



# **National Marine Sanctuary Foundation**

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2024**

# NATIONAL MARINE SANCTUARY FOUNDATION

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**FINANCIAL STATEMENTS**



**National  
Marine Sanctuary  
Foundation**

**FOR THE YEAR ENDED DECEMBER 31, 2024  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2023**

# NATIONAL MARINE SANCTUARY FOUNDATION

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
National Marine Sanctuary Foundation  
Silver Spring, Maryland

#### Opinion

We have audited the accompanying financial statements of the National Marine Sanctuary Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and change 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 Foundation as of December 31, 2024, and the change 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Foundation 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 Foundation'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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL  
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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 and *Government 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 and *Government 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 the Foundation'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 Foundation'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.

### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages I-(19 - 20), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2025, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

August 26, 2025

**NATIONAL MARINE SANCTUARY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

**ASSETS**

	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,184,888	\$ 1,899,388
Investments	4,336,580	4,740,086
Accounts receivable, net	198,469	208,220
Grants and contributions receivable	5,339,985	515,689
Prepaid expenses	<u>182,979</u>	<u>264,554</u>
Total current assets	<u>13,242,901</u>	<u>7,627,937</u>
<b>FIXED ASSETS</b>		
Equipment	767,779	282,959
Leasehold improvements	<u>119,206</u>	<u>22,455</u>
Subtotal	886,985	305,414
Less: Accumulated depreciation and amortization	<u>(395,835)</u>	<u>(285,354)</u>
Net fixed assets	<u>491,150</u>	<u>20,060</u>
<b>OTHER ASSETS</b>		
Right-of-use assets, net	1,693,174	1,904,150
Deposits	<u>30,147</u>	<u>23,793</u>
Total other assets	<u>1,723,321</u>	<u>1,927,943</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,457,372</u></b>	<b><u>\$ 9,575,940</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,422,772	\$ 1,420,233
Accrued salaries and related benefits	914,466	400,571
Deferred event revenue	79,666	64,791
Refundable advances	3,824,127	97,990
Operating lease liabilities	517,879	453,064
Amounts held for others	<u>142,006</u>	<u>142,006</u>
Total current liabilities	<u>7,900,916</u>	<u>2,578,655</u>
<b>LONG-TERM LIABILITIES</b>		
Operating lease liabilities, net	<u>1,353,239</u>	<u>1,611,051</u>
Total liabilities	<u>9,254,155</u>	<u>4,189,706</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	1,491,370	651,825
Board designated	<u>1,880,076</u>	<u>1,880,076</u>
Total without donor restrictions	3,371,446	2,531,901
With donor restrictions	<u>2,831,771</u>	<u>2,854,333</u>
Total net assets	<u>6,203,217</u>	<u>5,386,234</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,457,372</u></b>	<b><u>\$ 9,575,940</u></b>

## NATIONAL MARINE SANCTUARY FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2024  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants	\$ 33,033,977	\$ 1,087,502	\$ 34,121,479	\$ 19,861,534
Contributions	1,443,042	-	1,443,042	1,884,342
Events	156,118	-	156,118	143,123
Net investment return	191,638	-	191,638	636,686
Miscellaneous revenue	6,590	-	6,590	25,549
In-kind contributions	11,406	-	11,406	33,458
Net assets released from donor restrictions	<u>1,110,064</u>	<u>(1,110,064)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>35,952,835</u>	<u>(22,562)</u>	<u>35,930,273</u>	<u>22,584,692</u>
<b>EXPENSES</b>				
Program Services	<u>29,649,649</u>	<u>-</u>	<u>29,649,649</u>	<u>19,278,614</u>
Supporting Services:				
Management and General	3,703,439	-	3,703,439	3,028,423
Fundraising	<u>1,760,202</u>	<u>-</u>	<u>1,760,202</u>	<u>732,036</u>
Total supporting services	<u>5,463,641</u>	<u>-</u>	<u>5,463,641</u>	<u>3,760,459</u>
Total expenses	<u>35,113,290</u>	<u>-</u>	<u>35,113,290</u>	<u>23,039,073</u>
Change in net assets	839,545	(22,562)	816,983	(454,381)
Net assets at beginning of year	<u>2,531,901</u>	<u>2,854,333</u>	<u>5,386,234</u>	<u>5,840,615</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,371,446</u></b>	<b><u>\$ 2,831,771</u></b>	<b><u>\$ 6,203,217</u></b>	<b><u>\$ 5,386,234</u></b>

