

OCEAN CONSERVANCY, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



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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 statements of financial position as of June 30, 2025 and 2024, and 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 the Organization, as of June 30, 2025 and 2024, 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). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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, 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.



CliftonLarsonAllen LLP

Columbia, Maryland
November 17, 2025

OCEAN CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash	\$ 6,346,114	\$ 10,057,457
Investments	72,047,552	65,478,167
Accounts Receivable	195,625	86,577
Grants Receivable	265,052	397,786
Contributions Receivable, Net	7,371,267	5,145,292
Bequests and Trusts Receivable	2,361,208	4,117,863
Charitable Remainder Trusts Receivable, Net	1,168,580	1,102,926
Prepaid Expenses	998,257	890,609
Deferred Compensation Plan Assets	581,920	498,419
Property and Equipment, Net	1,215,176	1,298,537
Right-of-Use Assets - Operating Leases	5,204,774	6,029,937
Deposits	94,928	106,126
Other Assets	57,802	57,802
Total Assets	\$ 97,908,255	\$ 95,267,498
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,933,362	\$ 4,977,821
Charitable Gift Annuities	1,333,364	1,259,159
Lease Liabilities - Operating Leases	5,716,066	6,546,391
Deferred Compensation Plan Liabilities	581,920	498,419
Total Liabilities	11,564,712	13,281,790
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,677,823	8,578,545
Board-Designated	51,434,945	47,502,125
Total Without Donor Restrictions	59,112,768	56,080,670
With Donor Restrictions:		
Purpose and Time Restrictions	23,840,790	22,530,053
Perpetual in Nature	3,389,985	3,374,985
Total With Donor Restrictions	27,230,775	25,905,038
Total Net Assets	86,343,543	81,985,708
Total Liabilities and Net Assets	\$ 97,908,255	\$ 95,267,498

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions, Grants, and Bequests	\$ 24,990,852	\$ 20,908,890	\$ 45,899,742
In-Kind Contributions	461,242	-	461,242
List Rental Income	26,557	-	26,557
Royalties	470,064	-	470,064
Other Income	261,586	-	261,586
Net Assets Released from Restrictions	<u>20,259,443</u>	<u>(20,259,443)</u>	<u>-</u>
Total Revenue and Support	46,469,744	649,447	47,119,191
 EXPENSES			
Program Services:			
Biodiversity	10,405,413	-	10,405,413
Plastics	5,949,838	-	5,949,838
Climate	4,880,614	-	4,880,614
Cross-Cutting	<u>15,816,931</u>	<u>-</u>	<u>15,816,931</u>
Total Program Services	37,052,796	-	37,052,796
Supporting Services:			
Fundraising and Membership Development	7,180,566	-	7,180,566
Management and Administration	<u>5,467,945</u>	<u>-</u>	<u>5,467,945</u>
Total Supporting Services	12,648,511	-	12,648,511
 Total Expenses	49,701,307	-	49,701,307
 CHANGE IN NET ASSETS BEFORE NET INVESTMENT RETURN AND OTHER LOSSES	(3,231,563)	649,447	(2,582,116)
Other Losses	(274,884)	-	(274,884)
Investment Return, Net	<u>6,538,545</u>	<u>676,290</u>	<u>7,214,835</u>
 CHANGE IN NET ASSETS	3,032,098	1,325,737	4,357,835
Net Assets - Beginning of Year	<u>56,080,670</u>	<u>25,905,038</u>	<u>81,985,708</u>
 NET ASSETS - END OF YEAR	<u>\$ 59,112,768</u>	<u>\$ 27,230,775</u>	<u>\$ 86,343,543</u>

