

**Ocean Alliance, Inc.**

Financial Statements

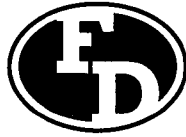
June 30, 2019

**Ocean Alliance, Inc.**

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**FRITZ DEGUGLIELMO LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**& BUSINESS ADVISORS**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ocean Alliance, Inc.

We have audited the accompanying financial statements of Ocean Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Ocean Alliance, Inc. as of June 30, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited Ocean Alliance, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of a Matter**

As discussed in Note C to the financial statements, as of June 30, 2019, Ocean Alliance, Inc. adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-

for-Profit Entities issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program support, revenue and expenses on pages 17 to 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

Newburyport, Massachusetts

January 29, 2020

**Ocean Alliance, Inc.**  
Statement of Financial Position  
June 30, 2019  
(with summarized comparative information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 351,660	\$ 400,534
Accounts receivable	785	10,160
Contributions receivable	-	33,000
Prepaid expenses	9,989	10,395
Merchandise inventory	4,942	3,889
Property and equipment, net	523,578	530,900
Non-depreciable assets	3,356,605	3,247,741
Other assets	460	460
	<u>460</u>	<u>460</u>
 Total Assets	<u>\$ 4,248,019</u>	<u>\$ 4,237,079</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 55,779	\$ 72,957
Payroll taxes payable	8,111	13,728
Accrued expenses	73,766	98,766
Loans payable	51,729	75,397
	<u>51,729</u>	<u>75,397</u>
 Total Liabilities	<u>189,385</u>	<u>260,848</u>
 <b>Net Assets</b>		
Without donor restrictions	4,033,634	3,893,969
With donor restrictions	25,000	82,262
	<u>25,000</u>	<u>82,262</u>
 Total Net Assets	<u>4,058,634</u>	<u>3,976,231</u>
 Total Liabilities and Net Assets	<u>\$ 4,248,019</u>	<u>\$ 4,237,079</u>

See independent auditor's report and accompanying notes to financial statements

**Ocean Alliance, Inc.**  
Statement of Activities  
For the year ended June 30, 2019  
(with summarized comparative information for the year ended June 30, 2018)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2019 <u>Total</u>	2018 <u>Total</u>
Support and Revenue				
Foundations and grants	\$ 525,774	\$ -	\$ 525,774	\$ 497,911
Contributions	155,429	-	155,429	296,970
Program service fees	95,984	-	95,984	162,815
Donated assets and services	27,148	-	27,148	17,973
Miscellaneous income	11,623	-	11,623	9,304
Net Assets Released from Restrictions:				
Satisfaction of donor restrictions	<u>57,262</u>	<u>(57,262)</u>	<u>-</u>	<u>-</u>
	<u>873,220</u>	<u>(57,262)</u>	<u>815,958</u>	<u>984,973</u>
Expenses				
Program Services				
Voyage of the Odyssey/Cachalot	20,561	-	20,561	86,031
Right whale research	21,078	-	21,078	17,791
SnotBot & drones for whale research	272,269	-	272,269	226,571
Other research and data analysis	-	-	-	1,273
Education and conservation	210,970	-	210,970	176,053
EDA feasibility	<u>33,589</u>	<u>-</u>	<u>33,589</u>	<u>-</u>
Total Program Services	558,467	-	558,467	507,719
Support Services				
General and administrative	95,054	-	95,054	92,368
Fundraising	<u>20,278</u>	<u>-</u>	<u>20,278</u>	<u>30,021</u>
Total Support Services	<u>115,332</u>	<u>-</u>	<u>115,332</u>	<u>122,389</u>
Total Expenses before Depreciation	<u>673,799</u>	<u>-</u>	<u>673,799</u>	<u>630,108</u>
Change in Net Assets before Depreciation and Net Loss on Disposal of Assets	199,421	(57,262)	142,159	354,865
Depreciation	58,836	-	58,836	48,413
Net Loss on Disposal of Assets	<u>920</u>	<u>-</u>	<u>920</u>	<u>18,922</u>
Change in Net Assets	139,665	(57,262)	82,403	287,530
Net Assets – Beginning of Year	<u>3,893,969</u>	<u>82,262</u>	<u>3,976,231</u>	<u>3,688,701</u>
Net Assets – End of Year	<u>\$ 4,033,634</u>	<u>\$ 25,000</u>	<u>\$4,058,634</u>	<u>\$3,976,231</u>

See independent auditor's report and accompanying notes to financial statements

**Ocean Alliance, Inc.**  
Statement of Functional Expenses  
For the year ended June 30, 2019  
(with summarized comparative information for the year ended June 30, 2018)

