



OCEANA, INC. AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



OCEANA, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Oceana, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oceana, Inc. and Affiliate (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oceana, Inc. and Affiliate as of December 31, 2020, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and in our report dated May 22, 2020, we expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Marcum LLP

Washington, DC
May 28, 2021

OCEANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 34,317,398	\$ 22,149,149
Short-term investments	2,881,479	3,656,259
Grants and contributions receivable, current portion	15,908,509	13,442,052
Accounts receivable	583,300	67,041
Prepaid expenses and other	414,810	486,170
Total Current Assets	54,105,496	39,800,671
Long-term investments	-	131,503
Grants and contributions receivable, net of current portion	7,642,651	15,115,007
Property and equipment, net	3,141,962	3,532,443
Deposits and other long-term assets	2,043,842	1,999,796
TOTAL ASSETS	\$ 66,933,951	\$ 60,579,420
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,591,269	\$ 2,260,043
Loan payable	2,731,729	-
Deferred rent and lease incentive, current portion	326,172	217,285
Total Current Liabilities	5,649,170	2,477,328
Deferred rent and lease incentive, net of current portion	3,580,144	3,718,740
TOTAL LIABILITIES	9,229,314	6,196,068
Net Assets		
Without donor restrictions	19,524,673	15,425,653
With donor restrictions	38,179,964	38,957,699
TOTAL NET ASSETS	57,704,637	54,383,352
TOTAL LIABILITIES AND NET ASSETS	\$ 66,933,951	\$ 60,579,420

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 11,287,269	\$ 23,106,761	\$ 34,394,030	\$ 34,978,839
Special events	2,507,384	-	2,507,384	3,804,142
In-kind revenue	3,405,109	-	3,405,109	1,598,334
Investment income	154,851	-	154,851	27,051
Miscellaneous	6,356	-	6,356	293,778
Foreign currency transaction losses	(260,584)	-	(260,584)	(13,141)
Net assets released from restrictions:				
Satisfaction of time restrictions	2,512,571	(2,512,571)	-	-
Satisfaction of program restrictions	21,371,925	(21,371,925)	-	-
	40,984,881	(777,735)	40,207,146	40,689,003
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
United States Oceans	10,177,409	-	10,177,409	9,785,524
International Activities	11,386,810	-	11,386,810	13,250,351
Communications	1,806,408	-	1,806,408	1,774,510
Law	4,153,456	-	4,153,456	2,488,526
Marine Science	1,492,826	-	1,492,826	1,571,045
Oceana Action, Inc.	299,787	-	299,787	75,912
	29,316,696	-	29,316,696	28,945,868
Total Program Services				
Supporting Services:				
General and administrative	5,085,327	-	5,085,327	5,712,301
Fundraising – cost of direct benefit to donors	127,780	-	127,780	352,507
Fundraising – other	2,356,058	-	2,356,058	3,021,277
	7,569,165	-	7,569,165	9,086,085
Total Supporting Services				
TOTAL EXPENSES	36,885,861	-	36,885,861	38,031,953
CHANGE IN NET ASSETS	4,099,020	(777,735)	3,321,285	2,657,050
NET ASSETS, BEGINNING OF YEAR	15,425,653	38,957,699	54,383,352	51,726,302
NET ASSETS, END OF YEAR	\$ 19,524,673	\$ 38,179,964	\$ 57,704,637	\$ 54,383,352

