



**OCEANA, INC. AND AFFILIATE**

**Consolidated Financial Statements**

*For the Year Ended December 31, 2009*

*(With Summarized Financial Information for the Year Ended December 31, 2008)*



**and**  
**Report Thereon**



# OCEANA, INC. AND AFFILIATE

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RAFFA

CONSULTING  
ACCOUNTING  
TECHNOLOGY

Certified Public  
Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Oceana, Inc. and Affiliate (collectively referred to as the Organization) as of December 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 consolidated financial statements and, in our report dated July 7, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental consolidating information as of and for the year ended December 31, 2009, and the consolidated schedule of functional expenses for the year ended December 31, 2009, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in relation to the basic consolidated financial statements taken as a whole.

*Raffa, P.C.*

**RAFFA, P.C.**

Washington, DC  
October 4, 2010

**OCEANA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2009  
(With Summarized Financial Information as of December 31, 2008)

|  | 2009          | 2008          |
|--|---------------|---------------|
| <b>ASSETS</b>                            |               |               |
| Current Assets                           |               |               |
| Cash and cash equivalents                | \$ 11,776,736 | \$ 10,186,078 |
| Short-term investments                   | 757,558       | 291,698       |
| Grants and contributions receivable      | 4,857,317     | 6,345,515     |
| Prepaid expenses                         | 84,196        | 107,162       |
| Total Current Assets                     | 17,475,807    | 16,930,453    |
| Grants and contributions receivable, net | 1,381,333     | 4,924,987     |
| Property and equipment, net              | 1,944,063     | 1,793,592     |
| Deposits                                 | 185,847       | 91,355        |
| TOTAL ASSETS                             | \$ 20,987,050 | \$ 23,740,387 |
| <b>LIABILITIES AND NET ASSETS</b>        |               |               |
| Current Liabilities                      |               |               |
| Accounts payable and accrued expenses    | \$ 994,769    | \$ 743,284    |
| Deferred rent and lease incentive        | 116,204       | 132,885       |
| Total Current Liabilities                | 1,110,973     | 876,169       |
| Deferred rent and lease incentive        | 762,162       | 759,639       |
| TOTAL LIABILITIES                        | 1,873,135     | 1,635,808     |
| Net Assets                               |               |               |
| Unrestricted                             | 12,574,121    | 8,641,176     |
| Temporarily restricted                   | 6,539,794     | 13,463,403    |
| TOTAL NET ASSETS                         | 19,113,915    | 22,104,579    |
| TOTAL LIABILITIES AND NET ASSETS         | \$ 20,987,050 | \$ 23,740,387 |

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, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

|   | Unrestricted         | Temporarily<br>Restricted | 2009<br>Total        | 2008<br>Total        |
|---|----------------------|---------------------------|----------------------|----------------------|
| <b>REVENUE AND SUPPORT</b>                        |                      |                           |                      |                      |
| Grants and contributions                          | \$ 6,799,899         | \$ 5,005,130              | \$ 11,805,029        | \$ 13,109,130        |
| Special events                                    | 1,430,853            | -                         | 1,430,853            | 2,149,096            |
| Investment income                                 | 79,865               | -                         | 79,865               | 133,568              |
| Rental Income                                     | 70,164               | -                         | 70,164               | 68,266               |
| In-kind revenue                                   | 46,495               | -                         | 46,495               | 19,176               |
| Miscellaneous                                     | 12,980               | -                         | 12,980               | 4,931                |
| Foreign currency transaction gain (loss)          | 133,332              | -                         | 133,332              | (256,849)            |
| Net assets released from restrictions:            |                      |                           |                      |                      |
| Satisfaction of time restrictions                 | 8,127,982            | (8,127,982)               | -                    | -                    |
| Satisfaction of program restrictions              | 3,800,757            | (3,800,757)               | -                    | -                    |
| <b>TOTAL REVENUE AND<br/>SUPPORT</b>              | <u>20,502,327</u>    | <u>(6,923,609)</u>        | <u>13,578,718</u>    | <u>15,227,318</u>    |
| <b>EXPENSES</b>                                   |                      |                           |                      |                      |
| Program Services:                                 |                      |                           |                      |                      |
| North American Oceans                             | 5,581,764            | -                         | 5,581,764            | 4,595,519            |
| International Activities                          | 5,158,565            | -                         | 5,158,565            | 5,130,227            |
| Communications                                    | 1,829,102            | -                         | 1,829,102            | 1,816,093            |
| Law   | 684,665              | -                         | 684,665              | 728,297              |
| Marine Science                                    | 539,019              | -                         | 539,019              | 639,533              |
| Oceana Advocacy Resources                         | 11,467               | -                         | 11,467               | 341                  |
| <b>Total Program Services</b>                     | <u>13,804,582</u>    | <u>-</u>                  | <u>13,804,582</u>    | <u>12,910,010</u>    |
| Supporting Services:                              |                      |                           |                      |                      |
| General and administrative                        | 1,436,520            | -                         | 1,436,520            | 1,696,287            |
| Fundraising - cost of direct<br>benefit to donors | 340,587              | -                         | 340,587              | 49,410               |
| Fundraising - other                               | 987,693              | -                         | 987,693              | 1,553,897            |
| <b>Total Supporting Services</b>                  | <u>2,764,800</u>     | <u>-</u>                  | <u>2,764,800</u>     | <u>3,299,594</u>     |
| <b>TOTAL EXPENSES</b>                             | <u>16,569,382</u>    | <u>-</u>                  | <u>16,569,382</u>    | <u>16,209,604</u>    |
| <b>CHANGE IN NET ASSETS</b>                       | 3,932,945            | (6,923,609)               | (2,990,664)          | (982,286)            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>              | <u>8,641,176</u>     | <u>13,463,403</u>         | <u>22,104,579</u>    | <u>23,086,865</u>    |
| <b>NET ASSETS, END OF YEAR</b>                    | <u>\$ 12,574,121</u> | <u>\$ 6,539,794</u>       | <u>\$ 19,113,915</u> | <u>\$ 22,104,579</u> |

