



OCEANA, INC. AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)



**and
Report Thereon**



OCEANA, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the 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, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 29, 2022

OCEANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Summarized Financial Information as of December 31, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 37,885,895	\$ 34,317,398
Short-term investments	3,814,440	2,881,479
Grants and contributions receivable, current portion	11,192,041	15,908,509
Accounts receivable	2,877,285	583,300
Prepaid expenses and other	609,387	414,810
Total Current Assets	56,379,048	54,105,496
Grants and contributions receivable, net of current portion	3,236,013	7,642,651
Property and equipment, net	3,144,556	3,141,962
Deposits and other long-term assets	1,809,865	2,043,842
TOTAL ASSETS	\$ 64,569,482	\$ 66,933,951
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,647,220	\$ 2,591,269
Loan payable	-	2,731,729
Deferred rent and lease incentive, current portion	255,414	326,172
Total Current Liabilities	2,902,634	5,649,170
Deferred rent and lease incentive, net of current portion	3,542,504	3,580,144
TOTAL LIABILITIES	6,445,138	9,229,314
Net Assets		
Without donor restrictions	26,990,026	19,524,673
With donor restrictions	31,134,318	38,179,964
TOTAL NET ASSETS	58,124,344	57,704,637
TOTAL LIABILITIES AND NET ASSETS	\$ 64,569,482	\$ 66,933,951

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 10,033,878	\$ 17,383,327	\$ 27,417,205	\$ 34,394,030
Special events	2,975,037	-	2,975,037	2,507,384
In-kind revenue	3,114,908	-	3,114,908	3,405,109
Loan forgiveness	2,731,729	-	2,731,729	-
Employee retention tax credit	2,582,876	-	2,582,876	-
Investment income	149,364	-	149,364	154,851
Miscellaneous	294,423	-	294,423	6,356
Foreign currency transaction losses	(159,448)	-	(159,448)	(260,584)
Net assets released from restrictions:				
Satisfaction of time restrictions	3,850,130	(3,850,130)	-	-
Satisfaction of program restrictions	20,578,843	(20,578,843)	-	-
TOTAL REVENUE AND SUPPORT	46,151,740	(7,045,646)	39,106,094	40,207,146
EXPENSES				
Program Services:				
International Activities	12,740,065	-	12,740,065	11,386,810
United States Oceans	10,924,566	-	10,924,566	10,177,409
Law	3,835,016	-	3,835,016	4,153,456
Communications	1,913,126	-	1,913,126	1,806,408
Marine Science	1,425,688	-	1,425,688	1,492,826
Oceana Action, Inc.	103,364	-	103,364	299,787
Total Program Services	30,941,825	-	30,941,825	29,316,696
Supporting Services:				
General and administrative	5,022,207	-	5,022,207	5,085,327
Fundraising – other	2,547,625	-	2,547,625	2,356,058
Fundraising – cost of direct benefit to donors	174,730	-	174,730	127,780
Total Supporting Services	7,744,562	-	7,744,562	7,569,165
TOTAL EXPENSES	38,686,387	-	38,686,387	36,885,861
CHANGE IN NET ASSETS	7,465,353	(7,045,646)	419,707	3,321,285
NET ASSETS, BEGINNING OF YEAR	19,524,673	38,179,964	57,704,637	54,383,352
NET ASSETS, END OF YEAR	\$ 26,990,026	\$ 31,134,318	\$ 58,124,344	\$ 57,704,637