## NATIONAL MARINE SANCTUARY FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	<b>2024</b>				<b>2023</b>	
	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total Expenses</b>	<b>Total Expenses</b>
		<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>		
Salaries	\$ 5,145,886	\$ 1,681,712	\$ 696,277	\$ 2,377,989	\$ 7,523,875	\$ 5,401,961
Payroll taxes and benefits	1,142,162	352,662	79,999	432,661	1,574,823	1,107,980
Accounting and audit	7,168	174,565	-	174,565	181,733	71,127
Advertising and promotion	17,453	41,519	5,437	46,956	64,409	66,736
Conferences, conventions and meetings	584,825	96,095	362,928	459,023	1,043,848	813,604
Consulting fees	12,756,490	410,006	218,504	628,510	13,385,000	4,636,505
Depreciation and amortization	102,974	6,852	-	6,852	109,826	34,245
Equipment, rental and maintenance	221,852	18,919	3,902	22,821	244,673	311,846
Exhibits and kiosks	245,843	-	-	-	245,843	237,505
Information technology	216,507	381,033	18,919	399,952	616,459	436,615
In-kind contributions	7,312	-	4,094	4,094	11,406	33,458
Insurance	8,234	7,631	-	7,631	15,865	17,391
Legal fees	-	36,017	-	36,017	36,017	19,029
Occupancy	434,082	177,118	15,345	192,463	626,545	526,795
Office expenses	649,115	113,038	40,829	153,867	802,982	440,495
Other expenses	217,113	41,467	11,133	52,600	269,713	374,343
Printing and reproduction	33,549	11,837	5,874	17,711	51,260	67,462
Subgrants	5,954,327	7,400	52,740	60,140	6,014,467	7,269,711
Travel	1,121,745	140,587	34,907	175,494	1,297,239	790,763
Vessel operations	598,456	2,481	1,258	3,739	602,195	176,139
Video/media production	184,556	2,500	208,056	210,556	395,112	205,363
<b>TOTAL</b>	<b>\$ 29,649,649</b>	<b>\$ 3,703,439</b>	<b>\$ 1,760,202</b>	<b>\$ 5,463,641</b>	<b>\$ 35,113,290</b>	<b>\$ 23,039,073</b>

See accompanying notes to financial statements.

## NATIONAL MARINE SANCTUARY FOUNDATION

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 816,983	\$ (454,381)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	109,826	34,245
Unrealized loss (gain) on investments	103,868	(639,101)
Realized (gain) loss on sales of investments	(8,995)	61,551
Receipt of contributed securities	-	(11,292)
Proceeds from the sale of contributed securities	-	11,305
Amortization of right-of-use assets	486,099	436,259
Decrease (increase) in:		
Accounts receivable	9,751	37,126
Grants and contributions receivable	(4,824,296)	707,746
Prepaid expenses	81,575	(126,516)
Deposits	(6,354)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,002,539	(6,260)
Accrued salaries and related benefits	513,895	(29,293)
Deferred event revenue	14,875	26,991
Refundable advances	3,726,137	27,490
Operating lease liability	(468,120)	(439,500)
Amounts held for others	-	142,006
	<u>1,557,783</u>	<u>(221,624)</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(580,916)	-
Purchases of investments	(286,510)	(59,149)
Proceeds from sales of investments	<u>595,143</u>	<u>-</u>
Net cash used by investing activities	<u>(272,283)</u>	<u>(59,149)</u>
Net increase (decrease) in cash and cash equivalents	1,285,500	(280,773)
Cash and cash equivalents at beginning of year	<u>1,899,388</u>	<u>2,180,161</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,184,888</u></b>	<b><u>\$ 1,899,388</u></b>
<b>SCHEDULE OF NONCASH TRANSACTIONS:</b>		
<b>Right-of-Use Assets</b>	<b><u>\$ 275,123</u></b>	<b><u>\$ -</u></b>
<b>Operating Lease Liabilities for Right-of-Use Assets</b>	<b><u>\$ 275,123</u></b>	<b><u>\$ -</u></b>