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, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

**Increase (Decrease) in Cash and Cash Equivalents**

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                      |                      |
| Change in net assets   | \$ (2,990,664)       | \$ (982,286)         |
| Adjustments to reconcile change in net assets to net cash providing by operating activities: |                      |                      |
| Donated investments  | (9,356)              | (971)                |
| Depreciation and amortization  | 350,535              | 364,407              |
| Realized and unrealized investment losses (gains), net                                       | (8,423)              | 15,442               |
| Bad debt expense   | 19,153               | 8,179                |
| Change in the present value discount for contributions receivable                            | (153,971)            | (175,518)            |
| Changes in assets and liabilities:   |                      |                      |
| Grants and contributions receivable  | 5,166,670            | 3,784,731            |
| Prepaid expenses   | 22,966               | 78,986               |
| Deposits   | (94,492)             | 107,789              |
| Accounts payable and accrued expenses  | 251,485              | 36,395               |
| Pass-through grant   | -                    | (120,000)            |
| Deferred rent and lease incentive  | (14,158)             | 892,524              |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>2,539,745</u>     | <u>4,009,678</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                      |                      |
| Sales of investments   | 9,356                | -                    |
| Purchases of investments   | (457,437)            | (261,733)            |
| Acquisition of property and equipment  | (501,006)            | (1,621,864)          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <u>(949,087)</u>     | <u>(1,883,597)</u>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | 1,590,658            | 2,126,081            |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <u>10,186,078</u>    | <u>8,059,997</u>     |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <u>\$ 11,776,736</u> | <u>\$ 10,186,078</u> |
| <b>SUPPLEMENTAL INFORMATION</b>  |                      |                      |
| Noncash investing transactions:  |                      |                      |
| Investments received as a donation   | <u>\$ 9,356</u>      | <u>\$ 971</u>        |

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, 2009**

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#### 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. These activities are funded primarily through grants and contributions.

##### **New Accounting Standard**

Effective January 1, 2009, Oceana and OAR (collectively referred to as the Organization) adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification* (the Codification). The Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP). Accordingly, references to GAAP have been updated for the appropriate Codification reference.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Organization. The Organization has 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. All significant intercompany balances and transactions have been eliminated in the consolidation.

Oceana has field offices in Madrid, Spain; Brussels, Belgium; Santiago, Chile; and Belize City, Belize. The office in Spain follows the host country's regulations and, as a result, was incorporated as an independent entity as Fundacion Oceana. However, Fundacion Oceana is dependent on Oceana for funding, participates in Oceana activities and decision-making, and carries out the general mission and international activities of Oceana. Therefore, Fundacion Oceana and its activities are combined with Oceana's activities in the accompanying consolidated financial statements.

Continued

## OCEANA, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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

#### **Cash and 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 and Euros.

#### **Investments**

Investments are comprised of stocks and certificates of deposit with an original maturity of more than three months. These investments are reported in the accompanying consolidated financial statements at their fair value, based upon quoted market prices, as of December 31.