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services						Supporting Services				2020 Total	2019 Total
	United States Oceans	International Activities	Communications	Law	Marine Science	Oceana Action, Inc.	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and wages	\$ 6,179,704	\$ 5,417,277	\$ 1,006,232	\$ 467,383	\$ 841,779	\$ 137,106	\$ 14,049,481	\$ 2,607,521	\$ 974,924	\$ 3,582,445	\$ 17,631,926	\$ 17,956,562
In-kind legal expenses	-	-	-	3,340,854	-	-	3,340,854	-	64,255	64,255	3,405,109	1,598,334
Employee benefits	1,237,460	304,839	214,231	105,624	184,846	26,779	2,073,779	571,773	206,755	778,528	2,852,307	2,636,281
Consultants	306,708	1,416,425	201,203	753	167,184	-	2,092,273	125,876	52,375	178,251	2,270,524	2,122,575
Occupancy	641,341	683,751	124,999	63,768	112,223	16,502	1,642,584	386,633	105,356	491,989	2,134,573	2,263,287
Payroll taxes	381,539	837,778	70,089	34,646	61,092	9,997	1,395,141	194,905	71,591	266,496	1,661,637	1,720,042
Awards, grants and contributions	430,700	554,628	-	125	59,297	-	1,044,750	22,000	15,000	37,000	1,081,750	1,061,781
Marketing	33,625	121,779	67,399	-	-	19,191	241,994	6,276	469,058	475,334	717,328	822,761
Professional fees	17,850	390,791	3,258	83,704	1,139	20,883	517,625	139,293	-	139,293	656,918	744,020
Depreciation and amortization	76,629	157,034	2,413	312	4,664	-	241,052	409,113	58	409,171	650,223	802,923
Printing and publications	172,201	245,449	20,322	-	-	2,413	440,385	9,469	67,889	77,358	517,743	500,493
Conferences and meetings	32,047	236,358	424	1,310	3,268	-	273,407	174,434	56,124	230,558	503,965	1,205,716
Dues and subscriptions	120,585	103,793	31,745	24,041	13,068	1,683	294,915	94,257	30,805	125,062	419,977	582,412
Telecommunications	78,970	133,105	8,928	2,879	5,079	851	229,812	28,742	139,770	168,512	398,324	292,404
Travel	46,839	289,886	16,130	729	11,654	72	365,310	24,873	4,624	29,497	394,807	1,810,718
Insurance	138,984	46,117	21,757	10,462	18,909	8,011	244,240	127,716	22,373	150,089	394,329	412,441
Advertising	175,508	129,867	7,399	-	-	44,328	357,102	917	5,389	6,306	363,408	238,279
Bank fees, taxes, and interest	27,569	69,648	123	12,338	131	11,378	121,187	16,614	132,322	148,936	270,123	272,983
Supplies	22,710	63,613	4,603	612	1,008	42	92,588	41,757	2,412	44,169	136,757	259,985
Boat – rental, repairs and maintenance	2,331	99,686	-	1,084	-	-	103,101	5,678	5,735	11,413	114,514	403,229
Professional training and development	21,997	15,976	759	401	5,168	-	44,301	48,075	3,850	51,925	96,226	141,550
Postage and shipping	4,305	10,543	299	938	68	307	16,460	23,189	31,600	54,789	71,249	80,992
Equipment rental and maintenance	24,727	9,394	1,820	1,281	2,249	244	39,715	10,559	21,393	31,952	71,667	61,569
Loss on disposal of property and equipment	-	48,333	-	-	-	-	48,333	-	-	-	48,333	3,681
Miscellaneous	3,080	740	2,275	212	-	-	6,307	15,657	180	15,837	22,144	36,935
TOTAL EXPENSES	\$ 10,177,409	\$ 11,386,810	\$ 1,806,408	\$ 4,153,456	\$ 1,492,826	\$ 299,787	\$ 29,316,696	\$ 5,085,327	\$ 2,483,838	\$ 7,569,165	\$ 36,885,861	\$ 38,031,953

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,321,285	\$ 2,657,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	650,223	802,923
Amortization of deferred lease incentive	217,285	217,285
Loss on disposal of property and equipment	48,333	3,681
Realized and unrealized investment losses (gains)	4,206	(32,062)
Change in the present value discount for contributions receivable	(508,150)	(331,673)
Changes in assets and liabilities:		
Grants and contributions receivable	5,514,049	(2,220,804)
Accounts receivable	(516,259)	2,188
Prepaid expenses and other	71,360	(435,070)
Deposits and other long-term assets	(44,046)	(458,916)
Accounts payable and accrued expenses	331,226	14,147
Deferred rent and lease incentive	(246,994)	817,934
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,842,518	1,036,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	1,086,715	345,837
Purchases of investments	(184,638)	(1,265,076)
Purchase of property and equipment	(308,075)	(263,344)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	594,002	(1,182,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	2,731,729	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,731,729	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,168,249	(145,900)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,149,149	22,295,049
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 34,317,398	\$ 22,149,149

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies

Organization

Oceana, Inc. (Oceana) is a nonprofit organization incorporated under the laws of the District of Columbia on March 1, 2001. Oceana is the largest international advocacy organization focused solely on ocean conservation. Oceana's offices around the world work together to win strategic, directed campaigns that achieve measurable outcomes that will help make our oceans more biodiverse and abundant. These activities are funded primarily through grants and contributions.

