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**Ocean Discovery Institute**  
Audited Financial Statements  
December 31, 2024

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Audit Committee of  
**Ocean Discovery Institute**

### **Opinion**

We have audited the accompanying financial statements of Ocean Discovery Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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 Ocean Discovery Institute as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Ocean Discovery Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Ocean Discovery Institute'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 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 Ocean Discovery Institute'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 Ocean Discovery Institute'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.

September 29, 2025

  
Munger & Company, CPAs

**Ocean Discovery Institute**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2024

<b>Assets</b>	
Cash	\$ 2,568,275
Grants receivable	596,688
Inventory	3,294
Prepaid expenses	69,707
Investments	583,370
Endowment investments	1,554,594
Right of use asset - equipment	21,053
Right of use asset - facility	9,931,667
Property and equipment, net	<u>4,421,741</u>
<b>Total assets</b>	<u><u>\$ 19,750,389</u></u>
 <b>Liabilities and net assets</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 135,499
Loans payable	141,093
Lease liability - equipment	19,620
Lease Liability - facility	<u>9,931,667</u>
<b>Total liabilities</b>	<u>10,227,879</u>
 <b>Net assets</b>	
Without donor restrictions	
Undesignated	6,174,336
Designated by Board reserve	450,000
Designated by Board Growth & Innovation Fund	314,097
Designated by Board Endowment	<u>800,000</u>
Total net assets without donor restrictions	<u>7,738,433</u>
With donor restrictions	
Purpose restrictions	1,029,483
Perpetual in nature	<u>754,594</u>
Total net assets with donor restrictions	<u>1,784,077</u>
<b>Total net assets</b>	<u><u>9,522,510</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 19,750,389</u></u>

The accompanying notes are an integral part of these financial statements

**Ocean Discovery Institute**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
<b>Support and revenue</b>			
General contributions and grants	1,099,884	2,016,292	3,116,176
In-kind contributions	155,555		155,555
Special events, net of expense of \$24,194	332,300		332,300
Investment income	365,685		365,685
Program fees	295,000		295,000
Gain on disposal of equipment	500		500
Net assets released from restrictions	2,158,669	(2,158,669)	-
<b>Total support and revenue</b>	<u>4,407,593</u>	<u>(142,377)</u>	<u>4,265,216</u>
<b>Expenses</b>			
Program services	3,382,672		3,382,672
Supporting services			
Management and general	491,470		491,470
Fundraising	466,449		466,449
<b>Total expenses</b>	<u>4,340,591</u>	<u>-</u>	<u>4,340,591</u>
<b>Change in net assets</b>	67,002	(142,377)	(75,375)
<b>Net assets, beginning of year</b>	<u>7,671,431</u>	<u>1,926,454</u>	<u>9,597,885</u>
<b>Net assets, end of year</b>	<u>\$ 7,738,433</u>	<u>\$ 1,784,077</u>	<u>\$ 9,522,510</u>

The accompanying notes are an integral part of these financial statements

**Ocean Discovery Institute**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2024

	Supporting Services			Total
	Program Services	Management and General	Fund- raising	
Salaries	\$ 1,854,947	\$ 321,524	\$ 296,792	\$ 618,316
Employee benefits	147,722	25,605	23,636	49,241
Payroll taxes	142,707	24,736	22,833	47,569
Bank service charges and interest		1,738	6,953	8,691
Cost of direct benefit to donors			24,194	24,194
Depreciation	137,800	17,225	17,225	34,450
Amortization - facility	236,000	29,500	29,500	59,000
Equipment rental and maintenance	51,328	4,790	3,262	8,052
Insurance	33,634	11,735		11,735
Licenses and permits	11,361			-
Marketing		1,502		1,502
Donated Goods	76,747		8,370	8,370
Donated Services	56,350	7,044	7,044	14,088
Other	32,111	2,103	19,670	21,773
Postage and shipping	17,086	2,136	2,136	4,272
Professional fees	244,337	19,628	16,968	36,596
Occupancy	58,741	7,343	7,342	14,685
Conferences	14,252	3,563		3,563
Scholarship stipends	68,436			-
Supplies	25,564	7,262	2,355	9,617
Information technology	17,980	3,084	1,411	4,495
Travel and automobile	155,569	952	952	1,904
Total expenses by function	<u>\$ 3,382,672</u>	<u>\$ 491,470</u>	<u>\$ 490,643</u>	<u>\$ 982,113</u>
Less expenses included with revenues on the statement of activities			(24,194)	(24,194)
Cost of direct benefit to donors				(24,194)
Total expenses included in the expense section on the statement of activities	<u>\$ 3,382,672</u>	<u>\$ 491,470</u>	<u>\$ 466,449</u>	<u>\$ 957,919</u>
The accompanying notes are an integral part of these financial statements				