See accompanying Notes to Financial Statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>21,254,780</u>	<u>(21,254,780)</u>	<u>-</u>
Total Revenue and Support	<u>47,239,615</u>	<u>407,247</u>	<u>47,646,862</u>
EXPENSES			
Program Services:			
Biodiversity	11,561,609	-	11,561,609
Plastics	8,266,447	-	8,266,447
Climate	5,059,656	-	5,059,656
Cross-Cutting	<u>14,850,787</u>	<u>-</u>	<u>14,850,787</u>
Total Program Services	<u>39,738,499</u>	<u>-</u>	<u>39,738,499</u>
Supporting Services:			
Fundraising and Membership Development	7,204,124	-	7,204,124
Management and Administration	<u>5,174,066</u>	<u>-</u>	<u>5,174,066</u>
Total Supporting Services	<u>12,378,190</u>	<u>-</u>	<u>12,378,190</u>
Total Expenses	<u>52,116,689</u>	<u>-</u>	<u>52,116,689</u>
CHANGE IN NET ASSETS BEFORE NET INVESTMENT RETURN	(4,877,074)	407,247	(4,469,827)
Investment Return, Net	<u>5,505,981</u>	<u>626,825</u>	<u>6,132,806</u>
CHANGE IN NET ASSETS	628,907	1,034,072	1,662,979
Net Assets - Beginning of Year	<u>55,451,765</u>	<u>24,870,966</u>	<u>80,322,731</u>
NET ASSETS - END OF YEAR	<u>\$ 56,080,672</u>	<u>\$ 25,905,038</u>	<u>\$ 81,985,710</u>

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services				Supporting Services				
	Biodiversity	Plastics	Climate	Cross-Cutting	Total Program Services	Fundraising and Membership Development	Management and Administration	Total Supporting Services	Total
Salaries and Wages	\$ 4,850,101	\$ 2,568,742	\$ 2,718,807	\$ 5,464,960	\$ 15,602,610	\$ 2,527,708	\$ 2,428,910	\$ 4,956,618	\$ 20,559,228
Employee Benefits	1,136,652	602,001	637,170	1,279,842	3,655,665	593,457	562,215	1,155,672	4,811,337
Professional Fees	2,249,929	1,117,486	777,804	3,099,436	7,244,655	1,403,625	1,036,202	2,439,827	9,684,482
Printing	15,500	63,431	1,118	1,551,106	1,631,155	1,028,891	17,280	1,046,171	2,677,326
Rent, Utilities, and Telephone	343,945	159,369	165,988	329,681	998,983	152,852	224,040	376,892	1,375,875
Delivery Services	2,610	45,560	755	1,196,782	1,245,707	779,326	12,778	792,104	2,037,811
Travel and Meetings	578,686	587,460	338,315	593,477	2,097,938	171,137	81,153	252,290	2,350,228
Supplies	34,283	88,937	16,428	110,591	250,239	57,093	30,730	87,823	338,062
Depreciation and Amortization	47,982	139,024	26,897	57,641	271,544	25,007	36,904	61,911	333,455
Computer Expenses	38,705	20,499	21,697	43,611	124,512	20,172	35,527	55,699	180,211
List Rental Expenses	-	-	-	122,029	122,029	74,518	591	75,109	197,138
Advertising	9,067	41,510	31,711	794,620	876,908	134,875	18,323	153,198	1,030,106
Grants and Contributions	947,583	316,384	82,501	268,440	1,614,908	-	-	-	1,614,908
Subscriptions	106,567	76,403	46,053	433,146	662,169	180,311	298,519	478,830	1,140,999
Miscellaneous	15,880	42,513	7,177	19,148	84,718	15,398	248,058	263,456	348,174
Repairs and Maintenance	13,500	24,177	5,515	17,547	60,739	5,128	7,567	12,695	73,434
Bank Fees	14,423	3,534	2,634	1,293	21,884	462	207,585	208,047	229,931
Insurance	-	228	44	-	272	-	123,634	123,634	123,906
In-Kind Advertising	-	52,580	-	401,862	454,442	2,500	-	2,500	456,942
Temporary help	-	-	-	31,719	31,719	8,106	97,929	106,035	137,754
Total Expenses by Function	\$ 10,405,413	\$ 5,949,838	\$ 4,880,614	\$ 15,816,931	\$ 37,052,796	\$ 7,180,566	\$ 5,467,945	\$ 12,648,511	\$ 49,701,307

See accompanying Notes to Financial Statements.

