

**Ocean Alliance, Inc.**

Financial Statements

June 30, 2020

**Ocean Alliance, Inc.**

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June 30, 2020

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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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Ocean Alliance, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 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.

*Fritz O. Englund LLC*

Certified Public Accountants

Newburyport, Massachusetts

April 10, 2021

**Ocean Alliance, Inc.**  
Statement of Financial Position  
June 30, 2020  
(with summarized comparative information as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 620,521	\$ 351,660
Accounts receivable	-	785
Prepaid expenses	19,833	9,989
Merchandise inventory	2,831	4,942
Property and equipment, net	737,728	523,578
Non-depreciable assets	3,395,284	3,356,605
Other assets	460	460
<b>Total Assets</b>	<b>\$ 4,776,657</b>	<b>\$ 4,248,019</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 44,528	\$ 55,779
Payroll taxes payable	7,004	8,111
Accrued expenses	63,766	73,766
Loans payable, net of \$12,534 and \$0 of unamortized debt issuance costs, respectively	301,631	51,729
<b>Total Liabilities</b>	<b>416,929</b>	<b>189,385</b>
<b>Net Assets</b>		
Without donor restrictions	4,250,046	4,033,634
With donor restrictions	109,682	25,000
<b>Total Net Assets</b>	<b>4,359,728</b>	<b>4,058,634</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,776,657</b>	<b>\$ 4,248,019</b>

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

**Ocean Alliance, Inc.**  
Statement of Activities  
For the year ended June 30, 2020  
(with summarized comparative information for the year ended June 30, 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
Support and Revenue				
Foundations and grants	\$ 382,568	\$ -	\$ 382,568	\$ 525,774
Contributions	490,525	136,298	626,823	155,429
Program service fees	2,587	-	2,587	95,984
Donated assets and services	-	-	-	27,148
Miscellaneous income	12,125	-	12,125	11,623
Net Assets Released from Restrictions:				
Satisfaction of donor restrictions	<u>51,616</u>	<u>(51,616)</u>	<u>-</u>	<u>-</u>
	<u>939,421</u>	<u>84,682</u>	<u>1,024,103</u>	<u>815,958</u>
Expenses				
Program Services				
Voyage of the Odyssey/Cachalot	27,356	-	27,356	20,561
Right whale research	13,042	-	13,042	21,078
SnotBot & drones for whale research	218,297	-	218,297	272,269
Education and conservation	223,733	-	223,733	210,970
EDA feasibility	<u>5,088</u>	<u>-</u>	<u>5,088</u>	<u>33,589</u>
Total Program Services	487,516	-	487,516	558,467
Support Services				
General and administrative	90,556	-	90,556	95,054
Fundraising	<u>77,959</u>	<u>-</u>	<u>77,959</u>	<u>20,278</u>
Total Support Services	<u>168,515</u>	<u>-</u>	<u>168,515</u>	<u>115,332</u>
Total Expenses before Depreciation	<u>656,031</u>	<u>-</u>	<u>656,031</u>	<u>673,799</u>
Change in Net Assets before Depreciation and Net Loss on Disposal of Assets	283,390	84,682	368,072	142,159
Depreciation	57,154	-	57,154	58,836
Net Loss on Disposal of Assets	<u>9,824</u>	<u>-</u>	<u>9,824</u>	<u>920</u>
Change in Net Assets	216,412	84,682	301,094	82,403
Net Assets – Beginning of Year	<u>4,033,634</u>	<u>25,000</u>	<u>4,058,634</u>	<u>3,976,231</u>
Net Assets – End of Year	<u>\$ 4,250,046</u>	<u>\$ 109,682</u>	<u>\$4,359,728</u>	<u>\$4,058,634</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, 2020  
(with summarized comparative information for the year ended June 30, 2019)