# NATIONAL MARINE SANCTUARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The National Marine Sanctuary Foundation (the Foundation) is a not-for-profit organization, incorporated under the Nonprofit Corporation Act of the Michigan Corporation, Securities and Land Development Bureau on July 31, 2000, and is located in Silver Spring, Maryland. The Foundation is a leading voice for U.S. protected waters, working with communities to conserve and expand those special places for a healthy ocean, coasts, and Great Lakes. Working together, the Foundation safeguards species and the places they call home and preserves America's maritime resources.

#### Program Services -

The Foundation is the official non-profit partner of the National Marine Sanctuary System, uniquely positioned to advance the shared priorities of conservation, economic growth, and public engagement across America's protected ocean and Great Lakes waters. The Foundation funds and supports projects at individual sanctuary sites, across the System, and throughout the watersheds and gateway communities that sustain them. Its work strengthens core sanctuary missions which are multi-use—outdoor recreation and tourism, marine resource protection, maritime heritage preservation, and community resilience—while advancing public-private partnerships that promote innovation, stewardship, and workforce development. Through hands-on programs and strategic investments, the Foundation helps prepare the next generation of scientists, entrepreneurs, and marine professionals who will drive American leadership in ocean discovery and restoration.

National marine sanctuaries are American public waters and symbols of our maritime legacy and national pride—places where natural and cultural resources fuel local economies and inspire service. The Foundation works to increase public connection to sanctuaries through volunteerism, community events, and educational initiatives that reach across states and coastal regions. Whether through supporting citizen science, fishing clinics and dive training, storytelling, or Federal policy solutions that empower local action, the Foundation is committed to accessing and preserving protected marine habitat and irreplaceable historic assets within sanctuaries—from majestic coral reefs and kelp forests to shipwrecks and aviation artifacts. In a time of shifting Federal priorities, the Foundation plays a critical role in ensuring these waters remain resilient, accessible, and valuable to the American people.

The Foundation serves as the principal philanthropic partner to the National Marine Sanctuary System managed by the National Oceanic Atmospheric Agency (NOAA) raising and deploying resources to support sanctuary priorities through direct funding, competitive grantmaking, regrants, supplemental workforce, and strategic fiscal sponsorships. It secures support from public and private foundations, individual donors, and a growing network of corporate partners committed to the future of America's ocean and Great Lakes. Through this work, the Foundation advances its vision of waters for all—ensuring that the benefits of healthy, resilient, and accessible marine sanctuaries reach every community. In addition to fundraising, the Foundation is a strong advocate for sanctuaries on Capitol Hill—mobilizing bipartisan support, advancing Federal investment, and working with the National Marine Sanctuaries Congressional Caucus to protect and promote these vital resources for the American people.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

# NATIONAL MARINE SANCTUARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents and excluding money market funds held by investment managers in the amount of for the year ended December 31, 2024.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisor, in the Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

Receivables -

Accounts receivable primarily consists of amounts due within one year related to events. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

# NATIONAL MARINE SANCTUARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Receivables (continued) -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. Management considers all amounts to be fully collectable within one year; accordingly, an allowance has not been established.

#### Fixed assets -

The Foundation capitalizes all fixed asset expenditures over \$5,000 with a useful life of greater than one year. Fixed assets are depreciated using a three to five-year straight line method. Exceptions include (1) equipment purchases funded through a short-duration grant may be expensed in full; and (2) equipment funded through a grant with fewer than five years available may be depreciated at an expedited rate. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. All fixed asset expenditures under \$5,000 are expensed in the period purchased. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense during the year ended December 31, 2024 totaled \$109,826.