#### **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, as of and for the year ended December 31, 2009, 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 and for the year ended December 31, 2009, only the Organization's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Continued

## **OCEANA, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2009**

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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**

Property and equipment are stated at cost and depreciated on the straight-line method over the estimated useful lives of three to ten years, with no salvage value. Leasehold improvements are amortized using the straight-line method over the term of the lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

#### **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, the 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 risk-free interest rates appropriate for the expected term of the promise to give. Amortization of the discounts is included in grants and contributions revenue in the accompanying consolidated statement of activities.

## OCEANA, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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

#### **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. Assets and liabilities of the Organization 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.

#### **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 and allocable space used for each program or service.

#### **Estimates**

The preparation of consolidated 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 and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

As of December 31, 2009, contributors to the Organization have unconditionally promised to give \$6,306,468 to be used for particular programs and general support in the coming years. All amounts are due within three years and are considered fully collectible.

|  |                     |
|--|---------------------|
| Due within one year                      | \$ 4,857,317        |
| Two to five years                        | <u>1,449,151</u>    |
| Subtotal                                 | 6,306,468           |
| Less: Present value component (1.50%-4%) | <u>(67,818)</u>     |
| Total                                    | <u>\$ 6,238,650</u> |

Continued

**OCEANA, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended December 31, 2009

3. Investments

The Organization's investments are summarized as follows using fair value measurements as of December 31, 2009:

|                         | <u>Total</u>      | Quoted<br>Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-------------------------|-------------------|--|---|--|
| Certificates of deposit | \$ 719,170        | \$ -   | \$ 719,170  | \$ -   |
| Stocks                  | <u>38,388</u>     | <u>38,388</u>  | <u>-</u>  | <u>-</u>   |
| Total                   | <u>\$ 757,558</u> | <u>\$ 38,388</u>   | <u>\$ 719,170</u>   | <u>\$ -</u>  |

*Certificates of Deposit*—Are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

*Stocks*—Are valued at the closing price reported in an active market in which the securities are traded.

4. Property and Equipment

The Organization held the following property and equipment as of December 31, 2009:

|   |                     |
|---|---------------------|
| Leasehold improvements                          | \$ 1,868,517        |
| Computer equipment                              | 1,017,359           |
| Furniture and office equipment                  | 871,802             |
| Computer software                               | 787,765             |
| Web site development                            | 616,197             |
| Vehicle   | <u>68,143</u>       |
| Total property and equipment                    | 5,229,783           |
| Less: Accumulated depreciation and amortization | <u>(3,285,720)</u>  |
| Net property and equipment                      | <u>\$ 1,944,063</u> |

Continued

## OCEANA, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

5. Temporarily Restricted Net Assets

As of December 31, 2009, temporarily restricted net assets are available for the following:

|  |                     |
|--|---------------------|
| General operating support for future periods | \$ 3,393,530        |
| International Activities                     | 2,921,264           |
| North American Oceans                        | <u>225,000</u>      |
| Total  | <u>\$ 6,539,794</u> |

6. Commitments and Risks

#### Operating Leases

In September 2008, the Organization entered into a new noncancelable operating lease for its office space in Washington, DC, effective April 1, 2008, which expires on March 31, 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 accounting principles generally accepted in the United States, 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 build out of the space totaling \$700,187. 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 current European office space in Madrid, Spain; as well as its field offices in New York City, NY; Anchorage, AK; and Juneau, AK under noncancelable operating leases and a sublease, of which the latest expires in July 2013. Under the terms of the leases and sublease, the base rent increases annually on an incremental basis.

The Organization also subleases a portion of the Washington office space to various organizations. The future minimum rental payments required under the operating leases and subleases, net of sublease income, are as follows as of December 31, 2009:

| For the Year Ending<br>December 31, | Total               | Sublease          | Net                 |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2010                                | \$ 1,178,455        | \$ 83,025         | \$ 1,095,430        |
| 2011                                | 1,117,421           | 36,000            | 1,081,421           |
| 2012                                | 1,066,530           | 6,075             | 1,060,455           |
| 2013                                | 941,018             | -                 | 941,018             |
| 2014                                | 778,279             | -                 | 778,279             |
| Thereafter                          | <u>2,664,543</u>    | <u>-</u>          | <u>2,664,543</u>    |
| Total                               | <u>\$ 7,746,246</u> | <u>\$ 125,100</u> | <u>\$ 7,621,146</u> |

Rent expense, not including utilities, totaled \$1,297,334 for the year ended December 31, 2009.

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## OCEANA, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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6. Commitments and Risks (continued)

**Concentration of Credit Risk**

The Organization's cash and cash equivalents are comprised 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, 2009, the amount in excess of the FDIC insured limit was \$7,753,114. As of December 31, 2009, the Organization maintained approximately \$1,445,613 in accounts at non-U.S. financial institutions.

