

Financial Statements
(with Independent Auditors' Report Thereon)



As of and for the Year Ended December 31, 2025

OCEAN DISCOVERY INSTITUTE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ocean Discovery Institute

Opinion

We have audited the accompanying financial statements of Ocean Discovery Institute (a not-for-profit organization) (the "Institute"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, 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 the Institute as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the 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 the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

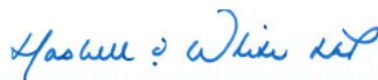
Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the 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 the 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.

A handwritten signature in blue ink, appearing to read "Haskell & White LLP", is positioned above the firm's name.

HASKELL & WHITE LLP

Irvine, California
September 10, 2026

OCEAN DISCOVERY INSTITUTE

Statement of Financial Position As of December 31, 2025

ASSETS

Cash and cash equivalents	\$ 3,118,770
Grants and contributions receivable	482,414
Inventory	3,061
Prepaid expenses	72,709
Investments	2,437,012
Right of use asset - Equipment, net	8,621
Right of use asset - Facility, net	9,636,667
Property and equipment, net	<u>4,399,187</u>
Total assets	<u>\$ 20,158,441</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 125,231
Refundable advances	304,500
Loan payable	136,868
Lease liability - Equipment	10,974
Lease liability - Facility	<u>9,636,667</u>
Total liabilities	<u>10,214,240</u>

Commitments and contingencies (Notes 6 and 11)

Net assets

Without donor restrictions	
Undesignated	6,515,477
Designated by Board - Operating Reserves	450,000
Designated by Board - Growth and Innovation	200,000
Designated by Board - Endowment	<u>800,000</u>
Total net assets without donor restrictions	7,965,477
With donor restrictions	<u>1,978,724</u>
Total net assets	<u>9,944,201</u>
Total liabilities and net assets	<u>\$ 20,158,441</u>

The accompanying notes are an integral part of these financial statements

OCEAN DISCOVERY INSTITUTE

Statement of Activities and Changes in Net Assets For the Year ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 2,230,490	\$ 1,616,722	\$ 3,847,212
In-kind contributions	101,018	-	101,018
Program activities	295,000	-	295,000
Special events, net of direct benefits to donors of \$41,025	271,118	-	271,118
Net realized and unrealized gain on investments	142,011	88,350	230,361
Interest and dividends, net of investment fees of \$16,051	101,773	20,903	122,676
Net assets released from restriction	<u>1,689,778</u>	<u>(1,689,778)</u>	<u>-</u>
Total support and revenue	<u>4,831,188</u>	<u>36,197</u>	<u>4,867,385</u>
Expenses			
Program services	3,169,210	-	3,169,210
Supporting activities			
Management and general	626,476	-	626,476
Fundraising	<u>649,510</u>	<u>-</u>	<u>649,510</u>
Total expenses	<u>4,445,196</u>	<u>-</u>	<u>4,445,196</u>
Loss on disposal of equipment	<u>498</u>	<u>-</u>	<u>498</u>
Change in net assets	385,494	36,197	421,691
Net assets - beginning of year	<u>7,579,983</u>	<u>1,942,527</u>	<u>9,522,510</u>
Net assets - end of year	<u><u>\$ 7,965,477</u></u>	<u><u>\$ 1,978,724</u></u>	<u><u>\$ 9,944,201</u></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, 2025

