance method to determine uncollectible receivables. The Organization'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, 2024, 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 the Organization when probate courts declare a will valid and the proceeds are measurable. Trusts receivable represent amounts due to the Organization when trusts become irrevocable.

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 3 to 5 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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets, which represent the Organization's right to use an underlying asset for the lease term, and lease obligations represent the Organization'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 the Organization's leases do not provide an implicit rate, the Organization 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. the Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statement 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

Revenue Accounted for in Accordance with Contribution Accounting

The Organization 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 the Organization over the beneficiary's lifetime.

Revenue from all other sources is recognized when earned.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of activities as in-kind contributions. In-kind contributions consist of donated services that benefit program services. In-kind contributions are recognized as revenue and expense in the accompanying statement 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 statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include all overhead expenses reported on the accompanying statement of functional expenses, which are allocated on the basis of estimates of time and effort, except grants and contributions, interest, and in-kind expenses.

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

The Organization 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

At the beginning of 2024, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance using the modified retrospective transition method. The adoption of this ASU changed how the allowance for credit losses is determined, but did not have a material impact on the Organization's financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 23, 2024, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization has a goal to maintain financial assets on hand to meet 30 days of normal operating expenses. As part of this liquidity management, the management periodically reviews the Organization'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, 2024:

Cash	$ 10,057,457
Investments	65,478,167
Accounts Receivable	86,577
Grants Receivable	397,786
Contributions Receivable, Net	5,145,292
Bequests and Trusts Receivable	4,117,863
Charitable Remainder Trusts Receivable, Net	1,102,926
Total Financial Assets	86,386,068
Less:	
Charitable Gift Annuities	1,259,159
Board-Designated Fund, Net of Annual Spending Rate	39,986,555
Restricted by Donors for Purpose and Time	22,530,053
Restricted by Donors in Perpetuity	3,374,985
Total Available for General Expenditures	$ 19,235,316

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

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization 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. The Organization 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). The Organization 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.

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

Investments are exposed to various risks such as interest rate, market, and credit risks. The Organization'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 statement of financial position.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization follows FASB Accounting Standards Codification (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.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. The Organization'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.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Accounts	$ 2,555,055	$ -	$ -	$ 2,555,055
Mutual Funds:				
U.S. Large Cap	16,982,795	-	-	16,982,795
U.S. Mid Cap	5,054,369	-	-	5,054,369
U.S. Small Cap	6,720,947	-	-	6,720,947
International-Developed	8,095,846	-	-	8,095,846
Emerging Markets	3,234,127	-	-	3,234,127
Bond Funds	22,666,613	-	-	22,666,613
U.S. Treasuries	166,293	-	-	166,293
Mortgage-Backed Securities	2,122	-	-	2,122
Total Investments	65,478,167	-	-	65,478,167
Deferred Compensation Plan Assets:				
Money Market Accounts	197,999	-	-	197,999
Mutual Funds - Real Estate	12,257	-	-	12,257
Mutual Funds - Equities	288,163	-	-	288,163
Total Deferred Compensation Plan Assets	498,419	-	-	498,419
Total Assets at Fair Value	$ 65,976,586	$ -	$ -	$ 65,976,586
Liabilities at Fair Value:				
Charitable Gift Annuities	$ -	$ -	$ 1,259,159	$ 1,259,159

The following table provides a summary of changes in fair value of the Organization's Level 3 split- interest liabilities for the year ended June 30, 2024:

Balance - Beginning of Year	$ 1,222,842
New Gift Annuities	126,098
Distributions	(175,373)
Change in Value	85,592
Balance - End of Year	$ 1,259,159

Net investment return consists of the following for the year ended June 30, 2024:

Interest and Dividends	$ 1,773,984
Realized Gain	210,307
Unrealized Gain	4,301,653
Total	6,285,944
Less: Investment Management Fees	(153,138)
Investment Return, Net	$ 6,132,806

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2024:

In Less than One Year	$ 4,471,467
In One to Five Years	715,000
Total	5,186,467
Less: Discount to Net Present Value of 4.52% in 2024 and 4.49% in 2023	(41,175)
Contributions Receivable, Net	$ 5,145,292

NOTE 6 CONTRACT ASSETS

Contract asset balances were $86,577 and 1,241,823 for the years ended June 30, 2024 and 2023, correspondingly.