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services						Supporting Services				2021 Total	2020 Total
	International Activities	United States Oceans	Law	Communications	Marine Science	Oceana Action, Inc.	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and wages	\$ 5,639,172	\$ 6,715,033	\$ 480,975	\$ 951,840	\$ 832,918	\$ 43,350	\$ 14,663,288	\$ 2,613,903	\$ 878,158	\$ 3,492,061	\$ 18,155,349	\$ 17,631,926
In-kind expenses	-	-	2,984,122	-	-	-	2,984,122	-	130,786	130,786	3,114,908	3,405,109
Employee benefits	419,195	1,321,427	110,501	208,797	184,903	10,167	2,254,990	598,917	197,812	796,729	3,051,719	2,852,307
Consultants	1,840,084	338,822	4,665	298,083	151,086	2,545	2,635,285	242,930	145,702	388,632	3,023,917	2,270,524
Occupancy	459,405	714,598	68,073	151,179	113,678	6,834	1,513,767	362,996	103,017	466,013	1,979,780	2,134,573
Awards, grants and contributions	1,143,062	655,000	-	-	27,514	-	1,825,576	35,000	-	35,000	1,860,576	1,081,750
Payroll taxes	751,256	441,875	37,433	69,800	62,623	3,523	1,366,510	202,096	66,157	268,253	1,634,763	1,661,637
Marketing	438,471	15,845	-	88,734	2,210	-	545,260	12,748	404,630	417,378	962,638	717,328
Professional fees	453,056	23,151	90,137	-	-	13,210	579,554	92,723	1,903	94,626	674,180	656,918
Depreciation and amortization	139,026	60,520	578	1,733	2,121	-	203,978	419,023	29	419,052	623,030	650,223
Dues and subscriptions	109,957	167,291	28,328	67,830	16,195	624	390,225	168,002	30,666	198,668	588,893	419,977
Conferences and meetings	135,627	24,407	242	4	758	-	161,038	21,654	374,125	395,779	556,817	503,965
Insurance	115,229	129,263	11,341	20,050	19,760	547	296,190	68,460	21,635	90,095	386,285	394,329
Printing and publications	257,675	30,441	-	5,867	-	-	293,983	1,224	77,919	79,143	373,126	517,743
Advertising	187,988	110,142	105	24,209	-	237	322,681	5,303	10,194	15,497	338,178	363,408
Travel	196,044	61,020	153	6,738	1,103	-	265,058	29,930	35,119	65,049	330,107	394,807
Bank fees, taxes, and interest	62,539	-	11,314	12	3	21,641	95,509	18,498	149,762	168,260	263,769	270,123
Telecommunications	148,075	60,867	3,296	13,315	4,878	233	230,664	35,421	6,633	42,054	272,718	398,324
Boat – rental, repairs and maintenance	129,054	432	-	-	-	-	129,486	2,304	44,995	47,299	176,785	114,514
Supplies	59,633	11,699	341	1,453	550	20	73,696	36,689	1,334	38,023	111,719	136,757
Postage and shipping	16,887	8,088	1,160	1,261	64	135	27,595	28,954	19,772	48,726	76,321	71,249
Equipment rental and maintenance	10,609	21,343	1,140	1,522	1,924	113	36,651	11,808	21,659	33,467	70,118	71,667
Professional training and development	27,233	10,351	811	148	3,400	-	41,943	10,556	-	10,556	52,499	96,226
Miscellaneous	788	2,951	301	551	-	185	4,776	3,068	348	3,416	8,192	22,144
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	48,333
TOTAL EXPENSES	\$ 12,740,065	\$ 10,924,566	\$ 3,835,016	\$ 1,913,126	\$ 1,425,688	\$ 103,364	\$ 30,941,825	\$ 5,022,207	\$ 2,722,355	\$ 7,744,562	\$ 38,686,387	\$ 36,885,861

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 419,707	\$ 3,321,285
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	623,030	650,223
Amortization of deferred lease incentive	(217,285)	217,285
Loss on disposal of property and equipment	-	48,333
Realized and unrealized investment losses (gains)	(10,696)	4,206
Gain from forgiveness of debt	(2,731,729)	-
Stock donation received	(183,006)	-
Change in the present value discount for contributions receivable	-	(508,150)
Changes in assets and liabilities:		
Grants and contributions receivable	9,123,106	5,514,049
Accounts receivable	(2,293,985)	(516,259)
Prepaid expenses and other	(194,577)	71,360
Deposits and other long-term assets	233,977	(44,046)
Accounts payable and accrued expenses	55,951	331,226
Deferred rent and lease incentive	108,887	(246,994)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,933,380	8,842,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	192,424	1,086,715
Purchases of investments	(931,683)	(184,638)
Purchase of property and equipment	(625,624)	(308,075)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,364,883)	594,002
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	2,731,729
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	2,731,729
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,568,497	12,168,249
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,317,398	22,149,149
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 37,885,895	\$ 34,317,398
NONCASH FINANCING ACTIVITIES		
Loan forgiveness	\$ 2,731,729	\$ -

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, 2021

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 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, 2021