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

	Program Services				Supporting Services				Total
	Biodiversity	Plastics	Climate	Cross-Cutting	Total Program Services	Fundraising and Membership Development	Management and Administration	Total Supporting Services	
Salaries and Wages	\$ 3,981,293	\$ 2,610,981	\$ 2,690,763	\$ 5,097,782	\$ 14,380,819	\$ 2,592,204	\$ 2,588,294	\$ 5,180,498	\$ 19,561,317
Employee Benefits	883,081	578,792	596,831	1,130,726	3,189,430	574,971	558,797	1,133,768	4,323,198
Professional Fees	2,562,449	2,993,518	873,240	2,451,449	8,880,656	1,055,398	840,430	1,895,828	10,776,484
Printing	2,363	81,584	1,842	1,748,030	1,833,819	1,300,390	30,448	1,330,838	3,164,657
Rent, Utilities, and Telephone	307,086	166,524	168,855	317,799	960,264	162,078	249,238	411,316	1,371,580
Delivery Services	1,738	63,406	914	1,114,358	1,180,416	811,101	17,351	828,452	2,008,868
Travel and Meetings	542,044	734,823	297,350	475,750	2,049,967	140,640	164,708	305,348	2,355,315
Supplies	27,263	121,968	15,937	151,949	317,117	96,308	36,794	133,102	450,219
Depreciation and Amortization	38,828	112,013	26,242	49,717	226,800	25,281	38,804	64,085	290,885
Computer Expenses	43,458	28,500	29,521	55,645	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	17,410	1,394	55,950	566,111	640,865	150,537	1,830	152,367	793,232
Grants and Contributions	3,046,759	607,780	236,894	704,600	4,596,033	-	-	-	4,596,033
Subscriptions	73,388	87,865	51,800	393,350	606,403	176,447	198,723	375,170	981,573
Miscellaneous	12,952	53,966	7,470	18,000	92,388	16,494	12,210	28,704	121,092
Repairs and Maintenance	10,442	18,469	4,183	7,925	41,019	4,030	6,186	10,216	51,235
Bank Fees	11,055	4,864	1,864	1,153	18,936	918	198,405	199,323	218,259
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	\$ 11,561,609	\$ 8,266,447	\$ 5,059,656	\$ 14,850,787	\$ 39,738,499	\$ 7,204,124	\$ 5,174,068	\$ 12,378,192	\$ 52,116,691

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,357,835	\$ 1,662,977
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	333,455	290,886
Other Losses	274,884	-
Noncash Operating Lease Expense	825,163	487,952
Realized/Unrealized (Gain) Loss on Operating Investments	(5,556,619)	(4,511,960)
Contributions Restricted to Endowment	(15,000)	(15,000)
Change in Charitable Gift Annuities' Liability Valuation	76,525	85,592
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	(109,048)	1,155,246
Grants Receivable, Net	132,734	(56,629)
Contributions Receivable, Net	(2,225,975)	8,222,137
Bequests and Trusts Receivable, Net	1,756,655	(2,352,542)
Charitable Remainder Trusts Receivable, Net	(65,654)	(86,089)
Prepaid Expenses	(107,648)	674,713
Deposits	11,198	(5,841)
Other Assets	(274,884)	-
Accounts Payable and Accrued Expenses	(1,044,459)	(1,651,028)
Lease Liabilities - Operating Leases	(830,325)	(406,671)
Deferred Compensation Plan Liabilities	83,501	143,285
Net Cash Provided (Used) by Operating Activities	(2,377,662)	3,637,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(250,094)	(162,141)
Purchases of Investments	(7,038,764)	(13,830,887)
Proceeds from Sales of Investments	5,942,497	7,087,876
Net Cash Used by Investing Activities	(1,346,361)	(6,905,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted to Endowment	15,000	15,000
Payments to Beneficiaries of Split-Interest Agreements	(230,083)	(175,373)
Proceeds from Establishment of Split-Interest Agreements	227,763	126,098
Net Cash Provided (Used) by Financing Activities	12,680	(34,275)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,711,343)	(3,302,399)
Cash and Cash Equivalents - Beginning of Year	10,057,457	13,359,856
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,346,114	\$ 10,057,457
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Recognition of Right-of-Use Assets - Operating Leases	\$ 188,104	\$ 278,040
Recognition of Lease Liabilities - Operating Leases	\$ 188,104	\$ 278,040

See accompanying Notes to Financial Statements.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

For more than 50 years, Ocean Conservancy, Inc. (the Organization) has delivered effective, evidence-based solutions for our ocean and all who depend on it. The Organization identifies the most urgent threats to our ocean at all levels and champions the most effective solutions through cutting-edge science, policy change, and partnerships. It focuses on protecting biodiversity, advancing climate solutions, and ending ocean plastics. The Organization inspires a passionate, global network of advocates, policymakers, scientists, businesses, and communities to create lasting change for a healthy ocean and a thriving planet.

