OCEANIC SOCIETY EXPEDITIONS

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

(with comparative totals for 2021)

F.S. Taylor & Associates, P.C.
Certified Public Accountants
1420 N Street, N.W., Suite 100
Washington, D.C. 20005
(202) 898-0008

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F. S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oceanic Society Expeditions

Report on the Financial Statements

We have audited the accompanying financial statements of Oceanic Society Expeditions, ("Oceanic Society"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oceanic Society as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oceanic Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oceanic Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oceanic Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Report on Summarized Comparative Information

We have previously audited Oceanic Society's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

F. S. Taylor & Associates, P.C.

January 31, 2023

OCEANIC SOCIETY EXPEDITIONS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,660,495	$ 1,369,166
Accounts receivable		1,685
Prepaid expenses	464,270	162,988
Inventory	23	601
Total current assets	2,124,788	1,534,440
Property and equipment, net (Note 3)	5,528	8,904
Total assets	$ 2,130,316	$ 1,543,344
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 24,376	$ 55,166
Accrued expenses	83,081	79,045
Deferred compensation (Note 4)	60,000	60,000
Deferred revenues (Note 4)	1,118,194	805,368
PPP loan payable (Note 5)	-	150,377
Total current liabilities	1,285,651	1,149,956
Total liabilities	1,285,651	1,149,956
Net assets:		
Without donor restrictions	844,665	393,388
Total liabilities and net assets	$ 2,130,316	$ 1,543,344

SEE NOTES TO THE FINANCIAL STATEMENTS.

OCEANIC SOCIETY EXPEDITIONS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022 Without Donor Restrictions	2021 Without Donor Restrictions
OPERATING REVENUES, GAINS AND OTHER SUPPORT		
Contributions	$ 455,257	$ 387,305
Grants	564,542	390,405
Expeditions	1,361,926	280,729
Product sales	2,411	919
PPP loan forgiveness	150,377	
Other revenue	69,346	11,319
In-kind revenue	160,940	179,783
Total support and revenue	2,764,799	1,250,460
OPERATING EXPENSES		
Program services:		
Research and program services	638,918	537,663
Expeditions	1,122,212	403,283
Whale watching	302,135	304,077
Total program services	2,063,265	1,245,023
Supporting services:		
Management and general	4,200	4,020
Fundraising and development	246,057	293,411
Total supporting services	250,257	297,431
Total expenses	2,313,522	1,542,454
Decrease in net assets	451,277	(291,994)
Net assets, beginning of year	393,388	685,382
Net assets, end of year	$ 844,665	$ 393,388

SEE NOTES TO THE FINANCIAL STATEMENTS.

OCEANIC SOCIETY EXPEDITIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)

	2022								
	PROGRAM SERVICES				SUPPORTING SERVICES				
	Research & Program Services	International Expeditions	Whale Watching	Total Program Services	Management & General	Fundraising & Development	Total Supporting Services	Total	2021 Total
Salaries	$ 389,828	$ 256,078	$ 110,531	$ 756,437	$ -	$ 63,350	$ 63,350	$ 819,787	$ 737,995
Fringe benefits	50,470	37,860	13,689	102,019		8,535	8,535	110,554	105,427
Bank/merchant fees	2,549	23,224	7,080	32,853	1,733	60	1,793	34,646	13,253
Donation	20,985	5,135	100	26,220	355		355	26,575	14,510
Merchandise				-	1,145		1,145	1,145	18
Program cost		728,605		728,605			-	728,605	92,104
Boat expense/dock fees	25,338		147,122	172,460			-	172,460	97,208
Naturalist		23,018		23,018			-	23,018	800
Contractors and consultants	62,879	20,605	8,172	91,656		182	182	91,838	145,188
Accounting contractor/consultants	3,880	3,060	1,080	8,020		980	980	9,000	9,500
Telephone/Internet-Web	12,239	6,014	3,510	21,763	142	760	902	22,665	78,552
Occupancy	5,820	4,334	1,486	11,640		743	743	12,383	17,643
Advertising and promotion	4,560	2,144	1,600	8,304			-	8,304	4,750
Permits/licenses		100	52	152	42		42	194	141
Office and project supplies	7,249	169	749	8,167	94	765	859	9,026	16,266
Printing and design services	18,153			18,153			-	18,153	
Insurance	3,856	4,626	2,271	10,753		420	420	11,173	8,859
Food	478	365	347	1,190	43	130	173	1,363	315
Travel	19,560	1,464	2,221	23,245	44	7,510	7,554	30,799	4,602
Depreciation	1,418	1,196	429	3,043		333	333	3,376	3,516
Dues fees and subscriptions	5,981	3,454	1,338	10,773	207	783	990	11,763	6,182
Other operating expenses	3,675	761	358	4,794	395	566	961	5,755	5,842
In-kind donation				-		160,940	160,940	160,940	179,783
Total	$ 638,918	$ 1,122,212	$ 302,135	$ 2,063,265	$ 4,200	$ 246,057	$ 250,257	$ 2,313,522	$ 1,542,454

SEE NOTES TO THE FINANCIAL STATEMENTS.