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Salaries	\$ 1,788,390	\$ 427,078	\$ 453,770	\$ 880,848	\$ 2,669,238
Employee benefits	156,738	37,430	39,769	77,199	233,937
Payroll taxes	142,808	34,103	36,235	70,338	213,146
Bank service charges and interest	8,985	974	866	1,840	10,825
Cost of direct benefits to donors	-	-	33,395	33,395	33,395
Depreciation	131,780	14,289	12,702	26,991	158,771
Amortization - facility	244,850	26,550	23,600	50,150	295,000
Equipment rental and maintenance	53,821	-	16,029	16,029	69,850
Insurance	44,250	4,185	3,720	7,905	52,155
Licenses and permits	12,694	-	-	-	12,694
Marketing	315	-	-	-	315
Donated goods	46,043	5,200	7,630	12,830	58,873
Donated services	15,330	26,815	-	26,815	42,145
Other	40,940	535	1,121	1,656	42,596
Postage and shipping	11,879	164	567	731	12,610
Professional fees	113,534	34,080	50,000	84,080	197,614
Occupancy	70,139	7,605	6,760	14,365	84,504
Conferences	6,692	2,022	832	2,854	9,546
Educational assistance	63,000	-	-	-	63,000
Supplies	73,644	2,074	575	2,649	76,293
Information technology	30,748	3,334	2,964	6,298	37,046
Travel and automobile	112,630	38	-	38	112,668
Total expenses by function	<u>3,169,210</u>	<u>626,476</u>	<u>690,535</u>	<u>1,317,011</u>	<u>4,486,221</u>
Less expenses included with support and revenue on the statement of activities and changes in net assets					
Cost of direct benefits to donors, including donated goods	<u>-</u>	<u>-</u>	<u>(41,025)</u>	<u>(41,025)</u>	<u>(41,025)</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ 3,169,210</u>	<u>\$ 626,476</u>	<u>\$ 649,510</u>	<u>\$ 1,275,986</u>	<u>\$ 4,445,196</u>

The accompanying notes are an integral part of these financial statements

OCEAN DISCOVERY INSTITUTE

Statement of Cash Flows For the Year ended December 31, 2025

Cash flows from operating activities:

Change in net assets	\$ 421,691
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	158,771
Amortization of right of use asset - Equipment	12,432
Loss on the disposal of equipment	498
Donated investments	(65,098)
Net realized and unrealized gain on investments	(230,361)
Change in assets and liabilities:	
Grants and contributions receivables	114,274
Inventory	233
Prepaid expenses	(3,002)
Accounts payable and accrued expenses	(10,268)
Refundable advances	304,500
Operating lease liability	(8,646)
Net cash provided by operating activities	695,024

Cash flows from investing activities:

Investment purchases	(704,325)
Investment sales	700,736
Purchases of property and equipment	(136,715)
Net cash used in investing activities	(140,304)

Cash flows from financing activities:

Principal payments on loan payable	(4,225)
Net cash used in financing activities	(4,225)

Net increase in cash and cash equivalents 550,495

Cash and cash equivalents - beginning of year 2,568,275

Cash and cash equivalents - end of year \$ 3,118,770

Supplemental disclosures:

Amortization of lease liability - Facility	<u>\$ 295,000</u>
Amortization of right of use asset - Facility	<u>\$ 295,000</u>
Cash paid for interest	<u><u>\$ 3,746</u></u>

The accompanying notes are an integral part of these financial statements

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements December 31, 2025

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.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Reclassifications

A reclassification of \$158,450 was made to increase the beginning net assets with donor restrictions and decrease the beginning net assets without donor restrictions to reflect the unappropriated accumulated net earnings on donor restricted endowment funds.

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.

Grants and Contributions Receivable

Grants and contributions receivable consist primarily of amounts due from granting agencies, organizations and individuals. Grants and contributions receivable expected to be collected in a period greater than one year are discounted at the time of the unconditional promise is made. Management assesses the donors’ creditworthiness and history of past collection. There is no allowance for doubtful grants and contributions receivable at December 31, 2025, as management deemed all grants and contributions receivable to be collectable.

Investments

Investments are carried at fair value. Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Net investment income (loss) is reported in the statement of activities and changes in net assets, and consists of interest and dividend income, less investment fees, and realized and unrealized gains and losses.

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

2. Summary of Significant Accounting Policies (continued)

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 years, or in the case of 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 statement of activities and change in net assets. 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, 2025.

Leases

The Institute categorizes leases with contractual terms longer than twelve months as either an operating or finance lease. Finance leases are generally those leases that allow the Institute to substantially utilize or pay for the asset for its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of twelve months or less are not recorded on the statement of financial position and are expensed monthly when paid.