	Program Services	Management and General	Fundraising	Total 2019	Total 2018
Personnel	\$ 240,217	\$ 39,837	\$ 7,123	\$ 287,177	\$ 224,053
Payroll taxes/benefits	55,370	10,727	1,869	67,966	57,589
Professional services	72,339	17,327	8,880	98,546	93,806
Bank charges	523	1,900	-	2,423	1,549
Fundraising expense	-	-	988	988	5,062
Grant expense	34,788	-	-	34,788	19,035
Insurance	16,842	12,948	255	30,045	35,740
Interest	1,076	2	-	1,078	3,206
Miscellaneous	1,618	1,766	400	3,784	2,905
Odyssey/Right Whale/Marislá operations	-	-	-	-	13,844
Office expense	541	3,571	23	4,135	3,908
Permits and other fees	3,187	31	-	3,218	585
Postage and shipping	2,492	891	59	3,442	2,905
Printing	91	909	-	1,000	45
Program expense	57,120	-	-	57,120	59,168
Repairs and maintenance	16,654	833	351	17,838	51,791
Storage	2,083	-	-	2,083	600
Telecommunications	5,626	193	330	6,149	8,216
Travel	44,287	1,699	-	45,986	36,788
Utilities	3,492	-	-	3,492	5,301
Website maintenance	121	2,420	-	2,541	4,012
Total Expenses before Depreciation	558,467	95,054	20,278	673,799	630,108
Depreciation	53,423	5,413	-	58,836	48,413
Total	<u>\$ 611,890</u>	<u>\$ 100,467</u>	<u>\$ 20,278</u>	<u>\$ 732,635</u>	<u>\$ 678,521</u>

See independent auditor's report and accompanying notes to financial statements

**Ocean Alliance, Inc.**  
Statement of Cash Flows  
For the year ended June 30, 2019  
(with summarized comparative information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 82,403	\$ 287,530
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,836	48,413
Non-cash grant expense	2,245	-
Net loss on disposal of assets	920	18,922
Donated assets and services	(26,860)	(17,973)
Recharacterization of loan from board member	(5,000)	(5,000)
Change in operating assets:		
Accounts receivable	9,375	10,160
Contributions receivable	33,000	(9,209)
Prepaid expenses	406	(244)
Merchandise inventory	(1,053)	1,987
Accounts payable	(17,178)	4,367
Payroll taxes payable	(5,617)	(2,762)
Accrued expenses	<u>(25,000)</u>	<u>(20,000)</u>
Net Cash Provided by Operating Activities	<u>106,477</u>	<u>316,191</u>
Investing Activities		
Insurance proceeds on disposal of property and equipment	6,535	-
Proceeds from sale of property and equipment	-	44,800
Purchases of property and equipment	<u>(143,218)</u>	<u>(125,001)</u>
Net Cash Used in Investing Activities	<u>(136,683)</u>	<u>(80,201)</u>
Financing Activities		
Payments on loans payable	<u>(18,668)</u>	<u>(50,005)</u>
Net Cash Used in Financing Activities	<u>(18,668)</u>	<u>(50,005)</u>
Net increase (decrease) in cash and cash equivalents	(48,874)	165,665
Cash and cash equivalents, beginning of year	<u>400,534</u>	<u>234,869</u>
Cash and cash equivalents, end of year	<u>\$ 351,660</u>	<u>\$ 400,534</u>
Supplemental Data:		
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 1,078</u>	<u>\$ 3,206</u>

See Note F to the financial statements for a description of non-cash investing activities

See independent auditor's report and accompanying notes to financial statements



**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

**NOTE A – ORGANIZATION**

Ocean Alliance, Inc., a 501(c)(3) not-for-profit Organization, was founded in 1971 by renowned biologist Dr. Roger Payne. Ocean Alliance strives to protect whales and their ocean environment through research, scientific collaboration, public education, and the arts. Led by Dr. Payne and CEO Dr. Iain Kerr, we work with our scientific partners to collect a broad spectrum of data on whales and ocean life. Ocean Alliance uses this data to advise educators, policy makers, and the general public on wise stewardship of the oceans to mitigate pollution, prevent the collapse of marine mammal populations, and promote ocean and human health.

**Ocean Alliance: Strategic Overview**

To effectively carry out its mission, Ocean Alliance focuses efforts on three strategic priorities. These are:

**1) Whale and Ocean Research**

- a. Conducting ongoing, targeted research expeditions focused on whales and ocean pollution from both our research station in Argentina and through the development and application of drone based tools such as SnotBot, EarBot, and FLIRBot.
- b. Serving as a seasoned and reputable “pathfinder,” a familiar role in which Ocean Alliance anticipates problems and launches research initiatives to address these problems. Our capacity to respond quickly to crises related to marine mammal and ocean health has been key to our success in this arena (such as our response to the 2010 Gulf oil spill).
- c. Establishing and maintaining key research partnerships, such as Ocean Alliance’s current partnership with the Wise Laboratory of Environmental and Genetic Toxicology, the Seger Laboratory at the University of Utah, SCRIPPS, Woods Hole Oceanographic Institution, Oregon State University, the University of Fairbanks Alaska, NOAA, and Endicott College.

**2) Science Communications for Social Impact**

- a. Developing informational tools based on Ocean Alliance’s historical and current research findings for use by our scientific and non-profit partners, educators, policy makers, risk managers and others concerned about the health of the world’s oceans and their connection to human health.
- b. Serving as an objective, experienced “voice of reason” regarding issues related to whale and ocean health by forming hypotheses based on data collected through rigorous scientific research.
- c. Distributing the results of Ocean Alliance/research partner findings to the general public through communications platforms including the press, social media outlets (e.g. Facebook, Twitter, Instagram) and through our own and our research partner’s websites.
- d. Distributing the results of Ocean Alliance/research partner findings to the general public through speaking engagements at venues such as the United Nations, Parley for the Oceans and TED talks and through televised media productions with National Geographic and the BBC.