#### Income taxes -

The Foundation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

#### Support from grants and contributions, including Federal awards -

The Foundation receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Foundation's refundable advances totaled \$3,824,127 as of December 31, 2024.

# NATIONAL MARINE SANCTUARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Support from grants and contributions, including Federal awards (continued) -

In addition, the Foundation has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Foundation's unrecognized conditional contributions to be received in future years were approximately \$48,500,000 as of December 31, 2024.

In-kind contributions -

In-kind contributions are recorded at their fair value as of the date of the gift and consisted of contributed services, experiences, and food and beverages. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Revenue from contracts with customers -

The Foundation's events are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met; for events revenue, this is when the related event has occurred. The Foundation has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Foundation's contracts with customers generally have initial terms of one year or less.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort.

Investment risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 amounts reported in the accompanying financial statements.

**NATIONAL MARINE SANCTUARY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2024. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The money market funds are deemed to be actively traded.
- *Corporate and Government Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities or funds are traded.
- *Exchange-Traded Funds* - Valued at the closing price reported on the active market in which the individual securities or funds are traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2024:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Asset Class:</b>				
Money market funds	\$ 3,358,103	\$ -	\$ -	\$ 3,358,103
Corporate and Government bonds	-	380,796	-	380,796
Equities	357,103	-	-	357,103
Exchange-traded funds	240,578	-	-	240,578
<b>TOTAL</b>	<b>\$ 3,955,784</b>	<b>\$ 380,796</b>	<b>\$ -</b>	<b>\$ 4,336,580</b>

**NATIONAL MARINE SANCTUARY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Net investment return consisted of the following for the year ended December 31, 2024:

Interest and dividends	\$ 291,679
Unrealized loss	(103,868)
Realized gain	8,995
Investment fees	<u>(5,168)</u>
<b>NET INVESTMENT RETURN</b>	<b><u>\$ 191,638</u></b>

**3. CONTRACT ASSETS AND CONTRACT LIABILITIES**

Contract assets consisted of the following revenue streams as of:

	<b>December 31, 2024</b>	<b>January 1, 2024</b>
<b>Events</b>	<b><u>\$ 198,469</u></b>	<b><u>\$ 208,220</u></b>

Contract liabilities consisted of the following revenue streams as of:

	<b>December 31, 2024</b>	<b>January 1, 2024</b>
<b>Events</b>	<b><u>\$ 79,666</u></b>	<b><u>\$ 64,791</u></b>

**4. BOARD DESIGNATED NET ASSETS**

As of December 31, 2024, net assets without donor restrictions have been designated by the Board of Trustees for the following purposes:

<b>Operational Activities Fund, including Community Service Payment (CSP) Fund</b>	<b><u>\$ 1,880,076</u></b>
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**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2024:

Subject to expenditure for specified purpose:	
American Samoa NMS Programs	\$ 938,415
Bo Li	62,807
California NMS Programs	10,265
Channel Islands Programs	4,067
Florida Keys Coral Restoration	309,188
Flower Garden Banks NMS Programs	70,426
Gray's Reef	582,381
Hawaiian Islands NMS Programs	72,633
Monterey Bay NMS Program	41,432
Multiple programs	367,304
National Marine Sanctuary Conservation Program	47,485
Olympic Coast Capital Campaign	9,018
Sea Turtle Convention	55,563
Stellwagen Bank NMS Programs	<u>260,787</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 2,831,771</u></b>

# NATIONAL MARINE SANCTUARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

### 6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors.

Purpose restrictions accomplished:	
Bo Li	\$ 61
California NMS Programs	164,528
Florida Keys Coral Restoration	309,725
Flower Garden Banks NMS Programs	63,883
Gray's Reef	2,703
Hawaiian Islands NMS Programs	97,128
Monterey Bay NMS Program	36,955
Multiple programs	18,565
National Marine Sanctuary Conservation Program	30,475
Olympic Coast Capital Campaign	7,397
Sea Turtle Convention	168,310
Stellwagen Bank NMS Programs	<u>210,334</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 1,110,064</u></b>

### 7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at December 31, 2024:

Cash and cash equivalents	\$ 3,184,888
Investments	4,336,580
Accounts receivable, net	198,469
Grants and contributions receivable	<u>5,339,985</u>
Subtotal financial assets available within one year	13,059,922
Less: Donor restricted funds	(2,831,771)
Less: Board designated funds	<u>(1,880,076)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 8,348,075</u></b>

The National Marine Sanctuary Foundation derives most of its revenue from grants awarded directly by agencies of the United States Government. These are annual commitments that the Foundation uses to support marine conservation programs. The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due.