Oceana Action, Inc. (formerly Ocean Advocacy Resources, Inc.) is a nonprofit organization incorporated under the laws of the District of Columbia on December 4, 2001. Oceana Action was formed to promote the design and effective implementation of policies at both the national and international levels, aimed at protecting and restoring marine fisheries and other living marine resources and the ecosystems in which they exist, and to engage the public in marine ecosystem advocacy efforts.

Principles of Consolidation

The consolidated financial statements include the accounts of Oceana and Oceana Action (collectively referred to as the Organization). Oceana and Oceana Action have been consolidated due to the presence of effective control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in the consolidation.

Oceana operates through branch offices that are formally part of the U.S. corporation in Chile, the Philippines, and Peru. In the European Union, Oceana operates through a locally incorporated independent entity established in Spain, which has a branch office in Belgium, as well as through a separate, locally incorporated independent entity established in the United Kingdom. Oceana also operates through locally incorporated independent entities in Belize, Brazil, Mexico, and Switzerland. These entities are dependent on Oceana for funding; participate in Oceana's activities and decision-making; and carry out the general mission and international activities of Oceana. Accordingly, the activities of the branch entities and the independent entities are combined with Oceana's activities in the accompanying consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred.

Cash Equivalents

The Organization considers money market funds and certificates of deposit with an original maturity of three months or less or no penalty for early withdrawal to be cash equivalents. The Organization maintains cash accounts denominated in U.S. dollars, Chilean pesos, Belizean dollars, British pounds, Philippine pesos, Brazilian reals, Peruvian soles, Swiss francs, Euros, Mexican pesos and Danish kroner.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

The Organization uses the allowance method to record potentially uncollectible grants and contributions receivable. The allowance is based on management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Investments

Investments are composed of certificates of deposit with maturities of more than three months or an early termination penalty and common stocks. Investments are reported in the accompanying consolidated financial statements at fair value based upon quoted market prices. Investments with maturity dates of less than one year, as well as equities donated near the end of the year which the Organization sold shortly thereafter, are presented as short-term investments in the accompanying consolidated financial statements.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized on the basis of inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

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. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2020, only the Organization's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Organization are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2020, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

Property and Equipment and Related Depreciation and Amortization

Acquisitions of furniture and equipment and eligible internal-use software and website development with an estimated useful life greater than a year and a cost greater than \$500 are capitalized at cost. Furniture, equipment, internal-use software and website development are being depreciated using the straight-line method over estimated useful lives of three to five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the lease. Expenditures for major additions and improvements are capitalized; expenditures for maintenance and repairs are charged to expense when incurred. Costs incurred in the development of internal-use software are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses, as appropriate.

Revenue Recognition

The Organization reports unconditional grants and contributions of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to a specific period of time. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Unconditional contributions and grants without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. Revenue recognized on unconditional contributions and grants for which the cash has not been received from the donor as of year-end is reflected as grants and contributions receivable in the accompanying consolidated statement of financial position.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in grants and contributions revenue in the accompanying consolidated statement of activities. 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.

Special events revenue consists of mainly contributions and ticket sales for gala events. Contributions are recorded as with or without donor restrictions based on whether they are restricted for a particular purpose or to a specific time as noted above. Ticket sales are treated as exchange transactions and are recognized at the point in time that the performance obligations are met, in this case at the time the gala event takes place.

Transactions in Foreign Currencies

Oceana, Inc. conducts many of its programs through offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed. The resulting gain or loss is reflected in the accompanying consolidated statement of activities as net foreign currency transaction gains or losses. The U.S. dollar is considered the functional and reporting currency of Oceana, Inc.