**3) Public Education (both formal and informal)**

- a. Developing STEM & STEAM education initiatives through our new Robotics Laboratory and partnerships with local academic institutions such as Endicott College and Essex Elementary School, and local art organizations. Providing unique opportunities and practical skill sets which will be extremely relevant in the work places of tomorrow in areas such as robotics, programming, computing and engineering for free to youths in a low-income area.
- b. Supporting curriculum development for grades 5-8 based on the multimedia content from both past and current science research expeditions (including the development of web-accessible ‘science learning modules’ correlated to the National Science Standards for educators and youth).
- c. Developing and distributing multimedia educational content for general audiences via key partnerships with educational institutions worldwide including aquaria, zoos, museums, nature centers and via Ocean Alliance’s website as well as at its science and education headquarters based in Gloucester, Massachusetts.
- d. Ongoing design and development of Ocean Alliance’s new 20,000 sq. ft. oceanographic research, education and innovation center on the Gloucester, MA, waterfront. The complex already houses robotics laboratory spaces, dedicated classroom and community spaces for local/regional groups and partners and provides public access to the waterfront for students and the public.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

NOTE A – ORGANIZATION *(continued)*

*Oceanographic Research, Education & Innovation Center: Ocean Alliance's New Home*

On June 10, 2008, Ocean Alliance purchased—for preservation and restoration—the iconic Tarr and Wonson Paint Manufactory located at the entrance to the inner harbor of Gloucester, Massachusetts. The historic 1863 site is being restored as a public accessible oceanographic research, education and innovation center.

The \$2 million purchase of the property was made possible by the Annenberg Foundation with a total grant of \$3 million towards the project, \$1 million of which was received in fiscal 2009 for capital campaign planning, site remediation and ongoing program support. Ocean Alliance moved its offices into the first set of the brick buildings on site in April 2013. The complete restoration of the landmark is estimated at another \$3 to \$4.5 million. Restoration of the second set of brick buildings (built in the 1870's) on site began in summer 2018.

In the fall of 2018 Ocean Alliance received an Economic Development Administration Technical Assistance Grant to conduct feasibility research to reconstruct two of the Tarr and Wonson Paint Factory buildings at Ocean Alliance's headquarters. The buildings will be used as a Maker Space Innovation Center. The feasibility research has been completed and Ocean Alliance has begun to move forward with the Innovation Center plans. When completed the Paint Factory Maker Space Innovation Center will offer a state-of-the-art solution to an urgent community need of cost-efficient fabrication space on the waterfront. The Maker Space will support developing business ideas by giving entrepreneurs and community members low cost access to space and tools to create and support innovations in ocean health and new technologies. The newly reconstructed buildings will also offer shared spaces such as dockage for ocean going vessels and associated assets with dockage to be completed in spring 2020.

The waterfront complex stands at the tip of Rocky Neck, one of America's oldest art colonies. The charm of the factory's architecture has inspired generations of artists, who have come from around the world to paint it. For over a century, local fisherman used the factory's smokestack as a navigational guide. After being a vacant and polluted eyesore for over 30 years, the buildings are now Ocean Alliance's home and we hope a catalyst for change on the Gloucester waterfront.

*“Wallis Annenberg and her foundation saw the importance, beauty, and iconic nature of the paint factory from across the continent in Los Angeles. We want to return the factory to as close to its original appearance as possible, and while doing so, use techniques that are as green as possible. We hope to demonstrate, through its restoration to a healthful and non-polluted state, what is possible for Gloucester's unique harbor and structures. Like generations before us who have lived in Gloucester, we make our living from the sea, and our intention is to move forward hand-in-hand with the community. We believe that our planned use of the buildings will not only respect the community's past but will be a natural fit with the current environment and with our mission. We fully realize that acquiring and restoring the paint factory is the biggest challenge Ocean Alliance has yet faced, but we believe that the iconic value of the location and its role in maritime history offers a priceless reinforcement of our message.”*

Roger Payne, Ocean Alliance Founder & President

The strategic direction of Ocean Alliance is fulfilled through its successful programs in whale and ocean research, science communications and public education as described below.

NOTE B – PROGRAM SERVICES

**Whale and Ocean Research**

**1) Developing Benign Research Tools: 2012 –Today, Drones for Whale Research, SnotBot.**

Drones have extraordinary potential in the fields of whale research and conservation. Ocean Alliance's Drones for Whale Research program, with the flagship SnotBot program at its core, has been running since 2012. The purpose of this program has been to explore and push the boundaries of this new research paradigm: determining what data can be collected with a drone and how best to collect it.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
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NOTE B – PROGRAM SERVICES *(continued)*

The program has thus far been immensely successful, far exceeding our expectations. The program has unequivocally demonstrated that these tools are capable of collecting a wide variety of powerful, robust data sets—all at a relatively low price point. This is crucial: the more researchers that are able to utilize these tools the better, particularly in the developing world where funding resources are scarce, yet the need is so great. Many of the most endangered species live or migrate through the waters of developing countries. Drones can help local groups take matters into their own hands, empowering them to collect the data they need to protect these species. Researchers today using a \$1,000 drone are able to collect data of a quality that even the most prestigious academic institutions would have struggled to collect just 10 years ago with \$100,000 worth of equipment.

With the SnotBot program, we have demonstrated that priceless biological samples can be obtained from a whale in an entirely non-invasive manner. The SnotBot drone flies through the blow of a whale, collecting the biological information within which can be used to look at DNA, hormones, microbiomes and potentially a number of other important indicators of the animal's ecology and health.

