

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2018

**Lewitz, Balosie, Wollack,
Rayner & Giroux, LLC**
Certified Public Accountants
Old Saybrook, Connecticut 06475

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
 FINANCIAL STATEMENTS	
Statement Of Financial Position	3
Statement Of Activities.....	4
Statement Of Functional Expenses	5
Statement Of Cash Flows	6
Notes To The Financial Statements	7 - 10
 SUPPLEMENTARY INFORMATION	
Schedule Of Expenditures Of Federal Awards	11
Notes To The Schedule Of Expenditures Of Federal Awards	12
Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance	13 - 14
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 <i>Government Auditing Standards</i>	15 - 16
Statement Of Findings And Questioned Costs	17 - 18
Summary Schedule Of Prior Audit Findings.....	19

INDEPENDENT AUDITOR'S REPORT

To The Board Of Directors
The Global Foundation For Ocean Exploration, Inc.
Mystic, Connecticut

Report On The Financial Statements

We have audited the accompanying financial statements of **The Global Foundation For Ocean Exploration, Inc.** (a non-profit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Global Foundation For Ocean Exploration, Inc. as of December 31, 2018, 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 State of America.

Other Matters

Supplemental 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 September 26, 2019 on our consideration of The Global Foundation For Ocean Exploration, Inc.'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 Global Foundation For Ocean Exploration, Inc.'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 Global Foundation For Ocean Exploration, Inc.'s internal control over financial reporting and compliance.



September 26, 2019

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**

(A Nonprofit Organization)

Statement Of Financial Position

December 31, 2018

ASSETS

Current Assets

Cash	\$ 112,533.47
Prepaid Expenses	18,143.17
Grants Receivable	251,490.42
Customer Receivables	192,391.00

Total Current Assets \$ 574,558.06

Equipment & Furnishings

Cost	3,069,002.49
Less: Accumulated Depreciation	544,571.40

Equipment & Furnishings – Net Book Value 2,524,431.09

TOTAL ASSETS \$ 3,098,989.15

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 245,637.39
Accrued Expenses	10,069.47
Refundable Advances	71,265.13

Total Current Liabilities \$ 326,971.99

Net Assets

Net Assets Without Donor Restrictions 2,772,017.16

TOTAL LIABILITITES AND NET ASSETS \$ 3,098,989.15

See Accompanying Notes To The Financial Statements.

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**

(A Nonprofit Organization)

Statement of Activities

For The Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support And Revenue</u>			
Government Grants	\$ -	\$ 4,107,246.14	\$ 4,107,246.14
Contributions	37,225.00	29,000.00	66,225.00
Sales Revenue	231,920.96	-	231,920.96
Miscellaneous	28.29	-	28.29
Net Assets Released From Restrictions	4,136,394.50	(4,136,394.50)	-
<u>Total Support And Revenue</u>	<u>4,405,568.75</u>	<u>(148.36)</u>	<u>4,405,420.39</u>
<u>Expenses</u>			
Program Services	3,707,231.62	-	3,707,231.62
Management & General	104,601.07	-	104,601.07
<u>Total Expenses</u>	<u>3,811,832.69</u>	<u>-</u>	<u>3,811,832.69</u>
<u>Change In Net Assets</u>	593,736.06	(148.36)	593,587.70
<u>Net Assets At Beginning Of Year</u>	<u>2,178,281.10</u>	<u>148.36</u>	<u>2,178,429.46</u>
<u>Net Assets At End Of Year</u>	<u>\$ 2,772,017.16</u>	<u>\$ 0.00</u>	<u>\$ 2,772,017.16</u>

See Accompanying Notes To The Financial Statements.

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.