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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 and 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 three to five 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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 and other losses.

Reclassifications

Certain amounts in the financial statements for the year ended June 30, 2024, were reclassified to be comparable to the presentations in the financial statements for the year ended June 30, 2025. The reclassifications did not have impact on the total reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2025, the date the financial statements were available to be issued.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 statement of financial position date, comprise the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash	\$ 6,346,114	\$ 10,057,457
Investments	72,047,552	65,478,167
Accounts Receivable	195,625	86,577
Grants Receivable	265,052	397,786
Contributions Receivable, Net	7,371,267	5,145,292
Bequests and Trusts Receivable	2,361,208	4,117,863
Charitable Remainder Trusts Receivable, Net	<u>1,168,580</u>	<u>1,102,926</u>
Total Financial Assets	89,755,398	86,386,068
Less:		
Charitable Gift Annuities	1,333,364	1,259,159
Board-Designated Fund, Net of Annual Spending Rate	45,598,095	39,986,555
Restricted by Donors for Purpose and Time	23,840,790	22,530,053
Restricted by Donors in Perpetuity	<u>3,389,985</u>	<u>3,374,985</u>
Total Available for General Expenditures	<u>\$ 15,593,164</u>	<u>\$ 19,235,316</u>

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) by \$6,098,871 and \$9,541,895 for the years ending June 30, 2025 and 2024, respectively. 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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 assets and 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 charitable remainder trust receivables and split-interest agreements.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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:

	2025			Total
	Level 1	Level 2	Level 3	
Investments at Fair Value:				
Mutual Funds:				
U.S. Large Cap	\$ 18,931,674	\$ -	\$ -	\$ 18,931,674
U.S. Mid Cap	5,493,085	-	-	5,493,085
U.S. Small Cap	6,682,598	-	-	6,682,598
International-Developed	9,513,780	-	-	9,513,780
Emerging Markets	3,435,046	-	-	3,435,046
Bond Funds	23,486,501	-	-	23,486,501
U.S. Treasuries	133,230	-	-	133,230
Mortgage-Backed Securities	-	605	-	605
Total Investments at Fair Value	<u>67,675,914</u>	<u>605</u>	<u>-</u>	<u>67,676,519</u>
Investments at Cost:				
Money Marke Accounts				<u>4,371,033</u>
Total Investments				72,047,552
Deferred Compensation Plan Assets				
Measured at Fair Value:				
Mutual Funds - Real Estate	14,999	-	-	14,999
Mutual Funds - Equities	<u>272,325</u>	<u>-</u>	<u>-</u>	<u>272,325</u>
Total Deferred Compensation Plan Assets at Fair Value	<u>287,324</u>	<u>-</u>	<u>-</u>	<u>287,324</u>
Deferred Compensation Plan Assets Measured at Cost				<u>294,596</u>
Total Deferred Compensation Plan Assets				<u>581,920</u>
Total Assets Investments and Deferred Compensation Plan Assets	<u>\$ 67,963,238</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 72,629,472</u>
Receivables at Fair Value:				
Charitable Remainder Trusts				
Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,168,580</u>	<u>\$ 1,168,580</u>
Liabilities at Fair Value:				
Charitable Gift Annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,333,364</u>	<u>\$ 1,333,364</u>

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2024			Total
	Level 1	Level 2	Level 3	
Investments at Fair Value:				
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	<u>62,923,112</u>	<u>-</u>	<u>-</u>	<u>62,923,112</u>
Investments at Cost:				
Money Market Accounts				<u>2,555,055</u>
Total Investments				65,478,167
Deferred Compensation Plan Assets:				
Measured at Fair Value				
Mutual Funds - Real Estate	12,257	-	-	12,257
Mutual Funds - Equities	288,163	-	-	288,163
Total Deferred Compensation Plan Assets at Fair Value	<u>300,420</u>	<u>-</u>	<u>-</u>	<u>300,420</u>
Deferred Compensation Plan Assets Measured at Cost				<u>197,999</u>
Total Deferred Compensation Plan Assets				<u>498,419</u>
Total Assets Investments and Deferred Compensation Plan Assets	<u>\$ 63,223,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,976,586</u>
Receivables at Fair Value:				
Charitable Remainder Trusts Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,102,926</u>	<u>\$ 1,102,926</u>
Liabilities at Fair Value:				
Charitable Gift Annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,259,159</u>	<u>\$ 1,259,159</u>