Using drones, we have studied behaviours never seen before in our 45-year history, done photo-identification work, attached an infra-red camera to a drone to study heat variation on whale's backs and have even collected bio-acoustics using a waterproof drone. We are continuing to work with Artificial Intelligence developers to build a system to identify individual whales by their unique blowholes. In 2019 we will begin publishing scientific reports on our photogrammetry and infrared work and disseminating what we have learned through these programs to the whale science community. We will continue development of secondary programs such as EarBot and our Survey drone. All the while we will continue to push the boundaries of this new research paradigm, identify what these tools are capable of and where they are most desperately needed.

Marine mammal science is on the verge of a revolution. The ultimate objective of our drone research is to ensure that this revolution takes place, and that when it does the full potential of these game-changing tools are wholly realized.

**2) Past Odyssey Expeditions: 2010 – 2014**

On April 20, 2010, the Deepwater Horizon oil rig exploded resulting in an uncontrolled release of oil into the Gulf of Mexico. Estimates now indicate that approximately 200 million gallons of oil were released. Superimposed on the threat of the oil: more than two million gallons of toxic chemical Corexit dispersants were intentionally pumped into the Gulf by BP to break up the oil. These chemicals were used in unprecedented amounts and in untested ways. In response to this unparalleled spill, Ocean Alliance immediately launched a Gulf Expedition to collect baseline data: to determine the potential short- and long-term effects on marine mammals of the oil spill and the massive deployment of Corexit, the toxic chemical dispersant. The Gulf data we collected will be put into global context by being integrated into Ocean Alliance's data-set from our five-and-a-half-year scientific circumnavigation of the planet (detailed below). Data from these expeditions are still being analyzed and published papers are consistently reference in other publications and media.

**3) Global Voyage of the Odyssey: 2000 – 2005**

The goal of the global Voyage of the Odyssey was to collect baseline data on the distribution, concentrations and effects of environmental toxicants in the world's oceans. The RV Odyssey covered 87,000 nautical miles over 5 ½ years collecting the first-ever global data set on toxic contaminants. Our focus species was the Sperm whale because it sits atop of oceanic food chains and has a cosmopolitan global distribution. As this data ages it becomes more valuable enabling Ocean Alliance to put other pollution studies into context. Indeed, alongside our partners, we are still publishing data based on data collected during this period—and not just on toxicology. Recently we have discussed programs to look at bio-acoustics, DNA/genetics and hormones all collected during the voyage. Data from this expedition is still being analyzed and published papers are consistently reference in other publications and media.

Ocean Alliance's scientific partners on this endeavor include: our primary partners at the Wise Laboratory of Environmental and Genetic Toxicology, the University of Utah, Cornell University and Scripps Institution of Oceanography. These affiliations with some of the top oceanographic institutions in the world uniquely position us to address and understand the emerging toxicological threats to marine mammals.

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Notes to Financial Statements  
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NOTE B – PROGRAM SERVICES *(continued)*

**4) Patagonia Southern Right Whale Program**

In the fall of 2019, Ocean Alliance celebrated the 49<sup>th</sup> consecutive field season of our study of Southern right whales from the shores of Peninsula Valdez, Argentina. It was in 1970 that Ocean Alliance founder and President Dr. Roger Payne began studying a population of right whales that calve off the coast of Argentina. Since then, we have developed a uniquely detailed 49-year record of the life histories, distributions and associations of over 2,000 individually known right whales. This database, which is extended by aerial surveys of the population each year, has become an invaluable tool for protecting the whales and their habitat. Ocean Alliance's Patagonia Right Whale Program also informs the study of the North Atlantic right whale, a critically endangered parallel species.

The Patagonia Southern Right Whale Program is the longest continuous study of any great whale species based on known individuals, and it has created a context for discovery rarely encountered in field research that is unmatched by any other cetacean research initiative; it is widely recognized as one of (if not the) first modern whale research programs. At Peninsula Valdes (and aboard the RV Odyssey), Dr. Payne and Ocean Alliance scientists have pioneered many of the benign research techniques now used by cetacean researchers throughout the world.

**Science Communications for Social Impact**

**1) Communication Platforms**

Independent, unbiased voices are rare when faced with the task of communicating the threats of human-made contaminants in the context of ocean pollution and whale research. The growth of the internet, and the manner in which it has pervaded so many areas of our everyday lives, provides an additional challenge. The internet is a minefield containing as much dis-information as information. Ocean Alliance, due to its long history and reputation in the field, has the ability, capacity and independence to inform policy with impartiality on a scientific level to ensure that these issues of concern reach the level of policy and decision makers both in the United States and abroad. Our success in communicating our findings to benefit humanity depends on our ability to maintain a strong media presence through diverse communication channels including the press, social media outlets, the Ocean Alliance website and partner online networks. Ocean Alliance has more than 50,000 followers on Facebook, more than 3,100 Instagram followers and our 2015 Kickstarter campaign introduced us to another 1,700 individuals.