(A Nonprofit Organization)

Statement of Functional Expenses

For The Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Contracted Services	\$ 2,361,750.43	\$ 15,620.42	\$ 2,377,370.85
Salaries	499,050.86	16,045.71	515,096.57
Payroll Taxes	30,179.84	-	30,179.84
Fringe Benefits	23,559.20	-	23,559.20
Equipment Lease	101,688.27	-	101,688.27
Operating Supplies	185,891.29	8,135.63	194,026.92
Repairs & Maintenance	7,063.25	-	7,063.25
Travel	47,243.26	3,790.14	51,033.40
Depreciation	308,750.00	527.00	309,277.00
Postage & Shipping	34,056.42	2,868.14	36,924.56
Insurance	4,880.20	3,723.65	8,603.85
Rent & Utilities	9,307.39	9,467.00	18,774.39
Telephone & Telecommunications	36,696.32	3,004.56	39,700.88
Professional Fees	17,775.00	27,111.66	44,886.66
Fees	370.00	10,828.07	11,198.07
Books & Subscriptions	38,899.30	2,408.77	41,308.07
Printing & Copying	70.59	1,070.32	1,140.91
	<u>\$ 3,707,231.62</u>	<u>\$ 104,601.07</u>	<u>\$ 3,811,832.69</u>

See Accompanying Notes To The Financial Statements.

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**

(A Nonprofit Organization)

Statement of Cash Flows

For The Year Ended December 31, 2018

Cash Flows From Operating Activities

Change In Net Assets \$ 593,587.70

Adjustments To Reconcile Change In Net Assets

To Net Cash Provided By Operating Activities

Depreciation	\$ 309,277.00
(Increase) Decrease In:	
Prepaid Expenses	(1,805.17)
Grants Receivable	156,655.51
Customer Receivables	(192,391.00)
Increase (Decrease) In:	
Accounts Payable	(100,370.15)
Accrued Expenses	293.45
Refundable Advances	57,728.82

Total Adjustments

229,388.46

Net Cash Provided (Used) By Operating Activities

822,976.16

Cash Flows From Investing Activities

Purchase of Property and Equipment	(752,239.88)
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Net Cash Provided (Used) By Investing Activities

(752,239.88)

Net Increase (Decrease) In Cash and Cash Equivalents

70,736.28

Cash And Cash Equivalents – Beginning Of Year

41,797.19

Cash And Cash Equivalents – End of Year

\$ 112,533.47

See Accompanying Notes To The Financial Statements.

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ended December 31, 2018

1) **Summary Of Significant Accounting Policies**

Nature Of Activities – **The Global Foundation For Ocean Exploration, Inc.** (The Organization) is a Connecticut non-stock corporation formed to empower the global underwater science community with the tools and expertise required to explore the greatest depths of the planet's largest and deepest bodies of water and return with discoveries that amaze and inspire a global audience. These activities are primarily funded by federal grants.

Basis Of Accounting – The financial statements of the Organization have been prepared on an accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when the obligation is incurred.

Basis Of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Organization had no net assets with donor restrictions as of December 31, 2018.

Receivables And Revenue Recognition – Receivables are stated at the amount management expects to collect from outstanding grants and exchange transactions. The Organization recognizes governmental grants as contributions as opposed to exchange transactions and records the grants as revenue and support when the grants becomes receivable. Most governmental grant agreements state that they reimburse actual program costs, therefore they are conditional grants and income is recorded when the condition is met, that is when the program expense is incurred. The Organization also provides technical services to governmental agencies and non-profit organizations in exchange transactions. Revenue from exchange transactions is recognized as income when the transaction is completed. Contributions are recognized as income when received or when an unconditional promise to give is received.

Refundable Advances – The Organization records grant awards collected in advance as refundable advances until the related services are performed or the related costs for reimbursement have been incurred.

Equipment And Furnishings – Equipment and Furnishings are carried at cost less accumulated depreciation. Major expenditures for equipment and furnishings and those which substantially increase useful lives are capitalized. The cost of contracted services, materials, and parts are capitalized when the Organization constructs a piece of equipment. Maintenance, repairs, and minor renewals are expensed as incurred. Assets retired, or otherwise disposed of, are eliminated from the assets accounts along with related amounts of accumulated depreciation. Any gains or losses from disposals are included in income.