NOTE 7 CHARITABLE REMAINDER TRUSTS RECEIVABLE

The Organization 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 5.6% at June 30, 2024. At June 30, 2024, the estimated value of these receivables totaled $1,102,926. The estimated net present values of the charitable remainder trusts are considered to be net assets with donor restrictions until the funds are received.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Leasehold Improvements	$ 1,249,260
Computers and Equipment	323,783
Website Development	462,914
Furniture and Fixtures	90,180
Total	2,126,137
Less: Accumulated Depreciation and Amortization	(827,600)
Property and Equipment, Net	$ 1,298,537

Depreciation expense totaled $290,886 for the year ended June 30, 2024.

NOTE 9 LEASES

The Organization 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 the Organization's pro-rata share of increases in real estate taxes and operating expenses.

Supplemental quantitative information related to the office leases is as follows as of, and for the year ended, June 30, 2024:

Lease Cost		
Operating Lease Cost	$	1,100,375
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$	1,073,980
Right-of-Use Assets Obtained in Exchange for Lease Liabilities:		
Operating Leases	$	278,040
Weighted-Average Lease Term - Operating Leases		6.4 Years
Weighted-Average Discount Rate - Operating Leases		3.84%

A maturity analysis of annual undiscounted cash flows for the lease liabilities as of June 30, 2024, is as follows:

Year Ending June 30,		Amount
2025	$	1,122,940
2026		1,118,048
2027		1,100,086
2028		1,125,985
2029		1,154,456
Thereafter		1,774,584
Undiscounted Cash Flows		7,396,099
(Less) Imputed Interest		(849,708)
Total Present Value	$	6,546,391

Rent expense for the year ended June 30, 2024 totaled $1,263,871, of which $1,100,375 is attributable to long-term operating lease agreements presented in this footnote disclosure, and the remainder attributable to various other short-term leases.

NOTE 10 CHARITABLE GIFT ANNUITIES

The Organization has entered into charitable gift annuity arrangements with a number of donors. In exchange for contributions, these arrangements require the Organization 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 6.2%. 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 year ended June 30, 2024 totaled $124,910.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to Expenditure for Specified Purpose	$ 15,088,493
Subject to the Passage of Time	5,829,916
Unappropriated Earnings on Endowments	1,611,644
Perpetual in Nature	3,374,985
Total Net Assets With Donor Restrictions	$ 25,905,038

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Subject to Expenditure for Specified Purpose	$ 18,754,995
Subject to the Passage of Time	2,294,623
Appropriated Earnings on Endowments	205,162
Total Net Assets With Donor Restrictions	$ 21,254,780

NOTE 12 ENDOWMENTS

The Organization 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.

The Organization's donor-restricted endowment funds consist of two funds:

General Fund – $2,839,635 of the endowment corpus has no purpose restrictions and was established to provide continuing support for general operations of the Organization, the earnings of which can be used to fund either specific programs or to provide continuing support for general operations of the Organization.

Caroline Macomber Fellowship Endowment Fund – $535,350 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.

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Organization 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, the Organization 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization 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 the Organization 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 the Organization; and (7) the investment policies of the Organization.

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, the Organization'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 quarterly rolling average of the fair market values as of April 30 for the prior three years.

Spending Policy for the Caroline Macomber Fellowship Endowment Fund – Any income generated from this fund is subject to the distribution policy described above and is to be used for the specified program.

Return Objectives, Risk Parameters, and Strategies

The Organization 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, the Organization'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.

NOTE 12 ENDOWMENTS (CONTINUED)

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). The Organization 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 the Organization in net assets with donor restrictions. At June 30, 2024, there were no funds with deficiencies.

Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Endowment Corpus	$ -	$ 3,374,985	$ 3,374,985
Unappropriated Earnings on Endowment	-	1,611,644	1,611,644
Total	$ -	$ 4,986,629	$ 4,986,629

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 4,689,983	$ 4,689,983
Contributions	-	15,000	15,000
Investment Return, Net:			
Interest and Dividends	-	125,202	125,202
Realized Loss	-	68,081	68,081
Unrealized Gain	-	305,585	305,585
Investment Management Fees	-	(12,060)	(12,060)
Total Investment Return, Net	-	486,808	486,808
Appropriation of Endowment Assets for Expenditure	-	(205,162)	(205,162)
Endowment Net Assets - End of Year	$ -	$ 4,986,629	$ 4,986,629

NOTE 13 CONDITIONAL CONTRIBUTIONS AND GRANTS

Government Grants and Contracts

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. The Organization received federal awards of which $144,471 has not been recognized as of June 30, 2024 because qualifying expenditures have not yet been incurred or performance requirements have yet to have been met.

NOTE 14 IN-KIND CONTRIBUTIONS

The Organization received in-kind donations in a form of enhancement of donors' search engines coding to allow the Organization's related searches to land on its website. The valuation of this activity is solely based on the donors' algorithms and is updated in real time. The donations are set not to exceed the value equal to $40,000 per month. For the year ended June 30, 2024, the Organization received in-kind revenue related to the search in the amount of $434,459. This amount has been recorded as contribution revenue in the accompanying statement of activities.

The organization also received an in-kind donation in the form of works of art that were immediately sold for fair value at $48,375. This amount has been recorded as contribution revenue in the accompanying statement of activities.

NOTE 15 RETIREMENT PLANS

Defined Contribution Plan

The Organization has a defined contribution plan that covers all eligible employees of the Organization 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 the Organization's board of directors, are 6% of qualifying compensation of the participants. The Organization recorded contributions to the plan of $981,256 for the year ended June 30, 2024 .

Deferred Compensation Plan

The Organization adopted a nonqualified deferred compensation plan under Section 457(b) of the Internal Revenue Code (IRC) 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 the Organization. At June 30, 2024, the deferred compensation plan assets and corresponding liability held at fair value amounted to $498,419, and are included in the accompanying statement of financial position. Contributions of $73,311 were made to the plan for the year ended June 30, 2024.

NOTE 16 SEVERANCE COMMITMENTS

The Organization has entered into an updated employment agreement with the Chief Executive Officer. The current agreement contains a clause whereby the Organization is liable for severance pay in the event of termination other than for cause.

The Organization has a severance policy which provides severance pay for any full-time employee terminated without cause. The amount of severance pay is based on the employee's length of service and position in the Organization.

NOTE 17 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2024, the Organization recorded contributions from board members totaling $107,000.

NOTE 18 ALLOCATION OF JOINT COSTS

The Organization 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 the Organization 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 year ended June 30, 2024:

Program Services	$ 4,527,411
Fundraising and Membership Development	3,123,147
Management and Administrative	23,020
Total Joint Costs	$ 7,673,578

NOTE 19 INCOME TAXES

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under IRC Section 501(c)(3), except for taxes on unrelated business income. The Organization is not a private foundation under IRC Section 509(a)(1). No tax expense is recorded in the accompanying financial statement for the year ended June 30, 2024, as there were no unrelated business activities.

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

NOTE 20 SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the Organization received a distribution from one of the bequests which was $146,904 more than estimated as receivable at June 30, 2024.

NOTE 21 PRIOR PERIOD ADJUSTMENT

The Organization's July 1, 2023 net assets with donor restriction have been restated to correct an error in the timing of recognizing federal grant revenue. This resulted in a reduction of the net assets with donor restriction of $648,100.

The impact on the statement of activities is as follows:

	Change in Net Assets With Donor Restriction	Change in Net Assets
Net Assets - Beginning of Year - As Originally Reported	$ 25,519,066	$ 80,970,831
Prior Period Adjustment	(648,100)	(648,100)
As Restated	$ 24,870,966	$ 80,322,731

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

Board of Directors
Ocean Conservancy, Inc.
Washington, DC

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., Inc., which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be material weakness.