In addition, the Board Designated Operational Activities Funds, which was \$1,880,076 as of December 31, 2024, is a fund that may be drawn down upon in the event of financial distress or an immediate liquidity need which results from events outside the typical life cycle and can convert financial assets to cash for settling financial liabilities.

### 8. LEASE COMMITMENTS

The Foundation follows FASB ASC 842 for leases. The Foundation has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Foundation has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

**NATIONAL MARINE SANCTUARY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**8. LEASE COMMITMENTS (Continued)**

**Operating Leases:**

The Foundation leases office space under the following arrangements:

- An eight-year agreement in Silver Spring, Maryland, which originated in April 2021. Base rent is \$151,220 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per year.
- A five-year agreement in Hawaii, which originated in May 2021. Base rent is \$238,305 per year, plus a proportionate share of expenses.
- A ten-year agreement in Georgia, which originated in December 2021. Base rent is \$79,750 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.
- A five-year agreement in Hawaii, which originated in February 2024. Base rent is \$59,150 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.

For the year ended December 31, 2024, total lease cost was \$525,132, and total cash paid was \$507,153 for all operating leases. As of December 31, 2024, the weighted-average remaining lease term and the weighted-average rate for all operating leases is 4.61 years and 4.38%, respectively.

In August 2025, the Foundation was notified that the building it currently leases for its operations in Silver Spring, Maryland will be sold by the landlord. The Foundation's lease remains in effect under its existing terms; however, management is evaluating the potential impact, if any, of the sale of the building on its future operations.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

	2025	\$ 550,937
	2026	380,674
	2027	329,827
	2028	273,367
	2029	175,751
	Thereafter	<u>190,933</u>
		1,901,489
Less: Imputed interest		<u>(30,371)</u>
		1,871,118
Less: Current portion		<u>(517,879)</u>
<b>LONG-TERM PORTION</b>		<b><u>\$ 1,353,239</u></b>

**9. ECONOMIC DEPENDENCY**

Approximately 92% of the Foundation's total support and revenue for the year ended December 31, 2024 was derived from grants awarded directly and indirectly by agencies of the United States Government.

**NATIONAL MARINE SANCTUARY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**9. ECONOMIC DEPENDENCY (Continued)**

The Foundation has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Foundation's ability to finance ongoing operations.

**10. CONTINGENCY**

The Foundation receives grants from the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2024.

**11. IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2024, the Foundation was the beneficiary of donated goods which allowed the Foundation to provide greater resources toward various programs. Experiences are based on the vendor's typical sales price and food and beverage is valued at the cost the Foundation would have paid if they were to purchase the items.

There were no donor-imposed restrictions associated with the in-kind contributions and none of the in-kind goods were monetized through sale during the year ended December 31, 2024. Documentation used to support the value includes: a vendor invoice, letter signed by the donor attesting to the value, or a published catalog or web page with a similar item.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2024.

Experiences	\$ (16,947)
Food and beverage	<u>28,353</u>
<b>TOTAL</b>	<b><u>\$ 11,406</u></b>

The following programs have benefited from these donated services:

Fundraising	\$ 4,094
Programs	<u>7,312</u>
<b>TOTAL</b>	<b><u>\$ 11,406</u></b>

**12. RETIREMENT PLAN**

The Foundation provides retirement benefits to its employees through a 403(b) plan (the Plan) covering all eligible employees. The Plan is funded by employee contributions, pursuant to a salary reduction agreement. Employer contributions are discretionary. The Foundation's contributions to the Plan for the year ended December 31, 2024 totaled \$132,132 and is included in Payroll taxes and benefits in the accompanying Statement of Functional Expenses.

