



OCEANA, INC. AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)



**and
Report Thereon**



OCEANA, INC. AND AFFILIATE
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oceana, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oceana, Inc. and Affiliate (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oceana, Inc. and Affiliate as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating and Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The consolidated schedule of functional expenses is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information and the consolidated schedule of functional expenses have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information and the consolidated schedule of functional expenses are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
July 13, 2016

OCEANA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 21,461,361	\$ 17,126,856
Short-term investments	2,748,347	2,363,128
Grants and contributions receivable	9,915,136	16,759,531
Accounts receivable	37,125	23,184
Prepaid expenses and other	277,326	378,309
Total Current Assets	34,439,295	36,651,008
Investments	113,331	139,302
Grants and contributions receivable, net	2,770,827	8,592,332
Property and equipment, net	1,870,584	1,642,202
Deposits	115,752	172,269
TOTAL ASSETS	\$ 39,309,789	\$ 47,197,113
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,695,453	\$ 1,691,697
Deferred revenue	-	205,532
Deferred rent and lease incentive	156,188	135,815
Total Current Liabilities	1,851,641	2,033,044
Deferred rent and lease incentive	274,525	430,316
TOTAL LIABILITIES	2,126,166	2,463,360
Net Assets		
Unrestricted	13,511,413	12,680,536
Temporarily restricted	23,672,210	32,053,217
TOTAL NET ASSETS	37,183,623	44,733,753
TOTAL LIABILITIES AND NET ASSETS	\$ 39,309,789	\$ 47,197,113

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,998,795	\$ 12,638,661	\$ 16,637,456	\$ 18,795,832
Special events	2,327,589	-	2,327,589	2,421,211
In-kind revenue	1,054,749	-	1,054,749	316,366
Miscellaneous	67,230	-	67,230	43,326
Rental income	12,595	-	12,595	42,248
Investment income	9,144	-	9,144	7,378
Foreign currency transaction losses	(426,633)	-	(426,633)	(430,150)
Net assets released from restrictions:				
Satisfaction of time restrictions	8,482,379	(8,482,379)	-	-
Satisfaction of program restrictions	12,537,289	(12,537,289)	-	-
	28,063,137	(8,381,007)	19,682,130	21,196,211
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
United States Oceans	4,580,268	-	4,580,268	5,105,768
International Activities	10,903,343	-	10,903,343	7,102,306
Communications	2,085,313	-	2,085,313	1,715,300
Law	1,104,585	-	1,104,585	657,163
Marine Science	971,611	-	971,611	951,605
Oceana Advocacy Resources, Inc.	55,552	-	55,552	11,075
	19,700,672	-	19,700,672	15,543,217
Supporting Services:				
General and administrative	4,517,737	-	4,517,737	4,307,334
Fundraising - cost of direct benefit to donors	281,013	-	281,013	281,564
Fundraising - other	2,732,838	-	2,732,838	2,373,865
	7,531,588	-	7,531,588	6,962,763
TOTAL EXPENSES	27,232,260	-	27,232,260	22,505,980
CHANGE IN NET ASSETS	830,877	(8,381,007)	(7,550,130)	(1,309,769)
NET ASSETS, BEGINNING OF YEAR	12,680,536	32,053,217	44,733,753	46,043,522
NET ASSETS, END OF YEAR	\$ 13,511,413	\$ 23,672,210	\$ 37,183,623	\$ 44,733,753

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,550,130)	\$ (1,309,769)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	480,063	387,817
Amortization of deferred lease incentive	68,034	68,034
Realized and unrealized investment losses	18,691	18,905
Change in the allowance for grants receivable	22,536	282,140
Change in the present value discount for contributions receivable	(99,838)	(215,414)
Changes in assets and liabilities:		
Grants and contributions receivable	12,743,202	4,932,841
Accounts receivable	(13,941)	(4,286)
Prepaid expenses and other	100,983	(55,230)
Deposits	56,517	45,769
Accounts payable and accrued expenses	3,756	593,390
Deferred revenue	(205,532)	205,532
Deferred rent and lease incentive	(203,452)	(184,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,420,889	4,765,361
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	7,741,062	9,431,266
Purchases of investments	(8,119,001)	(9,587,184)
Acquisition of property and equipment	(708,445)	(692,148)
NET CASH USED IN INVESTING ACTIVITIES	(1,086,384)	(848,066)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,334,505	3,917,295
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,126,856	13,209,561
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 21,461,361	\$ 17,126,856

The accompanying notes are an integral part of these consolidated financial statements.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

Oceana, Inc. (Oceana) is a nonprofit organization incorporated under the laws of the District of Columbia on March 1, 2001. Oceana is an international advocacy organization created with the sole purpose of protecting the world's oceans to sustain the circle of life. Oceana brings together dedicated people from around the world, building an international movement to save the oceans through public policy advocacy, science and economics, legal action, grassroots mobilization, and public education. These activities are funded primarily through grants and contributions.