**Ocean Discovery Institute**  
**STATEMENTS OF CASH FLOWS**  
For the Year Ended December 31, 2024

**Cash flows from operating activities:**

Change in net assets	\$ (75,375)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	172,250
Gain on disposal of equipment	(500)
Unrealized (gain) on investments	(199,974)
Increase (decrease) in right of use assets and liabilities	(1,549)
(Increase) decrease in grants receivable	(401,646)
(Increase) decrease in inventory	1,405
(Increase) decrease in prepaid expenses	(7,796)
Increase (decrease) in accounts payable and accrued expenses	50,290
<b>Net cash provided by operating activities</b>	<b>(462,895)</b>

**Cash flows from investing activities:**

Purchase of property and equipment	(27,212)
Cash received from sale of equipment	500
Sales of investments	218,981
<b>Net cash provided by investing activities</b>	<b>192,269</b>

**Cash flows from financing activities:**

Principal payments on loans payable	(3,403)
<b>Net cash (used in) financing activities</b>	<b>(3,403)</b>

<b>Net change in cash</b>	(274,029)
<b>Cash, beginning of year</b>	2,842,304
<b>Cash, end of year</b>	<b>\$ 2,568,275</b>

**Supplemental disclosures:**

Amortization of Financing Lease Payable	\$ (295,000)
Amortization of Right of Use Asset - Facility	\$ 295,000
Cash Paid for Interest	\$ 5,105

The accompanying notes are an integral part of these financial statements

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 1. Nature of Organization**

Ocean Discovery Institute (the “Institute”) is a California non-profit corporation organized in 1999. The mission is to inspire the next generation of science leaders. Ocean Discovery Institute creates learning experiences for young people traditionally excluded from science due to race, income status, and educational opportunity. Ocean Discovery students will join high-paying fields, break generational poverty, and change the future of science.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Institute’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) on the accrual basis of accounting.

**Cash and Cash Equivalents**

Cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are reported as cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition. There were no cash equivalents as of December 31, 2024.

**Receivables and Credit Policies**

Receivables consists primarily of amounts due from granting agencies and organizations.

Effective January 1, 2023, the Institute adopted the provisions of FASB ASC Topic 326, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13)—This update establishes the current expected credit loss (CECL) model established by ASU 2016-13, which requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers historical information as well as current and future economic conditions and events. The impact of the adoption was not considered material to the financial statements. Management determined that an allowance was not necessary based upon the factors above as they are expected to be zero given that all receivables were received within approximately 30 days after December 31, 2024.

**Inventory**

Inventory consists of merchandise to promote the Institute’s programs and activities. Inventory is stated at the lower of cost or market. Costs of merchandise inventory is determined by the weighted average cost method. There was no allowance for inventory obsolescence as of December 31, 2024.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 2. Summary of Significant Accounting Policies, (continued)**

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investment return comprised the following for the year ended December 31, 2024:

Dividends and Interest	\$176,672
Realized Gains	4,198
Unrealized Gains	199,974
Less: Investment Fees	<u>(15,159)</u>
	<u>\$365,685</u>

**Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2024.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 2. Summary of Significant Accounting Policies, (continued)**

**Right of Use Leased Assets and Liabilities**

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Institute's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some 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 that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

Special events revenue is equal to the cost of direct benefits to donors (exchange component), and contribution revenue for the difference. The direct cost of special events, which ultimately benefit the donor rather than the Institute. The performance obligation is the delivery of the event.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 2. Summary of Significant Accounting Policies, (continued)**

Revenue and Revenue Recognition, (continued)

Revenue from program fees is recognized during the period in which the related performance obligations are met.

Grants and contributions of cash, securities or other assets are recognized when received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods and services totaled \$155,555 for the year ended December 31, 2024. Contributed goods and services would be recorded at fair value at the date of donation if received.