**NATIONAL MARINE SANCTUARY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 26, 2025, the date the financial statements were issued.

On January 27, 2025, the OMB of the United States Federal Government instituted a pause (freeze) on the disbursement of Federal grant and loan funds, which became effective on January 28, 2025.

Management is actively monitoring developments to evaluate further potential impacts to its Federal programs. Should funding be reduced or discontinued, the Foundation may be required to scale back or modify programmatic activities and staffing supported by these funds. Contingency plans, including diversification of funding sources and operational adjustments, are under development to mitigate potential disruptions. The Foundation will continue to assess this evolving situation and update its plans as additional information becomes available.

Subsequent to year-end, the Foundation was notified that the building it currently leases for its operations in Silver Spring, Maryland will be sold by the landlord. The Foundation's lease remains in effect under its existing terms; however, management is evaluating the potential impact, if any, of the sale of the building on its future operations.

## **SUPPLEMENTAL INFORMATION**

**NATIONAL MARINE SANCTUARY FOUNDATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Identification Number</u>	<u>Assistance Listing Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>United States Department of Commerce -</b>				
<b>National Oceanic and Atmospheric Administration:</b>				
Mission-Related Education Awards	N/A	11.008	\$ -	\$ 25,002
Ocean Exploration	N/A	11.011	122,033	460,081
CoastSavers Clean Coast Quest	N/A	11.417	-	73,791
Coastal Zone Management Administration Awards	N/A	11.419	101,988	143,375
Marine Sanctuary Program	N/A	11.429	894,853	11,031,622
Unallied Management Projects	N/A	11.454	430,354	1,154,165
Mapping Initiative	N/A	11.469	-	499,164
Habitat Conservation	N/A	11.463	3,419,571	7,081,915
Building Resilience through Community Stewardship of Coral Reefs	N/A	11.473	499,406	1,012,173
Marine Debris Program	N/A	11.999	78,377	9,380,058
<b>Subtotal United States Department of Commerce - National Oceanic and Atmospheric Administration</b>			<b>5,546,582</b>	<b>30,861,346</b>
<b>United States Department of the Interior -</b>				
<b>Fish and Wildlife Service:</b>				
Marine Turtle Conservation Fund	N/A	15.645	-	51,464
<b>Subtotal United States Department of the Interior - Fish and Wildlife Service</b>			<b>-</b>	<b>51,464</b>
<b>United States Department of State -</b>				
Clean Seas	N/A	19.017	-	76
<b>Subtotal United States Department of State</b>			<b>-</b>	<b>76</b>
<b>United States Environmental Protection Agency -</b>				
Restoring Reefs	N/A	66.436	-	213,056
<b>Subtotal United States Environmental Protection Agency</b>			<b>-</b>	<b>213,056</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 5,546,582</b>	<b>\$ 31,125,942</b>

**NATIONAL MARINE SANCTUARY FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Foundation under programs of the United States Government for the year ended December 31, 2024. Information on the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of the Foundation; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

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

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Foundation has elected to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3. Revenue Reconciliation**

The following is a reconciliation for Federal grant revenue to unrestricted grants revenue included in the Statement of Activities and Change in Net Assets:

Federal Grants	\$ 31,125,942
Corporate, Foundation Non-Federal Government Grants	<u>2,995,537</u>
<b>TOTAL GRANTS REVENUE WITHOUT DONOR RESTRICTIONS</b>	<b><u>\$ 34,121,479</u></b>

**NATIONAL MARINE SANCTUARY FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section I - Summary of Auditor's Results**

**Financial Statements**

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

3). Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

4). Internal control over major Federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

5). Type of auditor's report issued on compliance for major Federal programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

7). Identification of major Federal programs:

Program Title	Assistance Listing Number
Marine Debris Program	11.999
Building Resilience through Community Stewardship of Coral Reefs	11.473

8). Dollar threshold used to distinguish between Type A and Type B programs: \$933,778

9). Auditee qualified as a low-risk auditee?  Yes  No

NATIONAL MARINE SANCTUARY FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Section II - Financial Statement Findings

**Finding 2024:001: Significant Deficiency in Internal Control over Financial Reporting**

**Criteria:** Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with U.S. GAAP. Effective internal control includes regular reconciliations, appropriate review and approval processes, and adequate documentation to support balances and disclosures.