Because there is a moratorium on commercial whaling, people seem to believe that whales have been saved. This is far from the truth. The Vaquita porpoise looks set to go extinct soon, with many other species and populations close behind. Whales in our oceans today in fact face more threats than they have at any other point in history. Climate change, chemical pollution, noise pollution, bycatch/entanglement in fishing gear, ship strikes amongst the prime antagonists in a diversifying and intensifying list of pressures. Of course, the moratorium on commercial whaling was wonderful and saved many species from certain extinction. However, our job now is to communicate the reality that whales are now faced with a new suite of destructive pressures and that it will require the engagement of our own species to ensure their longevity moving into the future.

**2) Distribution of Results: Getting the Word Out**

Ocean Alliance believes that mitigation of the effects of these various threats on whales, marine life-and ultimately humans—can be publicly embraced and adequately addressed only when presented in media formats that are both easily understandable to the general public and based on rigorous scientific research.

Since the 2000-2005 Voyage of the Odyssey expedition, over 50 publications, abstracts and posters have been published on this one expedition alone, a five-year study of worldwide ocean pollution based on data collected from samples of sperm whale skin and blubber. The results were somewhat shocking (especially those related to chromium, a known human carcinogen) and have direct implications on the health of marine mammals and the health of human populations around the world-especially those that rely, in great part, on protein sources from the oceans (over a billion people). These results have played an important role in shaping the science communities understanding of pollutants in our oceans, particularly with an emphasis on heavy metals.

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NOTE B – PROGRAM SERVICES *(continued)*

Since our SnotBot program’s inception in 2015, Dr. Payne, Dr. Kerr and Science Manager Andy Rogan have given over 40 public talks on the program, which has also been featured in over 400 SnotBot press articles. CEO Iain Kerr also spoke at two special events at the United Nations General Assembly in 2015 and 2017. In addition, we have presented many posters, abstracts and talks at various academic, technology and conservation conferences/events all across the world. Putting so much emphasis into communicating the results of our work has enabled us to reach people all over the world about what is happening to whales and how we can better protect them. We are working with scientific partners to write a series of publications from the SnotBot data, from papers which look at the reactions of whales to drones and how to minimize such reactions, methodology/protocol papers explaining how best to collect blow samples from whales, and of course analysis papers describing what researchers have found within the samples. Ocean Alliance authored and collaborated on 4 scientific posters at the 2019 World Marine Mammal Conference in Barcelona, Spain.

**Public Education (both formal and informal)**

**1) Public Education: Robotics Club – Paint Factory Fliers:**

For the last 4 years we have been igniting the passions of the children of Gloucester (aged 6 – 16 years), by introducing them to a world of science, technology, software and engineering. Through our kid’s robotics club, a small part of Ocean Alliance’s Drones for Whale Research Development Program that includes the flagship SnotBot program, we’ve been planting the seeds of discovery in the next generation in a lively, fun, collaborative and interactive learning and play environment. It is also totally free: there are no fees or costs to join the club and it’s fully inclusive. The club’s success is largely due to its flexible, unstructured format. Kids can come for 30 minutes and gain hands-on experience on a drone-flying simulator or stay 2 hours and start building their own plane/drone. In 2019, Ocean Alliance began a girl’s recruitment effort to encourage more girls to get involved in STEM subjects.

There is no maximum or minimum attendance number, participants just need to bring their enthusiasm. On the current program, kids are building foam remote controlled airplanes (just over a foot in length, working on the electronics packages, and programming drones. The mixed age group means kids develop skills in coaching and collaboration. Construction, soldering and programming are a part of the core curriculum. The club is home to 3 simulators, where skills can be gained on plane, boat, helicopter, quadcopter or driving car simulations.

Once they “graduate” from simulators they can move on to real flying machines and take part in outdoor flying nights. Guest drone flyers have attended: including from manufacturers, helicopter pilots, educators and drone hobbyists, but the club would like to attract some talented drone mentors to further inspire the children.

**2) SnotBot Expeditions:**

Our SnotBot expeditions, with the heavy emphasis on science communication give us unique ‘teaching moments’ for increasing science-based public education about the harmful effects of current human activities on ocean ecosystems, and what we can all do to alleviate these harmful effects. In 2019, Ocean Alliance completed its tenth SnotBot Expedition in Samana Bay, Dominican Republic. All of our SnotBot expeditions to date have been collaborative efforts, we work with local and regional partners, share our protocols, train them in our techniques, and leave them with a drone so that they can carry on the work themselves. This includes government groups such as the CENAREST National Centre for Scientific Research in Gabon, the Division of Oceanography and Marine Resources in the Dominican Republic, Bahia de Loreto National Park in Mexico, and NOAA in the United States. As we continue to develop our drones for whale research programs, we will position our expeditions in places where the affordable and safe technology is needed most. Whether that is with populations of critically endangered whales or with marine mammal researchers who do not have access to these types of research tools.

The educational programming model is based on the successful, long-term programming Ocean Alliance developed and disseminated to the 118 ports in 22 countries visited by the Research Vessel Odyssey during the global Odyssey Expedition.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

NOTE B – PROGRAM SERVICES *(continued)*

The educational program of the Odyssey Expedition in the Gulf of Mexico included science-based video podcasts from the Gulf, daily blogs from the science crew aboard Odyssey, audio recordings of marine mammals obtained from Odyssey’s acoustic array, and photographic images captured from both above and below the surface of the water: see [www.whale.org](http://www.whale.org).