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table reconciles the beginning and ending balances of the Organization's charitable remainder trust receivables as measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Balance - Beginning of Year	\$ 1,102,926	\$ 1,016,837
Change in Fair Value Discount	87,285	124,953
Change in Allowance	(21,631)	(38,864)
Balance - End of Year	<u>\$ 1,168,580</u>	<u>\$ 1,102,926</u>

Unobservable inputs used to determine fair value of the charitable remainder trust receivables include IRC Section 7520 rates, actuarial assumptions about income beneficiaries, and expected future cash flows from the trusts.

The following table provides a summary of changes in fair value of the Organization's split-interest liabilities measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Balance - Beginning of Year	\$ 1,259,159	\$ 1,222,842
New Gift Annuities	227,763	126,098
Distributions	(230,083)	(175,373)
Change in Value	76,525	85,592
Balance - End of Year	<u>\$ 1,333,364</u>	<u>\$ 1,259,159</u>

Unobservable inputs used to determine fair value of the split-interest liabilities include actuarial assumptions for annuitants, expected future cash flows, and the risk-free rate available in the market.

Net investment returns consist of the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest and Dividends	\$ 1,845,948	\$ 1,773,984
Realized Gain	526,056	210,307
Unrealized Gain	5,028,666	4,301,653
Total	7,400,670	6,285,944
Less: Investment Management Fees	(185,835)	(153,138)
Investment Return, Net	<u>\$ 7,214,835</u>	<u>\$ 6,132,806</u>

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2025</u>	<u>2024</u>
In Less than One Year	\$ 6,118,999	\$ 4,471,467
In One to Five Years	1,300,000	715,000
Total	<u>7,418,999</u>	<u>5,186,467</u>
Less: Discount to Net Present Value of 3.72% in 2025 and 4.52% in 2024	<u>(47,732)</u>	<u>(41,175)</u>
Contributions Receivable, Net	<u><u>\$ 7,371,267</u></u>	<u><u>\$ 5,145,292</u></u>

NOTE 6 CONTRACT ASSETS

Contract asset balances were \$195,625, \$86,577, and \$1,241,823 for the years ended June 30, 2025, 2024 and 2023, respectively.

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% and 5.6% at June 30, 2025 and 2024 correspondingly. At June 30, 2025 and 2024, the estimated value of these receivables totaled \$1,168,580 and \$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:

	<u>2025</u>	<u>2024</u>
Leasehold Improvements	\$ 1,249,260	\$ 1,249,260
Computers and Equipment	307,924	323,783
Website Development	713,008	462,914
Furniture and Fixtures	90,180	90,180
Total	<u>2,360,372</u>	<u>2,126,137</u>
Less: Accumulated Depreciation and Amortization	<u>(1,145,196)</u>	<u>(827,600)</u>
Property and Equipment, Net	<u><u>\$ 1,215,176</u></u>	<u><u>\$ 1,298,537</u></u>

Depreciation expense totaled \$333,455 and \$290,886 for the years ended June 30, 2025 and 2024, respectively.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 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 years ended, June 30:

	<u>2025</u>	<u>2024</u>
Lease Cost:		
Operating Lease Cost	<u>\$ 1,101,757</u>	<u>\$ 1,100,375</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 1,163,005	\$ 1,073,980
Right-of-Use Assets Obtained in Exchange for Lease Liabilities:		
Operating Leases	\$ 188,104	\$ 278,040
Weighted-Average Lease Term - Operating Leases	5.5 Years	6.4 Years
Weighted-Average Discount Rate - Operating Leases	3.84%	3.84%

A maturity analysis of annual undiscounted cash flows for the lease liabilities as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 1,173,352
2027	1,106,445
2028	1,125,985
2029	1,154,456
2030	1,114,861
Thereafter	<u>659,722</u>
Undiscounted Cash Flows	6,334,821
Less: Imputed Interest	<u>(618,755)</u>
Total Present Value	<u>\$ 5,716,066</u>