Donated Services

The Organization's programs are furthered through the contribution of services by various organizations. Donated services are recorded at fair value as of the date of the donation and are included in in-kind revenue and expenses in the accompanying consolidated financial statements. For the year ended December 31, 2020, donated services consisted of pro-bono legal services relating to the law program.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services based on salaries expense for each program or supporting service. Salaries and benefits are allocated on the basis of weekly timesheets. The Organization allocates shared costs which benefit multiple areas and include occupancy, legal fees and insurance based on direct labor hours.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2. Grants and Contributions Receivable

As of December 31, 2020, contributors to the Organization had unconditionally promised to give \$23,551,160 to be used for particular programs and general support in the coming years.

All amounts were considered fully collectible and were due as follows:

Due within one year	\$ 15,908,509
Due in one to five years	<u>7,818,462</u>
Total Grants and Contributions Receivable	23,726,971
Less: Present Value Component (1.46%)	<u>(175,811)</u>
Grants and Contributions Receivable, Net	<u><u>\$ 23,551,160</u></u>

3. Investments and Fair Value Measurement

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2020, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 2,868,285	\$ -	\$ 2,868,285	\$ -
Common stocks	<u>13,194</u>	<u>13,194</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,881,479</u></u>	<u><u>\$ 13,194</u></u>	<u><u>\$ 2,868,285</u></u>	<u><u>\$ -</u></u>

Certificates of deposit – Certificates of deposit have original maturity dates in excess of 90 days. A yield-based matrix system was used to arrive at an estimated fair value for these instruments, which are classified within Level 2 of the valuation hierarchy.

Common stocks – Assets are common stocks that are traded in an open market.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

4. Property and Equipment and Related Depreciation and Amortization

The Organization held the following property and equipment as of December 31, 2020:

Leasehold improvements	\$ 2,983,175
Computer equipment	770,044
Furniture and office equipment	1,668,468
Computer software	1,017,996
Website development	667,360
Vehicles	<u>305,470</u>
Total Property and Equipment	7,412,513
Less: Accumulated Depreciation and Amortization	<u>(4,270,551)</u>
Property and Equipment, Net	<u>\$ 3,141,962</u>

Depreciation and amortization expense was \$650,223 for the year ended December 31, 2020.

5. Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were restricted as follows as to purpose or period:

Subject to expenditure for specified purpose:	
International activities	\$ 30,388,354
United States Oceans	<u>941,780</u>
Total Subject to Expenditure for Specified Purpose	<u>31,330,134</u>
Subject to passage of time:	
General operating support for future periods	<u>6,849,830</u>
Total Subject to Passage of Time	<u>6,849,830</u>
Total Net Assets With Donor Restrictions	<u>\$ 38,179,964</u>

6. Commitments and Risks

Operating Leases

The Organization entered into a noncancelable operating lease for its office space in Washington, D.C., during 2017, which is effective July 2018 through October 2029. The lease contains fixed increases in rent of 3.5% per annum for years one to five, and 3.8% thereafter, in addition to the payment of operating expenses. The Organization received rent abatement for the first 15 months of the original lease on 88.75% of the leased space and 38 months of abatement on the remaining 11.25% of the leased space. Under GAAP, abated rent and other concessions are recognized on a straight-line basis over the term of the lease, with the

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

6. Commitments and Risks (continued)

Operating Leases (continued)

difference between the straight-line and cash basis rent being amortized ratably over the term of the lease. The lease also provided for a lease incentive for the build-out of the space totaling \$2,453,805. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense, which is included in occupancy in the consolidated statement of functional expenses.

The Organization also leases its international office space in Spain; the Philippines; Brazil; Chile; Belize; Peru; Mexico; the United Kingdom; and, Belgium, as well as its offices in New York City, New York; Newport, Rhode Island; Portland, Oregon; Monterey, California; and Juneau, Alaska, under noncancelable operating leases, of which the latest expires in February 2026.

The future minimum rental payments required under the operating leases were as follows as of December 31, 2020:

<u>For the Year Ending December 31,</u>	
2021	\$ 1,913,713
2022	1,851,042
2023	1,825,596
2024	1,797,190
2025	1,709,913
Thereafter	<u>6,739,234</u>
Total	<u>\$ 15,836,688</u>

Rent expense, not including utilities, which is included in occupancy in the consolidated statement of functional expenses, totaled \$1,924,649 for the year ended December 31, 2020.