To date, Ocean Alliance’s educational content is diverse in its context and nature. For example, our web site blogs are supported by solid scientific research and a variety of charismatic images from our ocean expeditions. In an age where communications, outreach, education, advocacy and related fields are changing so quickly in response to the rise of the increasingly digital age we live in; we are being bold and innovative in adopting new techniques for reaching modern audiences. Our communications are also presented in a format and tone that is easily accessible to wide public audiences.

For specific examples of Ocean Alliance’s expertise in creating and broadcasting engaging science-based content, please visit the research page on our website: <https://whale.org/dfwr/> or for the global voyage of the Odyssey expedition the currently static, PBS-hosted, web site at [www.pbs.org/odyssey](http://www.pbs.org/odyssey).

**3) SnotBot LIVE experiences**

Ocean Alliance seeks to build on its history of developing engaging multimedia content resources. Ocean Alliance will be partnering with local education groups to host a SnotBot Live event from the expedition location and stream a live video with the crew to provide updates from the field and answer questions from the public. We hosted our first SnotBot Live in 2019 from the Dominican Republic at Maritime Gloucester as a beta test. The event was a success and we envision that we can reach an even larger audience by streaming the event online and or with collaborating institutions. We have plans to host an event with A Backpack Journalist in 2020.

**4) Educational Network: Building Partnerships**

Ocean Alliance will utilize various means to inform educators, youth, and the general public about how to access the organization’s valuable educational resources. Our strategy includes: contacting umbrella organizations/associations serving science educators who work with middle school youth nationwide to inform them about our ocean-related educational resources; reaching out to aquaria, zoos, museums, and marine education centers nationwide; reaching out to other non-profit and government organizations working on issues related to ocean conservation and education—especially those with a focus on programs for primary/middle schools and educators; and utilizing social media, including Facebook and Twitter networks targeted toward primary/middle school audiences and educators.

Of excitement, in 2019 SnotBot was featured in an early learner children’s book aimed at getting young people interested in science.

**5) Educational Programming: In-House Program Development**

In 2010 Ocean Alliance undertook a capital campaign to restore an iconic landmark, a complex of buildings that were formerly home to the Tarr and Wonson Paint Manufactory on the Gloucester, Massachusetts waterfront. The complex is serving as both an oceanographic research, education and innovation center as well as Ocean Alliance’s new headquarters.

Ocean Alliance’s ongoing educational programming (currently focused on robotics) is being developed with an eye towards providing larger on-site programming for this future 20,000 square foot center on the Gloucester waterfront. We hope to work with other NGOs in our community so rather than replicating and competing we can work together for the good of the community.

The scientific, educational and practical reason for this project is to provide Ocean Alliance with a physical location in which to bring together key partners and 45+ years of influential research, intellectual capital and unique educational content. The restored headquarters will bring about stronger visibility for Ocean Alliance and provide an extraordinary educational resource for students, teachers and the general public, leveraging existing and new partnerships for the benefit of whales and ocean research.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

NOTE B – PROGRAM SERVICES *(continued)*

**Summary**

Over the past decade, Ocean Alliance and its supporters have invested millions of dollars and an abundance of intellectual and physical energy to make our programs successful. We continue to build and capitalize on these investments in order to extract the maximum understanding from the research and education content we have amassed and to broadly communicate our findings to educate, motivate, inspire and effect change. This has given us the opportunity to strategically build and expand our organizational capacity in order to continue our work in making the case for wise stewardship of the oceans to mitigate pollution, prevent the collapse of marine mammal populations and promote ocean and human health.

*“Ocean Alliance, under the leadership of world-renowned marine scientist Dr. Roger Payne & Dr. Iain Kerr, embodies an extraordinary combination of innovative scientific research and focused, informed environmental advocacy.”*

Joel Reynolds: Senior Attorney, Natural Resources Defense Council (NRDC)

*“At one time the greatest threat to whales was their wholesale slaughter. Today, I share with Dr. Payne the conviction that there are two greater concerns and both relate not only to whales and other life in the sea but to human survival and well-being as well. First is the swift and insidious contamination of the world’s waters, now known to adversely affect reproduction in whales. Second is widespread ignorance about the sea and its relevance to humankind that in turn leads to complacency and indifference about the decline of ocean health.”*

Dr. Sylvia Earle: Former Chief Scientist, National Oceanographic and Atmospheric Administration (NOAA)

NOTE C – SIGNIFICANT ACCOUNTING POLICIES

*Methods of Accounting*

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting. During fiscal year 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Organization has adjusted the presentation in these financial statements accordingly. The application of the update caused no significant restatements or reclassifications in net assets presented.

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ocean Alliance, Inc.’s audited financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain reclassifications have been made to the summarized information to be consistent with the presentation in the audited financial statements as of June 30, 2019.

*Recognition of Donor-Restricted Contributions*

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Restricted contributions received and expended in accordance with the donor’s restrictions in the same fiscal year are recognized as public support without restrictions in these financial statements.

*Accounts Receivable*

Accounts receivable consist of program service revenue and miscellaneous income billed but not yet collected. All accounts receivable are considered collectible by management.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

NOTE C – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Property and Equipment*

Property, equipment, and furnishings with an economic life in excess of one year are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets. During fiscal 2008, the Organization purchased property in Gloucester, Massachusetts for \$2,001,083 using grant funds. The Organization plans to renovate and use the property as a headquarters and for future programs. During fiscal 2019, the Organization spent \$53,052 of capitalized costs related to the clean-up and renovation of the property and incurred \$81,440 of capitalized planning and design costs related to a potential building project on the property. As of June 30, 2019, the Organization has incurred a total of \$1,781,380 of renovation costs related to the property. As of June 30, 2019, land improvements and building with costs totaling \$509,298 have been placed in service.