The Institute determines if an arrangement is a lease at inception. As a lessee, right-of-use assets represent the Institute's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Institute estimates the incremental borrowing rate based on the risk-free interest rate for similar terms. Operating lease right-of-use assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense.

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:

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

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 operating reserves, growth and innovation, and endowment.

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. Unappropriated net investment earnings are classified as net assets with donor restrictions.

Grants and Contributions

Grants and contributions received are recorded at fair value as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When a 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 and changes in net assets as net assets released from restrictions.

Conditional contributions contain both (i) a barrier and (ii) a refund or release right to the resource provider and are not recognized until related conditions are substantially met. Certain third party cost reimbursement grants may be deemed to be conditional contributions.

Program Activities

Revenues derived from exchange transactions follow GAAP established for commercial transactions and are recognized as related distinct performance obligations are completed. Program activities are deemed to be exchange transactions that are subject to this guidance. See Note 8.

Donated Goods and Services

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 the recognition criteria in GAAP. Donated goods and services that create or enhance non-financial assets, or require

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Donated Goods and Services (continued)

specialized skills, which would typically need to be purchased, are recorded at their estimated fair values in the period received. For the year ended December 31, 2025, donated goods and services comprised of the following:

	Program Services	Management and General Activities	Fundraising Activities	Total
Supplies	\$ 12,573	\$ -	\$ 7,630	\$ 20,203
Travel and automobile	31,782	-	-	31,782
Equipment rental and maintenance	1,688	-	-	1,688
Conferences	-	5,200	-	5,200
Professional fees	15,330	26,815	-	42,145
	<u>\$ 61,373</u>	<u>\$ 32,015</u>	<u>\$ 7,630</u>	<u>\$ 101,018</u>

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

Functional Expense Allocations

The costs of providing program services and other supporting activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Expenses are allocated between program, management and general, and fundraising based on direct identification when possible, and are allocated if a natural class of expense benefits more than one program or supporting function. Salaries and related expenses are allocated based on the estimated time and efforts of involvement in different activities as determined by management. Other expenses that require allocation are based on estimates of the benefits received.

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. Management believes there was no unrelated business income during the year ended December 31, 2025.

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Notes to Financial Statements (continued) December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Risk

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and cash equivalents, grants and contributions receivable, and investments.

Cash and Cash Equivalents - Concentration risk is managed by placing cash and cash equivalents with various financial institutions. Amounts on deposit may exceed federal insured limits. To date, management has not experienced losses in any of these accounts. The Institute is exposed to credit risk in the event of default by its financial institutions to the extent amounts on deposit exceed Federal Deposit Insurance Corporation ("FDIC") insured amounts.

Grants and Contributions Receivable - Credit risk associated with grants and contributions 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. As of December 31, 2025, two resource providers accounted for approximately 90% of grants and contributions receivable.

Investments - The Institute invests in various investments that are not covered by federal insurance. These investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Institute's balances and the amounts reported in the statement of financial position. Management attempts to minimize the exposure to these risks by closely monitoring all investments in accordance with the Institute's investment policies.

Grants and Contributions Revenues - For the year ended December 31, 2025, 14% of the Institute's grants and contributions revenues were received from one resource provider.

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Notes to Financial Statements (continued) December 31, 2025

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 statement of financial position date comprise the following:

Cash and cash equivalents	\$ 3,118,770
Grants and contributions receivable	482,414
Investments	2,437,012
Less: net assets with donor restrictions	<u>(1,978,724)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,059,472</u>

The Board-Designated Reserves of \$1,450,000, although not management's intent, could be made available if necessary. As a result, this amount has been included in the schedule above.

4. Fair Value Measurements and Investments

Fair value is the price that would be received to sell an asset, or pay to transfer a liability, in an orderly transaction 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 or liability, 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 reflect the Institute's own assumptions about the assumptions market participants would use in pricing the asset or liability 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 or liabilities that can be accessed at the measurement date.