Concentration of Credit Risk

The Organization's cash and cash equivalents are composed of amounts in accounts at various financial institutions. While the amount, at times, exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, the Organization has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2020, the amount in excess of the FDIC insured limit was \$29,150,155. As of December 31, 2020, the Organization maintained \$3,287,675 in accounts at non-U.S. financial institutions.

Concentration of Risk

For the year ended December 31, 2020, the Organization received unconditional contributions of \$12,325,000 from five donors, which represents 31% of the total revenue and support recognized. As of December 31, 2020, five donors owed the Organization \$17,435,000, which represents 74% of the grants and contributions receivable outstanding at year-end.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

6. Commitments and Risks (continued)

Foreign Operations

The Organization has operations in Spain, the United Kingdom, Denmark, Belgium, Belize, the Philippines, Brazil, Chile, Mexico and Peru for the purpose of building an international movement to save the oceans through public policy advocacy, science and economics, legal action, grassroots mobilization and public education. The future results of these programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

As of December 31, 2020, the Organization had cash and net property and equipment in these countries totaling \$4,432,018, representing approximately 6.7% of the Organization's total consolidated assets as of December 31, 2020.

Risk and Uncertainty

The novel coronavirus (COVID-19) outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country and world for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue most of its operations in a remote environment; however, at this point, even with the positive news from worldwide vaccine rollouts, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

7. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. As of December 31, 2020, the Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 34,317,398
Grants and contributions receivable, net	23,551,160
Accounts receivable	583,300
Investments	<u>2,881,479</u>
Total Financial Assets Available Within One Year	61,333,337
Less:	
Amounts unavailable for general expenditures within one year due to donors' purpose restriction	(31,330,134)
Amounts unavailable for general expenditures within one year due to donors' time restriction	<u>(4,371,729)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 25,631,474</u>

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

7. Availability and Liquidity (continued)

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is accomplished through monitoring and reviewing the Organization's cash flow needs on a regular basis. As a result, management is aware of the Organization's cash flow needs and is, therefore, able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in FDIC insured certificates of deposit. The certificates of deposit have varying maturity dates throughout the year and are, therefore, available to meet any cash flow needs.

8. Retirement Plan

The Organization sponsors an elective deferral contribution retirement plan for all of its United States of America employees. Under the terms of the plan, the Organization may make elective deferral contributions based on each participant's annual compensation. For the year ended December 31, 2020, Oceana contributed 7% to participants who had completed at least six months of service. Additionally, the Organization will match dollar for dollar, up to 5% of compensation, its employees' elective deferral contributions. For the year ended December 31, 2020, employer contribution expense totaled \$1,347,485.

9. Related Party Transactions

The Organization supports Oceana Canada, in furtherance of a shared purpose, joining forces to address the needs of the same programs in Canada as it supports throughout the world. Oceana Canada is an independent nonprofit organization incorporated under Canadian law. The Organization has a service agreement with Oceana Canada to provide administrative and other services. The Organization's Board Chair also sits on Oceana Canada's all-volunteer Board. During the year ended December 31, 2020, the Organization donated \$495,926 in total cash contributions and performed services valued at \$185,802 in support of Oceana Canada's mission to preserve and protect Canada's oceans.

10. Loan Payable

On May 1, 2020, the Organization's Small Business Administration (SBA) loan application under the Paycheck Protection Program (PPP) for the amount of \$2,731,729 was approved by a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first sixteen months of the loan, with the first monthly installment in September 2021, through the maturity. The loan amount may be eligible for forgiveness pursuant to the PPP, which minimally requires at least 60% of the loan proceeds cover payroll costs and the remainder be used for rent and utility costs over a period of twenty-four weeks after the loan was made; and the number of employees and

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

10. Loan Payable (continued)

compensation levels are maintained. If forgiven, the loan principal and any accrued interest will be charged to income. If not forgiven, the monthly installment payment on the loan will be \$341,466 plus interest per month through maturity. The PPP note includes events of default. Upon the occurrence of an event of default, the lender will have the right to exercise remedies against the Organization, including the right to require immediate repayments of all amounts due under the PPP note.