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, 2021, only the Organization's investments, as described in Note 4 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, 2021

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, 2021, 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, 2021

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, 2021, 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, 2021

2. Grants and Contributions Receivable

As of December 31, 2021, contributors to the Organization had unconditionally promised to give \$14,428,054 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	\$ 11,192,041
Due in one to five years	<u>3,343,149</u>
Total Grants and Contributions Receivable	14,535,190
Less: Present Value Component (1.89%)	<u>(107,136)</u>
Grants and Contributions Receivable, Net	<u><u>\$ 14,428,054</u></u>

3. Accounts Receivable

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was extended and expanded by the Consolidated Appropriations Act and the American Rescue Plan. ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for the 2021 ERTC, and therefore, is accounting for it as conditional grants under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2021, and therefore, the entire amount of \$2,582,876 that the Organization expects to receive is included in accounts receivable in the accompanying consolidated statement of financial position. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Organization as of December 31, 2021, and on the changes in its net assets for the year then ended.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

4. 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, 2021, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 3,814,440	\$ -	\$3,814,440	\$ -
Total	<u>\$ 3,814,440</u>	<u>\$ -</u>	<u>\$3,814,440</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.

5. Property and Equipment and Related Depreciation and Amortization

The Organization held the following property and equipment as of December 31, 2021:

Leasehold improvements	\$ 3,050,072
Computer equipment	905,963
Furniture and office equipment	1,914,355
Computer software	1,023,002
Website development	667,359
Vehicles	<u>305,470</u>
Total Property and Equipment	7,866,221
Less: Accumulated Depreciation and Amortization	<u>(4,721,665)</u>
Property and Equipment, Net	<u>\$ 3,144,556</u>

Depreciation and amortization expense was \$623,030 for the year ended December 31, 2021.

6. Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions were restricted as follows as to purpose or period:

Subject to expenditure for specified purpose:	
International activities	\$ 18,634,533
United States Oceans	<u>3,001,029</u>
Total Subject to Expenditure for Specified Purpose	<u>21,635,562</u>

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

6. Net Assets With Donor Restrictions (continued)

(continued)

Subject to passage of time:

General operating support for future periods	<u>9,498,756</u>
Total Subject to Passage of Time	<u>9,498,756</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 31,134,318</u></u>

7. Commitments and Risks

Operating Leases

The Organization entered into a non cancelable 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 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, 2021:

For the Year Ending December 31,	
2022	\$ 1,992,477
2023	1,842,147
2024	1,792,406
2025	1,826,485
2026	1,755,005
Therefore	<u>5,136,201</u>
Total	<u><u>\$ 14,344,721</u></u>

Rent expense, not including utilities, which is included in occupancy in the consolidated statement of functional expenses, totaled \$2,087,775 for the year ended December 31, 2021.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

7. Commitments and Risks (continued)

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, 2021, the amount in excess of the FDIC insured limit was \$35,118,419. As of December 31, 2021, the Organization maintained \$2,666,635 in accounts at non-U.S. financial institutions.

Concentration of Risk

For the year ended December 31, 2021, the Organization received unconditional contributions of \$13,150,000 from four donors, which represents 36% of the total revenue and support recognized. As of December 31, 2021, five donors owed the Organization \$7,500,000, which represents 55% of the grants and contributions receivable outstanding at year-end.

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, 2021, the Organization had cash and net property and equipment in these countries totaling \$4,224,884, representing approximately 6.8% of the Organization's total consolidated assets as of December 31, 2021.

8. 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, 2021, 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	\$ 37,885,895
Grants and contributions receivable, net	11,192,041
Accounts receivable	2,877,285
Investments	<u>3,814,440</u>
Total Financial Assets Available Within One Year	55,769,661

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

8. Availability and Liquidity (continued)

(continued)

Less:

Amounts unavailable for general expenditures within one year due
to donors' purpose restriction (21,635,562)

Amounts unavailable for general expenditures within one year due
to donors' time restriction (9,498,756)

Financial Assets Available to Meet
General Expenditures Within One Year \$ 24,635,343

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.

9. 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, 2021, 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, 2021, employer contribution expense totaled \$1,345,537.