**Advertising and Marketing Costs**

Advertising and marketing costs are expensed as incurred.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Institute is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service as a 501(c)(3) tax-exempt organization.

Management has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax position exists. The Institute's tax returns are subject to examination by the Internal Revenue Service for three years after they are filed; and the Franchise Tax Board, generally for four years after they are filed. There was no unrelated business income during the year ended December 31, 2024.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates under different assumptions or conditions.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 2. Summary of Significant Accounting Policies, (continued)**

**Financial Instruments and Credit Risk**

Concentration risk is managed by placing cash and certificates of deposit with financial institutions. Amounts on deposit may exceed insured limits. To date, management has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Institute's mission.

**Note 3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$2,568,275
Grants Receivable	596,688
Investments	583,370
Endowment Investments	1,554,594
Less: Net Assets With donor restrictions	<u>(1,784,077)</u>
	<u>\$3,518,850</u>

As part of the liquidity management plan, cash in excess of daily requirements may be invested in Certificates of Deposits.

The Board-Designated Reserves of \$1,564,097, although not management's intent, could be made available if necessary. As a result, this amount has been included in the schedule above.

**Note 4. Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

OCEAN DISCOVERY INSTITUTE  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4. Fair Value Measurements and Disclosures (continued)**

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The following table presents assets and liabilities measured at fair value on a recurring basis, as identified in the following, at December 31, 2024:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Funds held by Bank of America:				
Equities	\$ 1,510,583	\$ 1,510,583	\$ -	\$ -
Fixed Income	\$ 627,381	\$ 627,381	\$ -	\$ -
	<u>\$ 2,137,964</u>	<u>\$ 2,137,964</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 5. Grants Receivable**

Three grantors accounted for approximately 80 percent of grants receivable totaling \$596,688 as of December 31, 2024.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 6. Property and Equipment**

Property and equipment consist of the following as of December 31, 2024:

Land	\$ 495,491
Equipment and fixtures	667,595
Vehicles	22,282
Leasehold improvements	<u>4,503,928</u>
Total property and equipment	5,689,296
Less: accumulated depreciation	<u>(1,267,555)</u>
Total property and equipment, net	\$ <u>4,421,741</u>

Depreciation and amortization expense totaled \$172,250 for the year ended December 31, 2024. Leasehold improvements are being amortized and the vehicles, equipment and fixtures are being depreciated. See Note 9 for right of use assets not included in this section.

**Note 7. Line of Credit**

The Institute has a \$100,000 revolving line of credit with a bank, secured by substantially all of the assets and expires on June 30, 2025. There were no borrowings under the line for the year ended December 31, 2024. The line bears interest at the bank's prime rate (7.5% as of December 31, 2024) plus 1.00%.

**Note 8. Loans Payable**

In a prior year, the Institute received an Economic Injury Disaster Loans (EIDL) for \$150,000 from the Small Business Administration. The EIDL loan requires repayment over a 360 month period at an interest rate of 2.75%. The loan payments, estimated to be \$641/month, commenced on July 15, 2022, which is one year from effective date of the loan agreements. The loans are collateralized by assets of the Institute. EIDL payments for the years ending December 31, are as follows:

2025	\$ 3,999
2026	4,111
2027	4,225
2028	4,343
2029	4,464
Thereafter	<u>119,951</u>
Total loans payable as of December 31, 2024	<u>\$141,093</u>

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 9. Leases**

The Institute leases office space under a financing lease (no lease payments required), and equipment under an operating lease expiring at various dates through 2058 and 2027, respectively.

Financing Lease

The financing lease is the result of a joint venture agreement with the San Diego Unified School District (the District) whereby the District provided \$11.8 million dollars towards the construction of a new building (Living Lab) that is owed by the District and operated by the Institute. In 2058, the Institute will receive title to the Living Lab which will be at the end of the 40 year term of operating the facility. The Institute incurred additional costs to complete the Living Lab and those costs are included as leasehold improvements on the statement of financial position. Under occupancy, the Institute is obligated to provide annual programming services to students of the District over the 40 year lease term in exchange for the use of occupancy in the Living Lab.