Rent expense for the years ended June 30, 2025 totaled \$1,250,322, of which \$1,101,757 is attributable to long-term operating lease agreements presented in this footnote disclosure, and the remainder attributable to various other short-term leases.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 years ended June 30, 2025 and 2024 totaled \$190,571 and \$124,910, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specified Purpose	\$ 17,183,939	\$ 15,088,493
Subject to the Passage of Time	4,732,356	5,829,916
Unappropriated Earnings on Endowments	1,924,495	1,611,644
Perpetual in Nature	3,389,985	3,374,985
Total Net Assets With Donor Restrictions	<u>\$ 27,230,775</u>	<u>\$ 25,905,038</u>

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:

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specified Purpose	\$ 16,051,332	\$ 18,754,995
Subject to the Passage of Time	3,972,802	2,294,623
Appropriated Earnings on Endowments	235,309	205,162
Total Net Assets With Donor Restrictions	<u>\$ 20,259,443</u>	<u>\$ 21,254,780</u>

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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 ENDOWMENTS (CONTINUED)

Caroline Macomber Fellowship Endowment Fund – \$550,350 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.

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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 and 2024, there were no funds with deficiencies.

Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Endowment Corpus	\$ -	\$ 3,389,985	\$ 3,389,985
Unappropriated Earnings on Endowment	-	1,924,495	1,924,495
Total	\$ -	\$ 5,314,480	\$ 5,314,480
	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

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended June 30:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 4,986,629	\$ 4,986,629
Contributions	-	15,000	15,000
Investment Return, Net:			
Interest and Dividends	-	125,881	125,881
Realized Loss	-	46,498	46,498
Unrealized Gain	-	388,359	388,359
Investment Management Fees	-	(12,578)	(12,578)
Total Investment Return, Net	-	548,160	548,160
Appropriation of Endowment Assets for Expenditure	-	(235,309)	(235,309)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 5,314,480</u>	<u>\$ 5,314,480</u>
	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	<u>\$ -</u>	<u>\$ 4,986,629</u>	<u>\$ 4,986,629</u>

**OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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 \$6,817,530 has not been recognized as of June 30, 2025 because qualifying expenditures have not yet been incurred or performance requirements have yet to have been met.

NOTE 14 IN-KIND CONTRIBUTIONS

For the years ended June 30, 2025 and 2024, the Organization received in-kind contributions valued at \$461,242 and \$482,834, respectively. These contributions included:

- **Search Engine Optimization Services:** Donors enhanced their search engine coding to direct relevant traffic to the Organization’s website. The valuation of these services is based on donor-provided algorithms and updated in real time.
- **Advertising:** The Organization received donated advertising space and valued the gift based on donor provided cost for similarly placed purchased advertising.
- **Artwork:** The Organization received donated works of art that were immediately sold and valued at actual sales price.
- **Supplies:** The Organization received donated supplies that supported various organization and programmatic functions and were recorded at the retail cost to acquire the supplies.

These contributions at the date of donation are reflected as contribution revenue in the accompanying statements of activities and are comprised of the following:

	2025	2024
Search Engine Optimization	\$ 401,862	\$ 434,459
Artwork	4,300	48,375
Advertising	2,500	-
Supplies	52,580	-
Total Joint Costs	\$ 461,242	\$ 482,834

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 \$971,606 and \$981,256 for the years ended June 30, 2025 and 2024, respectively.

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, 2025 and 2024, the deferred compensation plan assets and corresponding liability held at fair value amounted to \$581,920 and \$498,419, respectively, and are included in the accompanying statement of financial position. Contributions of \$48,063 and \$73,311 were made to the plan for the years ended June 30, 2025 and 2024, respectively.

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 years ended June 30, 2025 and 2024, the Organization recorded contributions from board members totaling \$186,025 and \$107,000, respectively.

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.

OCEAN CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 ALLOCATION OF JOINT COSTS (CONTINUED)

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

	<u>2025</u>	<u>2024</u>
Program Services	\$ 4,429,106	\$ 4,527,411
Fundraising and Membership Development	2,704,688	3,123,147
Management and Administrative	<u>21,466</u>	<u>23,020</u>
Total Joint Costs	<u>\$ 7,155,260</u>	<u>\$ 7,673,578</u>

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 years ended June 30, 2025 and 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.



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