Oceana Advocacy Resources, Inc. (OAR) is a nonprofit organization incorporated under the laws of the District of Columbia on December 4, 2001. OAR was formed to promote the design and effective implementation of policies at both the national and international levels, aimed at protecting and restoring marine fisheries and other living marine resources and the ecosystems in which they exist, and to engage the public in marine ecosystem advocacy efforts.

Principles of Consolidation

The consolidated financial statements include the accounts of Oceana and OAR (collectively referred to as the Organization). Oceana and OAR have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in the consolidation.

Oceana has field offices in Madrid, Spain; the United Kingdom; Brussels, Belgium; Santiago, Chile; Copenhagen, Denmark; Brasilia, Brazil; Manila, Philippines; City of Belmopan, Belize, and Lima, Peru. The offices in Spain, Belize, Brazil, and the United Kingdom follow the host country's regulations and, as a result, were incorporated as independent entities for only that reason. However, these entities are dependent on Oceana for funding, participate in Oceana's activities and decision-making, and carry out the general mission and international activities of Oceana. Therefore, their activities are combined with Oceana's activities in the accompanying consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Cash Equivalents

The Organization considers money market funds and certificates of deposit with an original maturity of three months or less or no penalty for early withdrawal to be cash equivalents. The Organization maintains cash accounts denominated in U.S. dollars, Chilean pesos, Belizean dollars, British pounds, Peruvian soles, Philippines pesos, Brazilian reals, euros, and Danish kroner.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

The Organization uses the allowance method to record potentially uncollectible grants and contributions receivable. The allowance is based on management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Investments

Investments are composed of certificates of deposit with maturities of more than three months or an early termination penalty and fixed income funds. Investments are reported in the accompanying consolidated financial statements at their fair value based upon quoted market prices. Investments with maturity dates of less than one year, as well as equities donated near the end of the year which the Organization sold shortly thereafter, are presented as short-term investments in the accompanying consolidated financial statements.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2015, only the Organization's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

OCEANA, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Organization are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations.
- Temporarily restricted amounts are specifically restricted by donors or grantors for various purposes or time periods.

Property and Equipment and Related Depreciation and Amortization

Acquisitions of furniture and equipment and eligible internal-use software and website development cost greater than \$500 are capitalized at cost. Furniture, equipment, internal-use software and website development are being depreciated using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the lease. Expenditures for major additions and improvements are capitalized; expenditures for maintenance and repairs are charged to expense when incurred. Costs incurred in the development of internal-use software are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses, as appropriate.

Revenue Recognition

The Organization reports grants and contributions of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets for a particular purpose or for a specific period of time. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in grants and contributions revenue in the accompanying consolidated statement of activities. Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue from grants and contracts treated as exchange transactions is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying consolidated statement of financial position. Funds received in advance, but not yet expended, are reflected as deferred revenue in the accompanying consolidated statement of financial position.

Foreign Currency Transaction Gains and Losses

The Organization records transactions denominated in a foreign currency at the U.S. dollar equivalent as of the date of the transaction. The Organization's assets and liabilities denominated in a foreign currency are revalued in U.S. dollars at the current exchange rate as of the date of the consolidated statement of financial position. Any resulting foreign currency transaction gain or loss is recorded in the accompanying consolidated statement of activities as net foreign currency transaction gain or loss, as applicable. The functional and reporting currency of the Organization is the U.S. dollar.

Donated Services

The Organization's programs are furthered through the contribution of services by various organizations. Donated services are recorded at fair value as of the date of the donation and are included in in-kind revenue or expenses in the accompanying consolidated financial statements. The Organization also receives additional contributed goods and services for which an estimate of the fair value is not determinable. For 2015, donated services consisted of pro-bono legal services relating to the law program.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services based on salaries expense, employee headcount and allocable space used for each program or supporting service.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

2. Grants and Contributions Receivable

As of December 31, 2015, contributors to the Organization have unconditionally promised to give \$12,729,742 to be used for particular programs and general support in the coming years. All amounts are considered fully collectible and are due as follows:

Due within one year	\$ 9,915,136
Due in one to five years	<u>2,814,606</u>
Subtotal	12,729,742
Less: Present Value Component (1.50%)	<u>(43,779)</u>
Total	<u><u>\$ 12,685,963</u></u>

During the year ended December 31, 2015, the Organization was awarded a conditional grant based on raising a specified match. For the year ended December 31, 2015, the Organization recognized \$1,600,000 in revenue under this grant, which is included in grants and contributions revenue in the accompanying consolidated statement of activities. As of December 31, 2015, the Organization had not recognized \$400,000 of revenue related to this conditional grant as the matching funds had not been raised as of December 31, 2015.