	Management			Total 2020	Total 2019
	Program Services	and General	Fundraising		
Personnel	\$ 264,055	\$ 41,831	\$ 44,038	\$ 349,924	\$ 287,177
Payroll taxes/benefits	56,958	12,423	13,303	82,684	67,966
Professional services	67,219	14,778	14,240	96,237	98,546
Bank charges	613	1,457	-	2,070	2,423
Fundraising expense	-	-	3,654	3,654	988
Grant expense	-	-	-	-	34,788
Insurance	27,356	11,708	704	39,768	30,045
Interest	1,803	742	-	2,545	1,078
Miscellaneous	2,824	2,366	-	5,190	3,784
Office expense	593	1,603	17	2,213	4,135
Training	1,367	-	-	1,367	-
Permits and other fees	1,640	13	-	1,653	3,218
Postage and shipping	789	999	-	1,788	3,442
Printing	160	-	-	160	1,000
Program expense	22,972	-	-	22,972	57,120
Repairs and maintenance	12,121	330	370	12,821	17,838
Storage	-	-	-	-	2,083
Telecommunications	4,430	231	461	5,122	6,149
Travel	16,811	663	1,172	18,646	45,986
Utilities	5,497	149	-	5,646	3,492
Website maintenance	308	1,263	-	1,571	2,541
Total Expenses before Depreciation	<u>487,516</u>	<u>90,556</u>	<u>77,959</u>	<u>656,031</u>	<u>673,799</u>
Depreciation	53,263	3,891	-	57,154	58,836
Total	<u>\$ 540,779</u>	<u>\$ 94,447</u>	<u>\$ 77,959</u>	<u>\$ 713,185</u>	<u>\$ 732,635</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, 2020  
(with summarized comparative information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 301,094	\$ 82,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,154	58,836
Loan fee amortization included in interest expense	660	-
Non-cash grant expense	-	2,245
Net loss on disposal of assets	9,824	920
Donated assets and services	-	(26,860)
Recharacterization of loan from board member	-	(5,000)
Change in operating assets:		
Accounts receivable	785	9,375
Contributions receivable	-	33,000
Prepaid expenses	(9,844)	406
Merchandise inventory	2,111	(1,053)
Accounts payable	(11,251)	(17,178)
Payroll taxes payable	(1,107)	(5,617)
Accrued expenses	<u>(10,000)</u>	<u>(25,000)</u>
Net Cash Provided by Operating Activities	<u>339,426</u>	<u>106,477</u>
Investing Activities		
Insurance proceeds on disposal of property and equipment	-	6,535
Proceeds from sale of property and equipment	2,200	-
Purchases of property and equipment	<u>(322,007)</u>	<u>(143,218)</u>
Net Cash Used in Investing Activities	<u>(319,807)</u>	<u>(136,683)</u>
Financing Activities		
Long-term debt payable	200,000	-
Debt issuance costs	(13,194)	-
Receipts on PPP loan	75,602	-
Payments on loans payable	<u>(13,166)</u>	<u>(18,668)</u>
Net Cash Provided by (Used in) Financing Activities	<u>249,242</u>	<u>(18,668)</u>
Net increase (decrease) in cash and cash equivalents	268,861	(48,874)
Cash and cash equivalents, beginning of year	<u>351,660</u>	<u>400,534</u>
Cash and cash equivalents, end of year	<u>\$ 620,521</u>	<u>\$ 351,660</u>
Supplemental Data:		
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 1,885</u>	<u>\$ 1,078</u>

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



**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

**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’s mission is to protect whales and their ocean environment through research, scientific collaboration, public education, and the arts. Led by CEO Dr. Iain Kerr and Dr. Payne, 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 our headquarters in Gloucester MA, our research station in Argentina and worldwide where our research is needed most.
- b. Through the development and application of drone based tools such as SnotBot, EarBot, and FLIRBot to study whales non-invasively and sharing these tools with other researchers.
- c. Responding quickly to crises related to marine mammal and ocean health (such as our response to the 2010 Gulf oil spill).
- d. Establishing and maintaining key scientific collaborations and 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 to the general public through communications platforms including the press, scientific journals, 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 findings to the general public through speaking engagements, 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**

- a. Developing STEM & STEAM education initiatives through our Robotics Club programs, partnerships with local academic institutions, 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. Whale curriculum development for grades 5-8 based on the multimedia content from both past and current science research expeditions, 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, Ocean Alliance’s website, and through in-person learning at our headquarters based in Gloucester, Massachusetts.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
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NOTE A – ORGANIZATION *(continued)*

- d. Ongoing restoration and development of Ocean Alliance’s new 24,000 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.