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ended December 31, 2018

1) **Summary Of Significant Accounting Policies** (Continued)

Depreciation – Depreciation is computed over the estimated useful lives of the respective assets ranging from three to ten years. Current depreciation was computed using the straight-line method.

Donated Services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise.

Functional Allocation Of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses not identifiable with a particular functional area have been allocated based upon the estimated utilization of the particular program. The Organization had only nominal fundraising costs during 2018 which are included in management and general expenses.

Cash Flows – For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Income Taxes – The Internal Revenue Service has determined that The Global Foundation For Ocean Exploration, Inc. is exempt from Federal income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code and is a charitable organization that is not a private foundation as described in Section 509(a) of the code.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for 2018.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are generally subject to examination by the IRS for 3 years after the date that they were filed.

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ended December 31, 2018

1) **Summary Of Significant Accounting Policies** (Continued)

Restricted And Unrestricted Revenue – Contributions that are restricted by the donor are reported as increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of support, revenue and expenses as net assets released from restrictions.

Use Of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

2) **Concentrations**

Most of the Organization’s funding is provided from grants from the U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA). While the grants cover multiple years, receipt of any prospective funding is contingent upon the availability of funds from Congress, satisfactory performance, continued relevance to program objectives, and is at the sole discretion of the Department of Commerce.

Receivables are due from two government agencies.

3) **Equipment And Furnishings**

Equipment and furnishings consist of the following at December 31, 2018:

Equipment	\$ 3,048,253.65
Website	10,790.00
Furnishings	9,958.84
	<u>\$ 3,069,002.49</u>

THE GLOBAL FOUNDATION FOR
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Notes To The Financial Statements

For The Year Ended December 31, 2018

4) Liquidity And Availability

The Organization has the following financial assets available for general expenditure within one year from the date of the statement of financial position:

Cash	\$ 112,533.47
Grants Receivable	251,490.42
Customer Receivables	192,391.00
Payments Due To Vendors And Employees	(255,706.86)
Advances Received On Grants	(71,265.13)
	<u>\$ 229,442.90</u>

The Organization typically obtains funds from cost reimbursement grants at the time the grant expenses are due to be paid.

5) Related Party Transactions

During 2018, the Organization leased a research vessel from David Loalvo, President of the Organization for \$90,000.00 and trailers for \$7,548.00.

6) Contingencies

The Organization participates in a number of federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

7) Subsequent Events

Management has evaluated subsequent events through September 26, 2019 the date the financial statements were available to be issued.

**THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.**
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Schedule Of Expenditures Of Federal Awards

For The Year Ended December 31, 2018

Federal Grantor/Pass Through Grantor	Federal Program Title	CFDA Number	Other Identification Number	Total Federal Expenditures
U.S. Dept of Commerce				
NOAA Ocean Exploration Research	Deep Submergence Protocol Development and Training Program	11.011	NA15OAR0110214	\$ 3,670,403
	Advancing the Use of Telepresence in Ocean Exploration	11.011	NA15OAR0110216	174,082
Florida Atlantic University CIOERT	Telepresence Enabled Ocean Exploration	11.011	NA14OAR4320260	68,469
Marine Sanctuary Program	Sharing Flower Garden Banks with the World Through Telepresence	11.429	NA18NOS4290216	24,778
Total U.S. Dept of Commerce				<u>3,937,732</u>
National Science Foundation				
Woods Hole Oceanographic Institute	Dynamics of Yellowstone Lake	47.050	A101270	172,819
Total National Science Foundation-Geosciences				<u>172,819</u>
Total Expenditures of Federal Awards				<u><u>\$ 4,110,551</u></u>

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

Notes To The Schedule of Federal Awards

For The Year Ended December 31, 2018

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Global Foundation for Ocean Exploration, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this 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). Because the Schedule presents only a selected portion of the operations of The Global Foundation for Ocean Exploration, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Global Foundation for Ocean Exploration, Inc.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform and/or OMB Circular A0122, *Cost Principles for Non-profit Organizations* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

The Global Foundation for Ocean Exploration, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Grant NA15OAR0110214 is the only grant that provided for indirect cost reimbursement.