3. Investments and Fair Value Measurements

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2015, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 2,716,495	\$ -	\$ 2,716,495	\$ -
Fixed income – guaranteed mutual fund	<u>145,183</u>	<u>-</u>	<u>145,183</u>	<u>-</u>
Total	<u><u>\$ 2,861,678</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,861,678</u></u>	<u><u>\$ -</u></u>

Fixed income – Valued at net asset value (NAV) on a daily basis. There is a penalty for redemption before the maturity date.

Certificates of deposit – Certificates of deposit have original maturity dates in excess of 90 days. A yield-based matrix system was used to arrive at an estimated market value for these instruments which are classified within Level 2 of the valuation hierarchy.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

3. Investments and Fair Value Measurements (continued)

Net investment income consisted of the following for the year ended December 31, 2015:

Interest and dividends	\$ 27,835
Realized and unrealized investment losses	<u>(18,691)</u>
Investment Income	<u>\$ 9,144</u>

4. Property and Equipment and Related Depreciation and Amortization

The Organization held the following property and equipment as of December 31, 2015:

Leasehold improvements	\$ 2,115,761
Computer equipment	1,815,425
Furniture and office equipment	1,315,698
Computer software	974,900
Website development	637,704
Vehicles	482,350
Land	<u>96,923</u>
Total Property and Equipment	7,438,761
Less: Accumulated Depreciation and Amortization	<u>(5,568,177)</u>
Property and Equipment, Net	<u>\$ 1,870,584</u>

Depreciation and amortization expense was \$480,063 for the year ended December 31, 2015.

5. Temporarily Restricted Net Assets

As of December 31, 2015, temporarily restricted net assets were available for the following:

International Activities	\$ 16,410,785
General operating support for future periods	5,064,891
United States Oceans	<u>2,196,534</u>
Total	<u>\$23,672,210</u>

6. Commitments and Risks

Operating Leases

The Organization entered into a noncancelable operating lease for its office space in Washington, DC, with an option for an early termination clause which expired in April 2014 and was not executed. The operating lease expires on July 15, 2018. The lease contains fixed increases in rent of 2.5% per annum beginning on the first anniversary date and requires the payment of operating expenses. In addition, the Organization received the first three months of the lease at no cost as an incentive to enter into the lease agreement. Under GAAP,

Continued

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

6. Commitments and Risks (continued)

Operating Leases (continued)

abated rent and other concessions are recognized on a straight-line basis over the term of the lease with the difference between the straight-line and cash basis being amortized ratably over the term of the lease. The lease also provided for a lease incentive for the build out of the space totaling \$700,187 which was fully utilized. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The Organization also leases its international office space in Madrid, Spain; Copenhagen, Denmark; Brussels, Belgium; Manila, Philippines; Brasilia, Brazil; Santiago, Chile; City of Belmopan, Belize, and Lima, Peru, as well as its offices in New York City, New York; Portland, Oregon; Monterey, California; and Juneau, Alaska, under non-cancelable operating leases, of which the latest expires in March 2020.

The future minimum rental payments required under the operating leases are as follows as of December 31, 2015:

For the Year Ending December 31,	
2016	\$ 1,386,036
2017	1,246,693
2018	798,899
2019	270,907
2020	<u>244,047</u>
Total	<u>\$ 3,946,582</u>

Rent expense, not including utilities, totaled \$1,309,291 for the year ended December 31, 2015.

Concentration of Credit Risk

The Organization's cash and cash equivalents are composed of amounts in accounts at various financial institutions. While the amount, at times, exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, the Organization has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2015, the amount in excess of the FDIC insured limit was approximately \$16,700,000. As of December 31, 2015, the Organization maintained approximately \$1,270,000 in accounts at non-U.S. financial institutions.

Foreign Operations

The Organization has field offices in Spain, the United Kingdom, Denmark, Belgium, Belize, the Philippines, Brazil, Chile, and Peru for the purpose of building an international movement to save the oceans through public policy advocacy, science and economics, legal action, grassroots mobilization, and public education. The future results of these programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

6. Commitments and Risks (continued)

Foreign Operations (continued)

As of December 31, 2015, the Organization had cash and net property and equipment in these countries totaling approximately \$2,080,000, representing approximately 5% of the Organization's total consolidated assets as of December 31, 2015.