*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 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.

Ocean Alliance moved its offices into the first set of the brick buildings on site in April 2013. Restoration of the second set of brick buildings (built in the 1870’s) on site will be complete in 2021.

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 feasibility research has been completed and Ocean Alliance has begun to move forward with the plans to build an Ocean Innovation Center. When completed the Paint Factory Innovation Center will offer a state-of-the-art solution to an urgent community need of low cost access to space and tools with direct water access. The Ocean Alliance headquarters also offer dockage for ocean going vessels and associated assets.

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

**Drones for Whale Research and Research Expeditions**

**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 to collect it non-invasively.

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, without disturbing the whales. 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. 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.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

NOTE B – PROGRAM SERVICES *(continued)*

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 body temperature and collected bio-acoustics using a waterproof drone. We are continuing to work with artificial intelligence developers on new ways to expand this research. We have published scientific reports on our SnotBot, photogrammetry, and infrared work to the whale science community. We will continue development of secondary programs such as EarBot and our survey drone.

**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 of Mexico 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 data we collected are featured in published scientific papers and are consistently referenced 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. Data from this expedition is still being analyzed and published today and are consistently referenced 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.

**4) Southern Right Whale Program**

In 2020, Ocean Alliance celebrated the 50<sup>th</sup> 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 50-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 Southern Right Whale Program also informs the study of the North Atlantic right whale, a critically endangered parallel species.

The 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 Dr. Payne and Ocean Alliance scientists have pioneered many of the benign research techniques now used by cetacean researchers throughout the world.

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

**Public Education**

**1) Education & Outreach**

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 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 an email list of over 1,500 individuals.

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 are amongst the prime antagonists in a diversifying and intensifying list of pressures. Our job 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.

We regularly engage with documentary film and TV teams, journalists, and share whale and ocean updates on our social media channels, email lists and offer educational programming virtually and at our headquarters.

**Conservation Library**

We are building a physical and online conservation library to share data, publications and multi-media files from our 50 years of whale research.

**2) Scientific Publication**

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.

Since our SnotBot program's inception in 2015, Dr. Payne, Dr. Kerr and Science Manager Andy Rogan have given over 50 public talks on the program, which has also been featured in over 500 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 and submitted 2 scientific publications on our SnotBot research in 2021.

**3) STEM Programming: Robotics Club**

For the last 5 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. 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 and now offers a Girls STEM Club to encourage more women to discover careers in science.

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

**4) SnotBot Virtual Student Expeditions and Classroom Presentations**

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.

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, featured on PBS-hosted, web site at [www.pbs.org/odyssey](http://www.pbs.org/odyssey).

The Ocean Alliance education program builds on its history of developing engaging multimedia content resources. More recently, we have started developing a curriculum based on NGSS Next Generation Science Standards. The new curriculum focuses on equity in the classroom: accessible for groups often under-represented in the sciences: particularly minority students, new language learners, and girls in science. The curriculum includes a Virtual Whale Research Expedition component, where Ocean Alliance scientists and engineers will engage with students while on expedition across the globe.

**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 financial statements of Ocean Alliance, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the accrual method of accounting. Under that method, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Consequently, net assets and changes therein are classified and reported as follows:

- Net Assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Additionally, gains and investment income are treated as unrestricted revenue unless specifically restricted by the donor or by law.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

NOTE C – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- Net assets with donor restrictions represent the portion of net assets subject to donor (or certain grantor) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released and are reclassified to net assets without donor restrictions when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

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, 2019, 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, 2020.