A summary of property and equipment as of June 30, 2019 is presented below.

	<u>Est. Life</u>	<u>Cost</u>
Sailing Vessel – Cachalot	10	\$ 113,869
Research Equipment	5-12	247,307
Office and Other	5-12	210,326
Land Improvements and Building – in service	15-39	509,298
Non-depreciable Land and Buildings – not in service		3,273,165
Non-depreciable planning and design costs		81,440
Non-depreciable art work		<u>2,000</u>
		4,437,405
Accumulated Depreciation		<u>(557,222)</u>
		<u>\$3,880,183</u>

*Cash Equivalents*

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

*Merchandise Inventory*

Merchandise inventory is stated at lower of cost or fair market value.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

*Allocation of Expenses*

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy, which is allocated on a square footage basis. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

*Subsequent Events*

Subsequent events have been evaluated through January 29, 2020, which is the date the financial statements were available to be issued.



**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

**NOTE D – PROMISES TO GIVE**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Grants receivable consist of unconditional grants pledged but not received prior to June 30, 2019. As of June 30, 2019, the Organization had no contributions receivable.

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2019 consist of \$25,000 restricted for a documentary film. For the year ended June 30, 2019, net assets with donor restrictions in the amount of \$57,262 were released from donor program restrictions by incurring expenses satisfying the purposes specified by the donors.

**NOTE F – DONATED SERVICES AND ASSETS**

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During fiscal 2019, the Organization received donated supplies in the amount of \$288. The Organization also received donated services related to the planning and design of a potential building project. Capitalized costs related to the potential building project totaling \$81,440, including the \$26,860 of donated services, have been reported as non-depreciable assets in these financial statements.

**NOTE G – LOANS PAYABLE**

Loans payable consist of the following as of June 30, 2019

Loan payable to City of Gloucester, interest at 2%, accrued interest only paid until August 31, 2012, monthly principal and interest payments of \$1,519 from September 1, 2012 until maturity of August 31, 2021.	\$ 38,818
Loans payable to related parties, interest at 0%, payable on demand.	<u>12,911</u>
	<u>\$ 51,729</u>

The loan payable to the City of Gloucester contains a covenant that the Organization must provide audited financial statements to the lender within 120 days of year end, which the Organization did not comply with. However, the City of Gloucester has subsequently extended the due date to May 31, 2020.

Principal maturities required on debt as of June 30, 2019, are as follows:

Year Ending June 30	Amount
2020	\$ 30,511
2021	17,961
2022	<u>3,257</u>
Total	<u>\$ 51,729</u>

**NOTE H – RELATED PARTIES**

As identified in Note G, the Organization had loans payable to related parties, which include loans from members of the Board of Directors in the amount of \$12,911. During the year ending June 30, 2019, a board member forgave the remaining \$5,000 of his loan. The Organization recorded this forgiveness as a contribution to the Organization.

**NOTE I – INTELLECTUAL MATERIALS**

Through years of research the Organization has accumulated a vast collection of whale recordings, film and photographs and proprietary written material in the area of science, conservation and education.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2019

NOTE J – CONCENTRATIONS

The Organization maintains cash balances in a financial institution that at times may have amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000.

NOTE K – TAX POSITION

The Organization has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, “*Accounting For Uncertainty in Income Taxes*”). The primary tax positions made by the Organization are the existence/non-existence of Unrelated Business Income Tax and the Organization’s status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the years presented, and as a result of adoption, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2019, 2018, 2017 and 2016 are subject to examination by the IRS. Returns are generally subject to examination for three years after they are filed.

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor restricted amounts that are available for use within one year for general purposes include \$25,000 restricted for a documentary film.

Financial assets at year-end:	\$352,445
Less those unavailable for general expenditures within one year:	
Donor-restricted for long-term purposes	_____ -

Financial assets available to meet cash needs for general expenditure within one year: \$352,445

As of June 30, 2019, the Organization’s only borrowing commitments are the notes payable described in Note G above.

**Ocean Alliance, Inc.**  
Schedule of Program Support, Revenue, and Expenses  
For the year ended June 30, 2019  
(with comparative totals for the year ended June 30, 2018)