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

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Notes to Financial Statements (continued) December 31, 2025

4. Fair Value Measurements and Investments (continued)

In some cases, the inputs used to measure the fair value of an asset or liability 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 or liability. The categorization of an asset or a liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to the Institute's assessment of the quality, risk, or liquidity profile of the asset or liability.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

Stocks and Exchange Traded Funds ("ETFs") - The fair value of equities are based on the closing price reported on the active market on which the individual securities are traded. The Institute's ETFs hold assets such as stocks, commodities, or bonds. Investments in ETFs are classified as Level 1 within the fair value hierarchy, and their fair value is based on the closing price reported on the active market on which the respective securities are traded.

Mutual Funds - The fair value of mutual funds are based on the daily closing prices as reported by the fund. Mutual funds held by the Institute are open-end mutual funds that are registered with the United States Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded and are classified as Level 1 within the fair value hierarchy.

In accordance with fair value hierarchy, investments measured at fair value at December 31, 2025 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stocks and ETFs	\$ 1,653,136	\$ 1,653,136	\$ -	\$ -
Mutual funds	<u>783,876</u>	<u>783,876</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,437,012</u>	<u>\$ 2,437,012</u>	<u>\$ -</u>	<u>\$ -</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

4. Fair Value Measurements and Investments (continued)

Investment income is as follows for the year ended December 31, 2025:

Dividends and interest	\$ 138,727
Realized gains	31,245
Unrealized gains	<u>199,116</u>
	369,088
Less: investment fees	<u>(16,051)</u>
Net investment income	<u><u>\$ 353,037</u></u>

5. Property and Equipment, Net

Property and equipment consist of the following as of December 31, 2025:

Land	\$ 495,491
Equipment and fixtures	679,773
Vehicles	22,282
Leasehold improvements	<u>4,622,703</u>
	5,820,249
Less: accumulated depreciation	<u>(1,421,062)</u>
Total property and equipment, net	<u><u>\$ 4,399,187</u></u>

6. Line of Credit

The Institute has a \$100,000 revolving line of credit with a bank, secured by substantially all assets and was scheduled to expire on June 1, 2026. There were no borrowings under the line during the year ended December 31, 2025. The line bears interest at the bank's prime rate (6.75% as of December 31, 2025) plus 1.00%.

On April 21, 2026, the Institute executed an amendment to the original line of credit agreement with the bank, whereby the expiration date of the revolving line of credit was extended to June 1, 2027.

7. Loan Payable

In a prior year, the Institute received \$150,000 in the form of an Economic Injury Disaster Loan ("EIDL") under the CARES Act from the Small Business Administration ("SBA"). The

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

7. Loan Payable (continued)

EIDL loan requires repayment over a 360 month period at an interest rate of 2.75%. The loan payments of \$641 per month commenced on July 15, 2022. The loan is collateralized by assets of the Institute.

Future minimum principal payments on the Institute's loan payable are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 4,046
2027	4,149
2028	4,255
2029	4,364
2030	4,476
Thereafter	<u>115,578</u>
	<u>\$ 136,868</u>

8. Leases

The Institute has an embedded office space finance lease (no lease payments required) and an equipment operating lease expiring in 2058 and 2027, respectively.

Embedded Financing Lease

The embedded 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 towards the construction of a new building (Living Lab) that is owned by the District and operated by the Institute on land owned by the Institute and is subject to a ground lease agreement between the Institute and the District. The ground lease term is 40 years, expiring in 2058, with an annual rent of \$1. In 2058, the Institute will receive title to the Living Lab which will be at the end of the 40-year term. The Institute incurred additional costs to complete the Living Lab and those costs are included as leasehold improvements on the statement of financial position. In accordance with agreement, the Institute is obligated to provide annual programming services to students of the District over the 40-year term in exchange for the use of the Living Lab. 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. Accordingly, the Institute recorded a lease liability - facility totaling \$11.8 million and recorded a right of use asset - facility of \$11.8 million for this embedded financing lease at the time it took control of the Living Lab. The Institute reduces the lease liability - facility on a straight-line basis, which equals \$295,000 per year, and recognizes related program activities revenue. The \$11.8 million will become fully amortized over the 40-year lease term with the \$295,000 of annual programming activities being performed.