*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.

*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 2020, the Organization spent \$290,216 of capitalized costs related to the clean-up and renovation of the property and incurred an additional \$1,758 of capitalized planning and design costs related to a potential building project on the property. As of June 30, 2020, the Organization has incurred a total of \$2,062,257 of renovation costs related to the property. As of June 30, 2020, land improvements and building with costs totaling \$753,254 have been placed in service.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

NOTE C – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A summary of property and equipment as of June 30, 2020 is presented below.

	<u>Est. Life</u>	<u>Cost</u>
Sailing Vessel – Cachalot	10	\$ 113,869
Research Equipment	5-12	68,601
Office and Other	5-12	130,103
Land Improvements and Building – in service	15-39	753,254
Non-depreciable Land and Buildings – not in service		3,310,086
Non-depreciable planning and design costs		83,197
Non-depreciable art work		<u>2,000</u>
		4,461,110
Accumulated Depreciation		<u>(328,098)</u>
		<u>\$4,133,012</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 April 10, 2021, which is the date the financial statements were available to be issued.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Organization's operations and financial position. Any financial impact to the Organization, if any, cannot be reasonably estimated at this time. In April 2020 the Organization, as described in Note L, applied for and received a Payroll Protection Program loan from the U.S. Small Business Administration in the amount of \$75,602 to assist in funding operations.

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

**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, 2020. As of June 30, 2020, the Organization had no contributions receivable.

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

Net assets with donor restrictions at June 30, 2020 consists of \$25,000 restricted for a documentary film, \$55,000 for the Snot-bot expedition, and \$29,682 for preserving voice of whales. For the year ended June 30, 2020, net assets with donor restrictions in the amount of \$51,616 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 2020, the Organization did not receive any donated supplies or services.

**NOTE G – LOANS PAYABLE**

Loans payable consist of the following as of June 30, 2020

Loan payable to Newburyport Bank, interest at 4.25%, monthly payments of \$708 from May 31, 2020 to January 31, 2021 then monthly payments of \$2,049 from February 28, 2021 until maturity of January 31, 2031.	\$ 200,000
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.	25,652
1.00% fixed rate Payroll Protection Program loan from the U.S. Small Business Administration, issued in response to the COVID-19 pandemic, forgivable if various conditions are met, maturing in April 2022	75,602
Loans payable to related parties, interest at 0%, payable on demand.	<u>12,911</u>
	314,165
Unamortized Debt Issuance Costs	<u>(12,534)</u>
	<u>\$ 301,631</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, 2021.

Principal maturities required on debt as of June 30, 2020, are as follows:

Year Ending June 30	Amount
2021	\$ 117,655
2022	19,741
2023	17,409
2024	18,163
2025	18,951
Thereafter	<u>122,246</u>
	314,165
Unamortized Debt Issuance Cost	<u>(12,534)</u>
Total	<u>\$301,631</u>



**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

NOTE G – LOANS PAYABLE (*continued*)

Line of Credit

The Organization has a \$100,000 line of credit with a bank. The note requires interest-only payments and is payable on demand. The interest rate to float at the Wall Street Journal Prime Rate plus 1.00%. As of June 30, 2020, the interest rate is 4.25% and there was no outstanding balance due.

Payroll Protection Program Loan

Due to the on-going COVID-19 pandemic, the Organization applied for and received a Payroll Protection Program loan under the United States Small Business Administration's authority. The original loan amount was \$75,602, and the Organization has recorded the amount as debt in accordance with FASB ASC 470 - Not-for-Profit Entities – Debt. The Organization does expect the loan to be forgiven in accordance with the PPP program rules in fiscal year 2021.

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, 2020, a board member was contracted to provide services relating to improvements made to the Paint Factory. Total payments for these services were \$7,556.

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.