The Institute estimates that programming services to students will approximate \$295,000 per year. As a result, the transaction is being accounted for as an exchange transaction, rather than a contribution from the District. An exchange transaction represents a reciprocal transfer in which each party receives and offers approximately equal value. Since the Institute is obligated to perform ongoing programming services through the 40 year term of the lease, the Institute recorded lease liability – facility totaling \$11.8 million at the time it recorded a right of use asset - facility of \$11.8 million under this financing lease. The Institute anticipates reducing lease liability – facility on a straight-line basis by the estimated annual programming costs to students which are expected to be \$295,000. The \$11.8 million will become fully amortized over the 40 year lease term with the \$295,000 of annual programming services being performed. As a result, there is no discount rate to apply to this lease.

Operating Lease

The Institute has an equipment lease that terminates in January 2027.

Included in the determination of the right-of-use asset and lease liability are any renewal options when the option is reasonably certain to be exercised. The operating lease does provide for 3% increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Institute has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Institute has applied the risk-free rate option to the office equipment classes of assets.

The Institute has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 9.      Leases, (continued)**

Total right-of-use asset and lease liability as of December 31, 2024, are as follows:

Lease Assets – Classification in Statement of Financial Position

Operating right-of-use asset – equipment	<u>21,053</u>
Total operating right-of-use assets	<u>\$ 21,053</u>

Lease Liability – Classification in the Statement of Financial Position

Operating lease liability – equipment, current	8,779
Operating lease liability – equipment, noncurrent	<u>10,841</u>
Total lease liability	<u>\$ 19,620</u>

Total lease costs for the year ended December 31, 2024 are as follows:

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term in years:		Weighted-average discount rate:	
Operating leases-equipment	3.00	Operating leases	5.00%

The future minimum lease payments under noncancelable operating lease with terms greater than one year are listed below as of December 31, 2024:

<u>December 31,</u>	
	<u>Operating</u>
2025	\$ 8,779
2026	10,095
2027	<u>967</u>
Total lease payments	<u>\$ 19,841</u>
Less Discount	<u>(221)</u>
Present value of lease liability	<u>\$ 19,620</u>

**Note 10.      Endowment**

The Endowment was established in 2021. The earnings on the gifts are without donor restriction and the corpus amounts are with donor restriction to be held in perpetuity.

**OCEAN DISCOVERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**Note 10. Endowment, (continued)**

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2024, there were no such donor stipulations. As a result of this interpretation, the Institute retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. Management considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2024, the Institute had the following endowment net asset composition by type of fund:

	Without Donor <u>Restricted</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 800,000	\$ -	\$ 800,000
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	754,594	754,594
Totals	<u>\$ 800,000</u>	<u>\$ 754,594</u>	<u>\$ 1,554,594</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2024, there were no gifts that were underwater.

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**Note 10. Endowment, (continued)**

*Investment and Spending Policies*

The Institute adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is anticipated to be the Consumer Price Index plus 4.5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio will be structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds will be invested to seek growth of principal over time.

An endowment spending-rate formula will be used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, will be applied to determine the spending amount for the upcoming year. During 2024, the spending rate maximum was not yet established. In establishing this policy, we considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended December 31, 2024 are as follows:

	Without Donor Restricted	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 344,894	\$ 344,894
Contributions	<u>800,000</u>	<u>409,700</u>	<u>1,209,700</u>
Endowment net assets, end of year	<u>\$ 800,000</u>	<u>\$ 754,594</u>	<u>\$ 1,554,594</u>

**Note 11. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods for the year ended December 31, 2024:

Subject to expenditure for specified purposes:	
In School	\$ 69,494
Out of School	87,495
Leadership	<u>872,494</u>
	<u>\$1,029,582</u>
Perpetual in Nature	<u>\$ 754,594</u>
Total Net Assets with Donor Restrictions	<u>\$1,784,077</u>

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**Note 11. Net Assets With Donor Restrictions, (continued)**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2024:

Satisfaction of purpose restrictions:	
In School	\$ 379,494
Leadership	534,185
Out of School	<u>1,244,990</u>
Total releases from restrictions	<u>\$ 2,158,669</u>

**Note 12. Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort and overall usage.

**Note 13. Employee Benefit Plans**

The Institute has a retirement savings 401(k) plan in which all employees over 18 years of age may participate. In January 2020, the Institute began matching 50% of an employee's elective deferral, up to 2% of compensation. For the year ended December 31, 2024, the Institute incurred expenses of \$21,273 for 401(k) matching expense.

**Note 14. Subsequent Events**

Management has evaluated subsequent events through September 29, 2025, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosure in, the financial statements.