10. 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, 2021, the Organization donated \$\$869,564 in total cash contributions and performed services valued at \$162,639 in support of Oceana Canada's mission to preserve and protect Canada's oceans.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

11. Loan Payable

On May 1, 2021, the Organization entered into a SBA loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$2,731,729. The loan was to mature on May 2026, with a fixed interest rate of 1% per annum. The loan amount was eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder could be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. The Organization applied for and received forgiveness on the loan on November 3, 2021, and this is shown as loan forgiveness revenue in the accompanying consolidated statement of activities during the year ended December 31, 2021.

12. 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, 2021, 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, 2021, 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, 2021, 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, 2021, 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.

13. 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, 2020, from which the summarized information was derived.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

14. Reclassifications

Certain 2020 amounts have been reclassified for comparative purposes to conform to the 2021 presentation.

15. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions, for potential recognition or disclosure, through June 29, 2022, 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, 2021

	Oceana	Oceana Action	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 37,722,420	\$ 163,475	\$ -	\$ 37,885,895
Short-term investments	3,814,440	-	-	3,814,440
Grants and contributions receivable, current portion	11,142,041	50,000	-	11,192,041
Due from affiliate	11,233	-	(11,233)	-
Accounts receivable	2,877,285	-	-	2,877,285
Prepaid expenses and other	609,387	-	-	609,387
Total Current Assets	56,176,806	213,475	(11,233)	56,379,048
Grants and contributions receivable, net of current portion	3,136,013	100,000	-	3,236,013
Property and equipment, net	3,144,556	-	-	3,144,556
Deposits and other long-term assets	1,809,865	-	-	1,809,865
TOTAL ASSETS	\$ 64,267,240	\$ 313,475	\$ (11,233)	\$ 64,569,482
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 2,636,660	\$ 10,560	\$ -	\$ 2,647,220
Deferred rent and lease incentive, current portion	255,414	-	-	255,414
Due to affiliate	-	11,233	(11,233)	-
Total Current Liabilities	2,892,074	21,793	(11,233)	2,902,634
Deferred rent and lease incentive, net of current portion	3,542,504	-	-	3,542,504
TOTAL LIABILITIES	6,434,578	21,793	(11,233)	6,445,138
Net Assets				
Without donor restrictions	26,698,344	291,682	-	26,990,026
With donor restrictions	31,134,318	-	-	31,134,318
TOTAL NET ASSETS	57,832,662	291,682	-	58,124,344
TOTAL LIABILITIES AND NET ASSETS	\$ 64,267,240	\$ 313,475	\$ (11,233)	\$ 64,569,482

See independent auditors' report on supplementary information.

OCEANA, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2021

	Oceana	Oceana Action	Eliminations	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 27,367,205	\$ 50,000	\$ -	\$ 27,417,205
Special events	2,975,037	-	-	2,975,037
In-kind revenue	3,114,908	-	-	3,114,908
Loan forgiveness	2,731,729	-	-	2,731,729
Employee retention tax credit	2,582,876	-	-	2,582,876
Investment income	149,364	-	-	149,364
Miscellaneous	294,423	-	-	294,423
Foreign currency transaction losses	(159,448)	-	-	(159,448)
TOTAL REVENUE AND SUPPORT	39,056,094	50,000	-	39,106,094
EXPENSES				
Program Services:				
International Activities	12,740,065	-	-	12,740,065
United States Oceans	10,924,566	-	-	10,924,566
Law	3,835,016	-	-	3,835,016
Communications	1,913,126	-	-	1,913,126
Marine Science	1,425,688	-	-	1,425,688
Oceana Action, Inc.	-	103,364	-	103,364
Total Program Services	30,838,461	103,364	-	30,941,825
Supporting Services:				
General and administrative	5,022,207	-	-	5,022,207
Fundraising – other	2,547,625	-	-	2,547,625
Fundraising – cost of direct benefit to donors	174,730	-	-	174,730
Total Supporting Services	7,744,562	-	-	7,744,562
TOTAL EXPENSES	38,583,023	103,364	-	38,686,387
CHANGE IN NET ASSETS	473,071	(53,364)	-	419,707
NET ASSETS, BEGINNING OF YEAR	57,359,591	345,046	-	57,704,637
NET ASSETS, END OF YEAR	\$ 57,832,662	\$ 291,682	\$ -	\$ 58,124,344

See independent auditors' report on supplementary information.