**Condition:** The Foundation has insufficient internal controls over financial reporting and did not have sufficient staffing capacity or formalized review procedures to identify and correct misstatements during the year-end closing process. As part of the audit process, we observed the following:

- Audit adjustments for proper recognition of fixed assets and to correct depreciation expense were proposed, increasing ending net assets by approximately \$270,000.
- Audit adjustments to record salary allocations.

**Cause:** The Foundation's internal control procedures were not effectively followed, resulting in the failure to retain or provide supporting invoices for certain expenditures.

**Effect or Potential Effect:** This condition increases the possibility of unauthorized transactions being recorded within the Foundation's accounting records or inaccurate financial reporting. The absence of effective internal controls over financial reporting resulted in material misstatements in the draft financial statements and SEFA. These misstatements could have led to users of the financial statements receiving inaccurate information about the Foundation's financial position.

**Recommendation:** We recommend that the Foundation strengthen its internal control structure over financial reporting by implementing the following corrective actions:

- *Enhance year-end closing procedures* to ensure timely identification and correction of accounting misstatements. This should include detailed closing checklists, tie-outs to prior-year balances, and documented review and approval by qualified personnel.
- *Increase accounting staffing capacity and expertise*, either through internal training, strategic hiring, or the use of external accounting support during peak reporting periods, to ensure proper application of revenue recognition principles and accurate financial reporting.

Taken together, these recommendations aim to promote stronger internal controls, reduce the risk of future misstatements, and improve the accuracy and integrity of the Foundation's financial reporting.

**Views of Responsible Officials:** Management concurs with the auditor's findings regarding the significant deficiency in internal control over financial reporting. Several overlapping organizational transitions contributed to the identified control gaps. Specifically:

- The implementation of a new chart of accounts and a new instance of the Sage Intacct accounting system required a complete restructuring of financial processes and reporting protocols.
- There was a transition in finance leadership during the audit year, which affected continuity in oversight and documentation.
- The delay in filling a key vacant finance position created bandwidth constraints and limited the team's ability to maintain routine internal control procedures during critical periods.

Management acknowledges that these combined factors weakened the consistency and effectiveness of internal controls and contributed to the deficiency.

NATIONAL MARINE SANCTUARY FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Section II - Financial Statement Findings (Continued)

**Finding 2024:001: Significant Deficiency in Internal Control over Financial Reporting  
(continued)**

Management has already taken or is taking the following steps to remedy the issue and strengthen internal controls:

- Filled key finance roles to restore capacity and proper segregation of duties. – Completed June 2, 2025.
- Finalized and stabilized the new chart of accounts and Intacct workflows. – Completed as of May 2025. Next step to provide additional trainings to Finance team and Foundation staff.
- Implemented formal monthly and quarterly close checklists with documented review and approval. – Created and used by CFO as of March 2025.
- Engaged in ongoing staff training and system documentation to ensure continuity and reduce risk during future transitions. – The finance team will receive both internal and external training.
- Director of Finance to establish regular internal control reviews to validate reconciliations, approvals, and supporting documentation. – CFO to provide another layer of control.

Management is committed to maintaining strong internal control practices and will continue to monitor these corrective actions to ensure their effectiveness.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

**Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)**

**Federal Agency:** U.S. Department of Commerce.

**Federal Programs:** Ocean Exploration, Coastal Zone Management Administration Awards, Marine Sanctuary Program, Unallied Management Projects, Habitat Conservation, Building Resilience through Community Stewardship of Coral Reefs, Marine Debris Program.