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Notes to Financial Statements (continued) December 31, 2025

8. Leases (continued)

Operating Lease

The Institute has an equipment lease that terminates in January 2027. The lease liability is measured at a discount rate of 5.00%. The remaining lease term as of December 31, 2025 is 1.1 years.

Future minimum lease payments under noncancelable operating lease as of December 31, 2025 are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 10,095
2027	<u>967</u>
Total lease payments	11,062
Less: discount	<u>(88)</u>
Present value of lease liability - Equipment	<u><u>\$ 10,974</u></u>

9. Endowment

The Endowment was established in 2021. The corpus amounts are with donor restriction to be held in perpetuity. Unappropriated net investment earnings are classified as net assets with donor restrictions.

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, 2025, 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 the Institute 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

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

9. Endowment (continued)

- 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, 2025, the Institute had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 800,000	\$ -	\$ 800,000
Donor-restricted endowment funds (corpus)	-	754,594	754,594
Unappropriated accumulated net earnings in accordance with UPMIFA	-	267,703	267,703
Totals	<u>\$ 800,000</u>	<u>\$ 1,022,297</u>	<u>\$ 1,822,297</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). The Institute has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2025, there were no such deficiencies.

Investment and Spending Policies

The Institute adopted investment and spending policies for endowment assets 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 inflation rate plus spending rate as approved by the Board of Directors 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.

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Notes to Financial Statements (continued) December 31, 2025

9. Endowment (continued)

Investment and Spending Policies (continued)

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. The spending rate is 0% to 5% of the average total market value of the endowment for the trailing three years period. During the year ended December 31, 2025, the Institute did not appropriate any funds for expenditures from the endowment. In establishing this policy, the Institute considered the long-term expected return on the endowment assets 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, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 800,000	\$ 913,044	\$ 1,713,044
Interest and dividend income	-	26,637	26,637
Net realized and unrealized gain	-	88,350	88,350
Investment fees	-	(5,734)	(5,734)
Endowment net assets - end of year	<u>\$ 800,000</u>	<u>\$ 1,022,297</u>	<u>\$ 1,822,297</u>

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows as of December 31, 2025:

Subject to expenditure for specified purposes:

All Programs	\$ 401,774
In School	12,194
Out of School	53,228
Leadership	364,881
Growth and Innovation	<u>124,350</u>

Total subject to expenditure for specified purposes 956,427

Endowment:

Donor restricted endowment funds (corpus)	754,594
Unappropriated accumulated net earnings	<u>267,703</u>

Total Endowment 1,022,297

Total net assets with donor restrictions \$ 1,978,724

OCEAN DISCOVERY INSTITUTE

Notes to Financial Statements (continued) December 31, 2025

10. Net Assets with Donor Restrictions (continued)

Net assets are 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, 2025:

Satisfaction of purpose restrictions:

All Programs	\$ 613,153
In School	117,300
Out of School	319,267
Leadership	<u>640,058</u>

Total releases from restrictions	<u>\$ 1,689,778</u>
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11. Commitments and Contingencies

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. In October 2025, the Institute temporarily suspended its 401(k) plan matching contributions. For the year ended December 31, 2025, the Institute incurred expenses of \$18,848 for 401(k) matching expense.

Loss Contingencies

In the normal course of conducting its business, the Institute may be named as a defendant in various claims. If the potential loss from any dispute or legal claim is considered probable, and the amount can be estimated, the Institute accrues a liability for the estimated amount of loss. Management believes that the outcome of any pending claims will not materially affect the operations or the financial position of the Institute.

12. Subsequent Events

Management has evaluated subsequent events through September 10, 2026, 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.