Note D - Subrecipients

The Organization did not pass any of its Federal Awards through to subrecipients during 2018.

**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 Directors
The Global Foundation for Ocean Exploration, Inc.
Mystic, Connecticut

Report On Compliance For Each Major Federal Program

We have audited The Global Foundation for Ocean Exploration, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Global Foundation for Ocean Exploration, Inc.'s major federal programs for the year ended December 31, 2018. The Global Foundation for Ocean Exploration, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Global Foundation for Ocean Exploration, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Global Foundation for Ocean Exploration, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Global Foundation for Ocean Exploration, Inc.'s compliance.

Opinion On Each Major Federal Program

In our opinion, The Global Foundation for Ocean Exploration, Inc.'s complied, in all material respects, with the types of 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, 2018.

Report On Internal Control Over Compliance

Management of The Global Foundation for Ocean Exploration, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Global Foundation for Ocean Exploration, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Global Foundation for Ocean Exploration, Inc.'s internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance, that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



September 26, 2019

**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 Directors
The Global Foundation for Ocean Exploration, Inc.
Mystic, Connecticut

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 Global Foundation for Ocean Exploration, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Global Foundation for Ocean Exploration, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Global Foundation for Ocean Exploration, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the The Global Foundation for Ocean Exploration, Inc.'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether The Global Foundation for Ocean Exploration, Inc.'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Global Foundation For Ocean Exploration, Inc.'s Response To Findings

The Global Foundation For Ocean Exploration, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Global Foundation For Ocean Exploration, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 26, 2019

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

Schedule Of Findings And Questioned Costs

For The Year Ended December 31, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The Global Foundation for Ocean Exploration, Inc. were prepared in accordance with GAAP.
2. One material weakness and no significant deficiencies are reported in the report on internal control over financial reporting and on compliance.
3. No instances of noncompliance material to the financial statements of The Global Foundation for Ocean Exploration, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weakness or significant deficiencies in internal control over major federal award programs are reported in the report on compliance for each major program and on internal control over compliance.
5. The auditor's report on compliance for the major federal award programs for The Global Foundation for Ocean Exploration, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Ocean Exploration CFDA 11.011.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Global Foundation for Ocean Exploration, Inc. was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

2018-001

Condition: Expenses at the end of the year were recorded in the wrong period (improper cut-off).

Criteria: Expenses are to be reported in the period that the goods are received, or the services were provided.

THE GLOBAL FOUNDATION FOR
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Schedule Of Findings And Questioned Costs

For The Year Ended December 31, 2018

Cause: There is no procedure in place to detect and correct errors in recorded expenses in the proper period.

Effect: Accounts payable at the end of 2018 were overstated by a net amount of \$36,314.84.

Recommendation: A procedure should be instituted where year-end account balances are verified as accurate.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the findings and will review personnel needs with the objective of being able to better segregate duties and perform monitoring activities.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

THE GLOBAL FOUNDATION FOR
OCEAN EXPLORATION, INC.
(A Nonprofit Organization)

Summary Schedule Of Prior Audit Findings

For The Year Ended December 31, 2018

U.S. Department of Commerce

Finding 2016-001: Ocean Exploration

Condition: This finding was a material weakness stating that there was limited segregation of duties.

Recommendation: Management should separate the bank reconciliation function from the invoice and check preparation function.

Current Status: This recommendation was adopted November 17, 2017.

Finding 2016-002: Ocean Exploration

Condition: The Organization's accounting policies do not properly identify what is to be treated as a direct cost of Federal grant programs.

Recommendation: Management should adopt a written policy identifying what costs should be included as a direct cost for purposes of determining what the modified total direct costs are.

Current Status: This recommendation was adopted October 12, 2017.