**Assistance Listing Numbers:** 11.011, 11.419, 11.429, 11.454, 11.463, 11.473, 11.999.

**Compliance Requirement:** Reporting.

**Type of Finding:** Significant Deficiency in Internal Control over Compliance and Noncompliance.

**Criteria:** Per 2 CFR §200.510(b), the auditee must prepare a SEFA that includes total Federal expenditures, the name of the Federal agency, the Assistance Listing Number, and other identifying information. The SEFA must be accurate, complete, and prepared in accordance with the Uniform Guidance to facilitate the Single Audit.

**Condition:** During our audit of the SEFA for the year ended December 31, 2024, we noted that the initial SEFA provided by management contained material inaccuracies. Specifically, we noted that amounts passed through to subrecipients were not properly reported and certain programs had expenditures that were inaccurately reported.

**Cause:** The inaccuracies in the SEFA were primarily due to a lack of formalized procedures and oversight in the SEFA preparation process.

**Effect or Potential Effect:** An incomplete or inaccurate SEFA may result in inadequate audit coverage, potential noncompliance with Federal reporting requirements, and increased risk of questioned costs or funding disallowances.

NATIONAL MARINE SANCTUARY FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)

**Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)  
(continued)**

**Questioned Costs:** None.

**Context:** The initial SEFA provided for audit included approximately \$310,000 passed through to subrecipients. During the performance of our audit procedures, we identified approximately \$5.2 million in amounts passed through to subrecipients that were omitted. Additionally, other expenses were omitted from the SEFA as well. The SEFA was subsequently revised and corrected by management.

**Identification as a Repeat Finding:** Not applicable.

**Recommendation:** We recommend that management implement formal procedures for compiling the SEFA, including a reconciliation of expenditures to the general ledger, review of all grant agreements for required disclosures, and a documented supervisory review prior to finalization. Staff involved in Federal grant reporting should also receive training on SEFA requirements under Uniform Guidance.

**Views of Responsible Officials:** Management concurs with the auditor's findings related to Federal award compliance and questioned costs. Several internal transitions contributed to the control gaps and compliance lapses identified during the audit period, including:

- The implementation of a new chart of accounts and a new instance of the Sage Intacct accounting system, which impacted reporting structures and account mapping for Federal programs.
- A transition in finance leadership, which affected oversight of Federal grant compliance and reporting.
- The lack of timely replacement for a key vacant finance position, which limited staff capacity during critical reporting periods.

These factors collectively contributed to the challenges experienced in adhering to certain requirements under the Uniform Guidance, including the accurate preparation of the Schedule of Expenditures of Federal Awards (SEFA) and the documentation of allowable costs.

To address the findings and prevent recurrence, management has taken or is taking the following steps:

- Staff training on SEFA preparation and Uniform Guidance requirements will be conducted to ensure a full understanding of Federal compliance obligations. Will ask GRF what recommendations they have for trainings by August 2025.
- Verify chart of accounts mapping for Federal grants has been finalized and validated within the new Intacct system to support more accurate tracking of expenditures. – Complete by September 2025.
- The utilization of the C-STAAR system will support a more structured and consistent internal grant management process.
- Finance will also evaluate the grants management module within the accounting system to determine feasibility for integration and ease of syncing with SEFA reporting requirements.
- A calendar of Federal reporting deadlines will be developed to strengthen compliance monitoring and accountability. – By October 2025.

**NATIONAL MARINE SANCTUARY FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)**

**Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)  
(continued)**

**Views of Responsible Officials (continued):** Management is committed to improving its internal controls and ensuring compliance with all applicable Federal requirements moving forward.

**Section IV - Prior Year Findings and Questioned Costs With Current Year Status**

There were no prior year reportable findings.



CPAs & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
National Marine Sanctuary Foundation  
Silver Spring, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Marine Sanctuary Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002.

## **The Foundation's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

August 26, 2025



## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees  
National Marine Sanctuary Foundation  
Silver Spring, Maryland

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the National Marine Sanctuary Foundation's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major Federal programs for the year ended December 31, 2024. The Foundation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2024.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation's and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's Federal programs.

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## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major Federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

August 26, 2025