Board of Directors
Ocean Conservancy, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ocean Conservancy, Inc.’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*.

Ocean Conservancy, Inc.’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Ocean Conservancy, Inc., Inc.’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Ocean Conservancy, Inc.’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
December 23, 2024

CliftonLarsonAllen LLP
CLAconnect.com

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

Board of Directors
Ocean Conservancy, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ocean Conservancy, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ocean Conservancy, Inc.'s major federal programs for the year ended December 31, 2024. Ocean Conservancy, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ocean Conservancy, Inc., Inc. 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, 2024.

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

We are required to be independent of Ocean Conservancy, Inc., Inc. 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 Ocean Conservancy, Inc.'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 Ocean Conservancy, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ocean Conservancy, Inc.'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 GAAS, *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 Ocean Conservancy, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Ocean Conservancy, Inc.'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 Ocean Conservancy, Inc.'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 Ocean Conservancy, Inc.'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 Auditors' 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. We consider a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002, to be a significant deficiency.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Ocean Conservancy, Inc. as of and for the year ended June 30, 2024, and have issued our report thereon dated December 23, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
January 6, 2025

OCEAN CONSERVANCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agency or Pass-Through Grant Number	Amount Paid to Subrecipients	Total Federal Expenditures
Department of Commerce				
Direct Awards:				
Marine Debris Program	11.999	NA23NOS9990248	$ -	$ 246,516
Marine Debris Program	11.999	NA20NOS9990024	6,000	253,810
Marine Debris Program	11.999	NA21NOS9990119	-	224,332
Marine Debris Program	11.999	NA22NOS9990142	-	78,972
Total Department of Commerce			6,000	803,630
Total Expenditures of Federal Awards			$ 6,000	$ 803,630

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ocean Conservancy, Inc. (the Organization) under the programs of the federal government for the year ended June 30, 2024. The information in the Schedule 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 Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OCEAN CONSERVANCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	x yes	___ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	x none reported
Noncompliance material to financial statements noted?	___ yes	x no

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ yes	x no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	x yes	___ none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	x yes	___ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
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 pursuant to OMB Circular A-133?	x yes	___ no

Section II – Financial Statement Findings

2024 – 001 Revenue Recognition

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition:
During the audit, it was concluded that management's approach to reporting federal grant revenue as restricted revenue once appropriated and subsequently reporting revenue released from restriction as allowable expenses were incurred is not considered to be in compliance with the requirements of U.S. generally accepted accounting principles. In addition, the valuation of bequest revenue used certain discount considerations that were inconsistently applied. These misstatements were corrected through adjustments during the audit.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with the U.S. GAAP.

Effect: As a result, both, prior and current fiscal year revenue and receivables were materially misstated.

Cause: Improper application of U.S. generally accepted accounting principles.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend management evaluate their current policies related to revenue recognition and ensure they are in compliance with the requirements of U.S. generally accepted accounting principles and policies are consistently applied.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs

2024 – 002 Suspension and Debarment

Federal Agency: Department of Commerce
Federal Program Name: Marine Debris Program
Assistance Listing Number: 11.999
Federal Award Identification Number and Year: NA20NOS9990024 (October 1, 2023 – September 30, 2024), NA21NOS9990119 (September 1, 2021 – August 31, 2024)
Award Period: July 1, 2023 – June 30, 2024
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The Organization. should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the Organization did not have documentation to support that internal controls were performed to ensure vendors were not suspended or debarred prior to entering into the contract.

Questioned costs: None.

Context: During our testing, it was noted that the Organization did not maintain documentation that it had reviewed vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration. This exception was noted for 3 of 5 items tested, however, we were able to verify that the selected vendors were not suspended or debarred.

Cause: The Organization was unable to locate documentation to support the performance of procedures to ensure vendors were not suspended or debarred.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Organization enhance controls to ensure an adequate process is in place to review potential vendors to determine they are not suspended or debarred and to ensure documentation to support this is maintained.

Views of responsible officials: There is no disagreement with the audit finding.

OCEAN CONSERVANCY, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024

There were no findings or questioned cost report for the June 30, 2023 audit.