11. Income Taxes

Oceana and Oceana Action are exempt from the payment of income taxes under Sections 501(c)(3) and 501(c)(4), respectively, of the Internal Revenue Code. As such, both organizations are taxed only on their net unrelated business income. No provision for income taxes was made for the year ended December 31, 2020, as neither organization had any significant net unrelated business income. In addition, some of the foreign operations of the Organization are subject to local income tax in the jurisdictions in which they operate. Any amounts owed as of December 31, 2020, are not significant to the consolidated financial statements.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2020, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status.

As of December 31, 2020, the statute of limitations for certain tax years remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. However, no examinations are currently pending or in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense.

12. Prior Year Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

13. Reclassifications

Certain 2019 amounts have been reclassified for comparative purposes to conform to the 2020 presentation.

14. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions, for potential recognition or disclosure, through May 28, 2021, the date the consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment and/or disclosure.

SUPPLEMENTARY INFORMATION

OCEANA, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2020

	Oceana	Oceana Action	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 33,933,717	\$ 383,681	\$ -	\$ 34,317,398
Short-term investments	2,881,479	-	-	2,881,479
Grants and contributions receivable, current portion	15,858,509	50,000	-	15,908,509
Due from affiliate	234,225	-	(234,225)	-
Accounts receivable	583,300	-	-	583,300
Prepaid expenses and other	414,810	-	-	414,810
Total Current Assets	53,906,040	433,681	(234,225)	54,105,496
Grants and contributions receivable, net of current portion	7,492,651	150,000	-	7,642,651
Property and equipment, net	3,141,962	-	-	3,141,962
Deposits and other long-term assets	2,043,842	-	-	2,043,842
TOTAL ASSETS	\$ 66,584,495	\$ 583,681	\$ (234,225)	\$ 66,933,951
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 2,586,859	\$ 4,410	\$ -	\$ 2,591,269
Loan payable	2,731,729	-	-	2,731,729
Deferred rent and lease incentive, current portion	326,172	-	-	326,172
Due to affiliate	-	234,225	(234,225)	-
Total Current Liabilities	5,644,760	238,635	(234,225)	5,649,170
Deferred rent and lease incentive, net of current portion	3,580,144	-	-	3,580,144
TOTAL LIABILITIES	9,224,904	238,635	(234,225)	9,229,314
Net Assets				
Without donor restrictions	19,179,627	345,046	-	19,524,673
With donor restrictions	38,179,964	-	-	38,179,964
TOTAL NET ASSETS	57,359,591	345,046	-	57,704,637
TOTAL LIABILITIES AND NET ASSETS	\$ 66,584,495	\$ 583,681	\$ (234,225)	\$ 66,933,951

See independent auditors' report on supplementary information.

OCEANA, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2020**

	Oceana	Oceana Action	Eliminations	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 34,039,025	\$ 355,005	\$ -	\$ 34,394,030
Special events	2,507,384	-	-	2,507,384
In-kind revenue	3,405,109	-	-	3,405,109
Investment income	154,851	-	-	154,851
Miscellaneous	6,356	-	-	6,356
Foreign currency transaction losses	(260,584)	-	-	(260,584)
	39,852,141	355,005	-	40,207,146
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
United States Oceans	10,177,409	-	-	10,177,409
International Activities	11,386,810	-	-	11,386,810
Communications	1,806,408	-	-	1,806,408
Law	4,153,456	-	-	4,153,456
Marine Science	1,492,826	-	-	1,492,826
Oceana Action, Inc.	-	299,787	-	299,787
	29,016,909	299,787	-	29,316,696
Total Program Services				
Supporting Services:				
General and administrative	5,085,327	-	-	5,085,327
Fundraising – cost of direct benefit to donors	127,780	-	-	127,780
Fundraising – other	2,356,058	-	-	2,356,058
	7,569,165	-	-	7,569,165
Total Supporting Services				
TOTAL EXPENSES	36,586,074	299,787	-	36,885,861
CHANGE IN NET ASSETS	3,266,067	55,218	-	3,321,285
NET ASSETS, BEGINNING OF YEAR	54,093,524	289,828	-	54,383,352
NET ASSETS, END OF YEAR	\$ 57,359,591	\$ 345,046	\$ -	\$ 57,704,637

See independent auditors' report on supplementary information.