OCEANIC SOCIETY EXPEDITIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (decrease) in net assets	$	451,277	$	(291,994)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Amortization and depreciation		3,376		3,516
(Increase) Decrease in operating assets:				
Prepaid expenses		(301,282)		(1,862)
Accounts receivable		1,685		(1,685)
Security deposit				2,550
Inventory		578		(601)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		(26,754)		7,456
Deferred revenue		312,826		163,196
Net cash (used in) provided by operating activities		441,706		(119,424)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase/disposal of furniture, equipment and other assets				(3,524)
Net cash provided by investing activities		-		(3,524)
CASH FLOWS FROM FINANCING ACTIVITIES				
Note proceeds (payments)		(150,377)		150,377
Net cash provided by (used in) financing activities		(150,377)		150,377
Net increase in cash and cash equivalents		291,329		27,429
Cash and cash equivalents, beginning of year		1,369,166		1,341,737
Cash and cash equivalents, end of year	$	1,660,495	$	1,369,166
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	$	-	$	-

SEE NOTES TO THE FINANCIAL STATEMENTS.

NOTE 1 -- ORGANIZATION

Oceanic Society Expeditions ("Oceanic Society"), a non-profit organization, was formed in 1969 as the first non-profit organization in America dedicated to marine conservation. Its mission was to bring greater public awareness and political action to issues of ocean health and to grow the global community of people working toward improved ocean stewardship. In 1989, Oceanic Society Expeditions decided to merge with Environmental Policy Institute, which then merged with Friends of the Earth in 1991. In 1995, current and former staff of Oceanic Society negotiated with Friends of the Earth to revive and reincorporate Oceanic Society Expeditions as its own non-profit to focus specifically on pursuing ocean conservation through travel. Its new mission is to improve ocean health by deepening the connections between people and nature to address the root cause of its decline-human behavior. It is exempt under Internal Revenue Service code 501 (C) (3).

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – Oceanic Society prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation – Oceanic Society reports its financial statements in accordance with FASB ASC 958. Under FASB ASC 958, financial statements are required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset categories follows:

- Without donor restrictions – the portion of the net assets that is not subject to donor-imposed restrictions. Within net assets without donor restrictions are board-designated net assets. These are net assets without donor restrictions but are subject to self-imposed limits by action of the governing board, which could include amounts earmarked for future programs, investment, contingencies, purchase of fixed assets, or other uses.

- With donor restrictions – the portion of the net assets that is subject to donor-imposed restrictions including endowment funds for which principal amounts are held in perpetuity. At June 30, 2022, Oceanic Society did not have net assets with donor restrictions.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Income taxes – Oceanic Society is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (Code). It is also exempt from state income taxes in the District of Columbia. Oceanic Society has adopted the accounting for uncertainty in income taxes as required by *Income Taxes (Topic 74)* of the FASB Accounting Standards Codification. Oceanic Society has analyzed its position, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax provision.

Cash and cash equivalents – For the purpose of presentation in Oceanic Society's statement of cash flows, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they represent insignificant risk of changes in value due to changing interest rates, typically with original maturities of less than 90 days.

Financial instruments – Management of Oceanic Society believes the carrying amount of its financial instruments approximates fair value.

Property and equipment – Purchased property and equipment are stated at cost. Donated property and equipment are stated at fair market value at the time of donation. Oceanic Society used the straight-line method of depreciation over the estimated useful lives of the assets ranging from five years for furniture and equipment to thirty years for real property. Assets which cost in excess of $500 are capitalized.

Contributions – Contributions are recorded when awarded or pledged and classified as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are fulfilled in the same period are recorded as unrestricted support in the statement of activities. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contracts and grants – Contracts and grants receivable at fiscal year-end represents amounts earned but not received from the funding source; refundable advances represent amounts of the grant or contract received but not yet earned.

Bad debt expense – Accounts receivable are recorded at the amount management expects to collect on balances outstanding at year end. Management closely monitors balances and writes off, as of year-end, any balances that are considered to be uncollectible. Oceanic Society uses the direct write-off method of accounting for uncollectible accounts receivable.

OCEANIC SOCIETY EXPEDITIONS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Donated services and facilities – Oceanic Society receives substantial amounts of services contributed by the Board and others as well as contributed materials used toward the fulfillment of program objectives which have not been recorded in these financial statements.

Functional allocation of expenses – The costs of providing services to the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

Subsequent events – In preparing these financial statements, management of Oceanic Society evaluated events and transactions that occurred after June 30, 2022, for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through January 31, 2022, the date that the financial statements were available to be issued.

NOTE 3 -- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2022	2021
Computer and software	$ 14,629	$ 14,629
Furniture/equipment	4,142	4,142
	18,771	18,771
Less: Accumulated depreciation	(13,243)	(9,867)
Property and equipment, net	$ 5,528	$ 8,904

Depreciation expense as of June 30, 2022 and 2021 was $3,376 and $3,516, respectively.

OCEANIC SOCIETY EXPEDITIONS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 -- DEFERRED REVENUE

Deferred revenue

At June 30, 2022 and 2021, there were deferred revenue of $1,118,194 and $805,368, respectively, from the organization's future planned activities.

Deferred compensation

At June 30, 2022 and 2021, there were deferred compensation of $60,000 and $60,000, from compensation owed to an officer of the organization.

NOTE 5 –- PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

During fiscal 2021, Ocean Society Expeditions entered into a Paycheck Protection Program loan agreement with US Small Business Administration through Wells Fargo Bank for $150,377. The loan has an interest rate that is fixed at 1.00% per annum. The note was interest-only for the initial six- month period; however, interest accrued during the period. The $150,377 was forgiven by the SBA under the Paycheck Protection Program.

NOTE 6 –- UPCOMING ACCOUNTING PRONOUNCEMENTS

In 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 30, 2020, the FASB issued ASU 2020-05 that extended the effective date for certain entities to annual periods beginning after December 15, 2021. Oceanic Society currently evaluating the impact of the provisions of ASU Topic 842.