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, 2020, 2019, 2018 and 2017 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, \$55,000 for the Snot-bot expedition, and \$29,682 for preserving voice of whales.

Financial assets at year-end:	\$620,521
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:	<u>\$620,521</u>

**Ocean Alliance, Inc.**  
Notes to Financial Statements  
June 30, 2020

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *(continued)*

As of June 30, 2020, 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, 2020  
(with comparative totals for the year ended June 30, 2019)

	RESEARCH PROGRAMS				EDUCATION			2019 Total
	Whale Disentanglement	Right Whale Program	SnotBot & Drones for Whale Research	Other	Marisla	EDA Feasibility	2020 Total	
<u>Program Support &amp; Revenue</u>								
Foundations & Grants	\$ 8,345	\$ -	\$ 156,215	\$ 34,616	\$ -	\$ 5,688	\$ 204,864	\$ 143,312
Contributions	-	-	3,928	52,033	-	-	55,961	25,482
Donated Assets/Services	-	-	-	-	-	-	-	27,148
Fees for Service	-	-	2,587	-	-	-	2,587	95,984
Merchandise and other	-	-	-	5,750	-	-	5,750	338
	<u>8,345</u>	<u>-</u>	<u>162,730</u>	<u>92,399</u>	<u>-</u>	<u>5,688</u>	<u>269,162</u>	<u>292,264</u>
<u>Expenses</u>								
Personnel	11,341	-	111,233	61,981	79,500	-	264,055	240,217
Payroll taxes & related	2,991	-	29,791	14,813	9,363	-	56,958	55,370
Professional services	-	4,730	32,260	18,029	12,200	-	67,219	72,339
Grant expense	-	-	-	-	-	-	-	34,788
Bank charges	-	218	-	395	-	-	613	523
Training	-	-	1,367	-	-	-	1,367	-
Permits and other fees	70	297	458	815	-	-	1,640	3,187
Depreciation	11,940	-	3,401	37,922	-	-	53,263	53,423
Insurance	3,263	256	9,476	10,843	-	3,518	27,356	16,842
Interest	-	-	-	1,803	-	-	1,803	1,076
Miscellaneous	175	132	1,955	562	-	-	2,824	1,618
Office expense	-	-	33	21	-	539	593	541
Postage and shipping	-	-	614	175	-	-	789	2,492
Printing	-	-	160	-	-	-	160	91
Program expense	2,937	3,095	11,912	5,028	-	-	22,972	57,120
Repairs and maintenance	6,389	1,239	1,966	2,527	-	-	12,121	16,654
Storage	-	-	-	-	-	-	-	2,083
Telecommunications	115	10	2,536	1,769	-	-	4,430	5,626
Travel	-	3,065	12,719	894	-	133	16,811	44,287
Utilities	75	-	1,652	2,872	-	898	5,497	3,492
Website maintenance	-	-	165	143	-	-	308	121
Total Expenses	<u>39,296</u>	<u>13,042</u>	<u>221,698</u>	<u>160,592</u>	<u>101,063</u>	<u>5,088</u>	<u>540,779</u>	<u>611,890</u>
Excess (deficit) of revenue over expenses	\$ (30,951)	\$ (13,042)	\$ (58,968)	\$ (68,193)	\$ (101,063)	\$ 600	\$ (271,617)	\$ (319,626)

See independent auditor's report

**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			2018 Total
	Whale Disentanglement	Right Whale Program	SnotBot & Drones for Whale Research	Other	Marisla	EDA Feasibility	2019 Total	
<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
	10,000	420	149,160	61,512	-	71,172	292,264	470,142
<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	37,416	21,078	274,532	186,113	59,162	33,589	611,890	553,066
Excess (deficit) of revenue over expenses	\$ (27,416)	\$ (20,658)	\$ (125,372)	\$ (124,601)	\$ (59,162)	\$ 37,583	\$ (319,626)	\$ (82,924)

See independent auditor's report