7. Retirement Plan

The Organization sponsors a noncontributory defined contribution retirement plan for all of its North American employees who have completed at least six months of service. Under the terms of the plan, the Organization makes annual contributions totaling 7% of each participant's compensation and will match up to 5% of its employees' contributions. Retirement expense totaled \$701,497 for the year ended December 31, 2015.

8. Income Taxes

Oceana and OAR are exempt from the payment of income taxes under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code, respectively. As such, both organizations are taxed only on their net unrelated business income. No provision for income taxes is required for the year ended December 31, 2015, as neither organization had any significant net unrelated business income. In addition, some of the foreign operations of the Organization are subject to local income tax in the jurisdictions where they operate.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

9. Prior Year Summarized Financial Information

The consolidated 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

10. Related Party

The Organization supports Oceana Canada, in furtherance of a shared purpose joining forces to address the needs of the same programs in Canada. Oceana Canada is an independent nonprofit organization incorporated under Canadian law. The Organization has a service agreement with Oceana Canada to provide administrative and other services. The Organization's Chairman of the Board also sits on Oceana Canada's all-volunteer Board. During the year ended December 31, 2015, the Organization awarded Oceana Canada a charitable contribution of \$567,076 to be used in support of its mission to restore Canadian oceans.

11. Reclassifications

Certain prior year amounts have been reclassified for comparative purposes to conform to the current year presentation.

12. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2016, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

OCEANA, INC. AND AFFILIATE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Program Services						Supporting Services				2015 Total	2014 Total
	United States Oceans	International Activities	Communications	Law	Marine Science	Oceana Advocacy Resources, Inc.	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and Wages	\$ 2,600,005	\$ 4,391,242	\$ 697,193	\$ 29,692	\$ 616,625	\$ 389	\$ 8,335,146	\$ 1,869,169	\$ 1,040,319	\$ 2,909,488	\$ 11,244,634	\$ 9,947,443
Consultants	424,641	1,190,340	312,353	-	5,663	-	1,932,997	266,918	389,852	656,770	2,589,767	2,143,561
Occupancy	347,606	730,502	100,211	9,027	81,224	-	1,268,570	301,312	142,981	444,293	1,712,863	1,663,928
Travel	164,371	891,531	47,915	-	42,747	-	1,146,564	359,497	193,304	552,801	1,699,365	1,443,573
Employee Benefits	523,204	345,099	140,101	6,164	125,782	78	1,140,428	373,126	164,858	537,984	1,678,412	1,612,534
Payroll Taxes	189,000	674,780	49,337	2,296	44,057	27	959,497	132,178	90,105	222,283	1,181,780	983,387
Conferences and Meetings	32,855	193,999	53,392	-	5,664	-	285,910	175,462	664,800	840,262	1,126,172	769,060
In-kind Expenses	-	-	-	1,054,033	-	-	1,054,033	-	716	716	1,054,749	316,366
Professional Fees	14,368	432,617	473	-	3,922	49,020	500,400	207,568	539	208,107	708,507	434,759
Awards, Grants and Contributions	2,695	550,533	3,893	-	13,720	-	570,841	18,824	40,976	59,800	630,641	53,512
Depreciation and Amortization	3,901	117,436	4,172	-	2,325	-	127,834	349,691	2,538	352,229	480,063	387,817
Recruitment	1,258	1,387	360,573	-	350	-	363,568	1,999	2,066	4,065	367,633	121,360
Telecommunications	67,882	173,346	12,503	1,379	8,652	1	263,763	60,095	32,966	93,061	356,824	349,076
Supplies	24,544	195,157	3,284	-	373	-	223,358	77,943	11,510	89,453	312,811	228,449
Printing and Publications	12,411	154,011	14,981	-	2,486	-	183,889	18,904	57,747	76,651	260,540	125,986
Insurance	48,855	57,748	12,769	591	10,073	-	130,036	49,524	19,164	68,688	198,724	176,836
Audio and Visual	3,079	188,456	3,572	-	-	-	195,107	-	229	229	195,336	81,396
Advertising	41,021	143,662	2,019	-	500	-	187,202	-	3,515	3,515	190,717	122,095
Dues and Subscriptions	16,401	28,109	17,550	-	1,058	1,667	64,785	104,450	19,493	123,943	188,728	200,501
Boat - Rental, Repairs and Maintenance	-	166,994	1,320	-	-	-	168,314	11,367	117	11,484	179,798	196,963
Miscellaneous Expenses	-	105,826	7,572	17	-	1,815	115,230	14,217	23,440	37,657	152,887	52,217
Web Hosting and Support	2,589	6,457	96,493	-	-	60	105,599	27,699	-	27,699	133,298	215,309
Equipment Rental and Maintenance	9,599	67,007	2,376	1,367	1,674	-	82,023	36,674	8,738	45,412	127,435	206,456
Bank Fees	106	32,135	33,872	-	-	2,151	68,264	9,665	43,549	53,214	121,478	111,291
Marketing	24,586	-	77,354	-	-	-	101,940	-	2,725	2,725	104,665	100,075
Postage and Shipping	3,941	32,012	12,334	19	641	344	49,291	23,063	26,471	49,534	98,825	122,797
Professional Training and Development	7,737	14,367	5,164	-	4,075	-	31,343	24,527	2,094	26,621	57,964	15,943
Design Costs	13,613	18,080	12,537	-	-	-	44,230	3,865	6,503	10,368	54,598	40,159
Bad Debt Expense	-	-	-	-	-	-	-	-	22,536	22,536	22,536	282,140
Interest	-	510	-	-	-	-	510	-	-	-	510	991
TOTAL	\$ 4,580,268	\$ 10,903,343	\$ 2,085,313	\$ 1,104,585	\$ 971,611	\$ 55,552	\$ 19,700,672	\$ 4,517,737	\$ 3,013,851	\$ 7,531,588	\$ 27,232,260	\$ 22,505,980