	RESEARCH PROGRAMS			EDUCATION			2019 Total	2018 Total
	Whale Disentanglement	Right Whale Program	SnotBot & Drones for Whale Research	Other	Marisla	EDA Feasibility		
<u>Program Support &amp; Revenue</u>								
Foundations & Grants	\$ -	\$ -	\$ 53,000	\$ 46,000	\$ -	\$ 44,312	\$ 143,312	\$ 183,634
Contributions	10,000	420	50	15,012	-	-	25,482	105,160
Donated Assets/Services	-	-	288	-	-	26,860	27,148	17,973
Fees for Service	-	-	95,484	500	-	-	95,984	162,815
Merchandise and other	-	-	338	-	-	-	338	560
	<u>10,000</u>	<u>420</u>	<u>149,160</u>	<u>61,512</u>	<u>-</u>	<u>71,172</u>	<u>292,264</u>	<u>470,142</u>
<u>Expenses</u>								
Personnel	5,680	5,680	106,568	58,921	39,588	23,780	240,217	186,835
Payroll taxes & related	1,728	1,728	19,257	17,299	10,524	4,834	55,370	42,348
Professional services	-	4,420	47,294	11,575	9,050	-	72,339	58,316
Grant expense	-	-	-	34,788	-	-	34,788	19,035
Bank charges	-	63	460	-	-	-	523	161
Permits and other fees	386	-	970	1,831	-	-	3,187	241
Depreciation	16,855	-	2,263	34,305	-	-	53,423	45,347
Insurance	3,110	255	9,739	1,658	-	2,080	16,842	24,320
Interest	-	-	-	1,076	-	-	1,076	1,352
Miscellaneous	175	-	485	435	-	523	1,618	2,188
Vessel operations	-	-	-	-	-	-	-	13,844
Office expense	-	-	55	11	-	475	541	211
Postage and shipping	-	43	2,337	112	-	-	2,492	2,038
Printing	-	-	-	-	-	91	91	45
Program expense	1,035	3,166	36,190	16,729	-	-	57,120	59,168
Repairs and maintenance	6,185	1,335	5,666	3,386	-	82	16,654	49,495
Storage	2,083	-	-	-	-	-	2,083	600
Telecommunications	97	360	3,355	1,814	-	-	5,626	7,210
Travel	14	4,028	39,080	645	-	520	44,287	35,172
Utilities	68	-	813	1,407	-	1,204	3,492	4,741
Website maintenance	-	-	-	121	-	-	121	399
Total Expenses	<u>37,416</u>	<u>21,078</u>	<u>274,532</u>	<u>186,113</u>	<u>59,162</u>	<u>33,589</u>	<u>611,890</u>	<u>553,066</u>
Excess (deficit) of revenue over expenses	<u>\$ (27,416)</u>	<u>\$ (20,658)</u>	<u>\$ (125,372)</u>	<u>\$ (124,601)</u>	<u>\$ (59,162)</u>	<u>\$ 37,583</u>	<u>\$ (319,626)</u>	<u>\$ (82,924)</u>

See independent auditor's report

**Ocean Alliance, Inc.**  
Schedule of Program Support, Revenue, and Expenses  
For the year ended June 30, 2018  
(with comparative totals for the year ended June 30, 2017)

	RESEARCH PROGRAMS				EDUCATION		2018 Total	2017 Total
	Voyage of the Odyssey/ Cachalot	Right Whale Program	Whale- Song	SnotBot & Drones for Whale Research	Other	Marisla		
<u>Program Support &amp; Revenue</u>								
Foundations & Grants	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ 93,634	\$ 70,000	\$ 183,634	\$ 132,306
Contributions	67,473	-	-	1,837	35,850	-	105,160	174,146
Donated Assets/Services	17,973	-	-	-	-	-	17,973	92,000
Fees for Service	-	-	-	162,815	-	-	162,815	49,500
Merchandise and other	-	-	-	160	400	-	560	785
	<u>95,446</u>	<u>-</u>	<u>-</u>	<u>174,812</u>	<u>129,884</u>	<u>70,000</u>	<u>470,142</u>	<u>448,737</u>
<u>Expenses</u>								
Personnel	22,760	6,350	-	80,590	36,976	40,159	186,835	198,871
Payroll taxes & related	2,270	1,599	-	16,562	9,391	12,526	42,348	45,027
Professional services	6,910	-	-	23,616	18,440	9,350	58,316	59,470
Grant expense	-	-	-	-	19,035	-	19,035	-
Bank charges	-	30	-	30	101	-	161	92
Permits and other fees	36	-	-	30	175	-	241	914
Commissions	-	-	-	-	-	-	-	3,500
Depreciation	10,294	-	1,592	1,529	31,932	-	45,347	107,381
Insurance	12,084	289	356	10,003	1,588	-	24,320	22,737
Interest	-	-	-	-	1,352	-	1,352	1,798
Miscellaneous	832	113	-	958	285	-	2,188	894
Vessel operations	1,916	-	-	20	11,908	-	13,844	45,191
Office expense	-	-	-	60	151	-	211	653
Postage and shipping	31	233	-	1,774	-	-	2,038	2,794
Printing	-	-	-	45	-	-	45	15
Program expense	-	5,494	-	48,063	5,611	-	59,168	45,584
Repairs and maintenance	38,418	2,358	317	5,190	3,212	-	49,495	58,314
Storage	-	-	600	-	-	-	600	6,028
Telecommunications	455	335	-	4,576	1,844	-	7,210	2,233
Travel	226	803	-	33,188	815	140	35,172	39,388
Utilities	93	187	-	1,866	2,595	-	4,741	2,625
Website maintenance	-	-	-	-	399	-	399	-
Total Expenses	<u>96,325</u>	<u>17,791</u>	<u>2,865</u>	<u>228,100</u>	<u>145,810</u>	<u>62,175</u>	<u>553,066</u>	<u>643,509</u>
Excess (deficit) of revenue over expenses	<u>\$ (879)</u>	<u>\$ (17,791)</u>	<u>\$ (2,865)</u>	<u>\$ (53,288)</u>	<u>\$ (15,926)</u>	<u>\$ 7,825</u>	<u>\$ (82,924)</u>	<u>\$ (194,772)</u>

See independent auditor's report