OCEANA, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2015

	Oceana	OAR	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 21,400,187	\$ 61,174	\$ -	\$ 21,461,361
Short-term investments	2,748,347	-	-	2,748,347
Grants and contributions receivable	9,915,136	-	-	9,915,136
Due from affiliate	101,080	-	(101,080)	-
Accounts receivable	37,125	-	-	37,125
Prepaid expenses and other	277,326	-	-	277,326
Total Current Assets	34,479,201	61,174	(101,080)	34,439,295
Investments	113,331	-	-	113,331
Grants and contributions receivable, net	2,770,827	-	-	2,770,827
Property and equipment, net	1,870,584	-	-	1,870,584
Deposits	115,752	-	-	115,752
TOTAL ASSETS	\$ 39,349,695	\$ 61,174	\$ (101,080)	\$ 39,309,789
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,688,552	\$ 6,901	\$ -	\$ 1,695,453
Deferred rent and lease incentive	156,188	-	-	156,188
Due to affiliate	-	101,080	(101,080)	-
Total Current Liabilities	1,844,740	107,981	(101,080)	1,851,641
Deferred rent and lease incentive	274,525	-	-	274,525
TOTAL LIABILITIES	2,119,265	107,981	(101,080)	2,126,166
Net Assets				
Unrestricted	13,558,220	(46,807)	-	13,511,413
Temporarily restricted	23,672,210	-	-	23,672,210
TOTAL NET ASSETS	37,230,430	(46,807)	-	37,183,623
TOTAL LIABILITIES AND NET ASSETS	\$ 39,349,695	\$ 61,174	\$ (101,080)	\$ 39,309,789

OCEANA, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	Oceana	OAR	Eliminations	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 16,637,456	\$ -	\$ -	\$ 16,637,456
Special events	2,327,589	-	-	2,327,589
In-kind revenue	1,054,749	-	-	1,054,749
Miscellaneous	67,230	-	-	67,230
Rental income	12,595	-	-	12,595
Investment income	9,144	-	-	9,144
Foreign currency transaction losses	(426,633)	-	-	(426,633)
TOTAL REVENUE AND SUPPORT	19,682,130	-	-	19,682,130
EXPENSES				
Program Services:				
United States Oceans	4,580,268	-	-	4,580,268
International Activities	10,903,343	-	-	10,903,343
Communications	2,085,313	-	-	2,085,313
Law	1,104,585	-	-	1,104,585
Marine Science	971,611	-	-	971,611
Oceana Advocacy Resources, Inc.	-	55,552	-	55,552
Total Program Services	19,645,120	55,552	-	19,700,672
Supporting Services:				
General and administrative	4,517,737	-	-	4,517,737
Fundraising - cost of direct benefit to donors	281,013	-	-	281,013
Fundraising - other	2,732,838	-	-	2,732,838
Total Supporting Services	7,531,588	-	-	7,531,588
TOTAL EXPENSES	27,176,708	55,552	-	27,232,260
CHANGE IN NET ASSETS	(7,494,578)	(55,552)	-	(7,550,130)
NET ASSETS, BEGINNING OF YEAR	44,725,008	8,745	-	44,733,753
NET ASSETS, END OF YEAR	\$ 37,230,430	\$ (46,807)	\$ -	\$ 37,183,623