**Foreign Operations**

The Organization has field offices in Spain, Belgium, Belize and Chile 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. As of December 31, 2009, the Organization had cash and net property and equipment in these countries totaling \$1,447,872, representing approximately 7% of the Organization's total assets as of December 31, 2009.

7. Retirement Plan

The Organization sponsors a noncontributory defined contribution retirement plan for all 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 employee contributions. Retirement expense totaled \$529,292 for the year ended December 31, 2009.

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, 2009, as neither organization had any significant net unrelated business income.

Effective January 1, 2009, the Organization adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes

Continued

## **OCEANA, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2009**

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8. Income Taxes (continued)

recognized in an entity's consolidated 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, 2009, and determined that there were no matters that would require recognition in the consolidated financial statements or which may have any effect on its tax-exempt status. As of December 31, 2009, the statute of limitations for tax years 2006 through 2008 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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2008, from which the summarized information was derived.

10. Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2008 consolidated financial statement presentation.

11. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 4, 2010, the date the consolidated financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**OCEANA, INC. AND AFFILIATE**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2009  
(With Summarized Financial Information for the Year Ended December 31, 2008)

|                                  | Program Services            |                             |                     |                   |                   |                  | Supporting Services  |                               |                     |                                 | 2009<br>Total        | 2008<br>Total        |
|----------------------------------|-----------------------------|-----------------------------|---------------------|-------------------|-------------------|------------------|----------------------|-------------------------------|---------------------|---------------------------------|----------------------|----------------------|
|                                  | North<br>American<br>Oceans | International<br>Activities | Communications      | Law               | Marine<br>Science | OAR              | Total<br>Programs    | General and<br>Administrative | Fundraising         | Total<br>Supporting<br>Services |                      |                      |
| Salaries                         | \$ 2,252,139                | \$ 1,860,631                | \$ 522,054          | \$ 425,279        | \$ 327,548        | \$ 3,924         | \$ 5,391,575         | \$ 1,011,064                  | \$ 754,143          | \$ 1,765,207                    | \$ 7,156,782         | \$ 7,041,793         |
| Consulting                       | 496,321                     | 668,501                     | 12,222              | 49,425            | 1,047             | -                | 1,227,516            | 202,989                       | 203,025             | 406,014                         | 1,633,530            | 1,810,258            |
| Employee benefits                | 621,181                     | 431,197                     | 144,836             | 110,604           | 83,649            | 1,118            | 1,392,585            | 296,763                       | 213,446             | 510,209                         | 1,902,794            | 1,676,937            |
| Occupancy                        | 302,480                     | 454,329                     | 112,171             | 58,163            | 70,626            | -                | 997,769              | 194,496                       | 148,445             | 342,941                         | 1,340,710            | 1,137,651            |
| Travel                           | 421,486                     | 311,023                     | 43,783              | 22,730            | 9,053             | -                | 808,075              | 78,373                        | 64,726              | 143,099                         | 951,174              | 1,131,627            |
| Conferences and meetings         | 101,555                     | 50,419                      | 26,904              | 2,157             | 75                | -                | 181,110              | 98,793                        | 375,716             | 474,509                         | 655,619              | 387,230              |
| Telecommunications               | 110,676                     | 126,221                     | 22,776              | 11,205            | 14,027            | -                | 284,905              | 62,532                        | 36,204              | 98,736                          | 383,641              | 366,586              |
| Depreciation and amortization    | 31,885                      | 122,012                     | 18,266              | 6,267             | 7,057             | -                | 185,487              | 126,481                       | 38,567              | 165,048                         | 350,535              | 364,407              |
| Printing                         | 130,701                     | 65,177                      | 2,535               | 1,166             | 169               | -                | 199,748              | 8,489                         | 95,827              | 104,316                         | 304,064              | 317,078              |
| Advertising                      | 230,853                     | 41,633                      | 250                 | -                 | -                 | 5,000            | 277,736              | 3,000                         | 2,389               | 5,389                           | 283,125              | 220,290              |
| Equipment and maintenance        | 23,372                      | 103,978                     | 3,141               | 1,408             | 1,197             | -                | 133,096              | 34,028                        | 23,629              | 57,657                          | 190,753              | 127,519              |
| Audio and visual                 | 9,873                       | 88,482                      | 71,699              | -                 | -                 | -                | 170,054              | 7,300                         | 11,121              | 18,421                          | 188,475              | 98,588               |
| Miscellaneous                    | 33,966                      | 44,816                      | 14,798              | 10,719            | -                 | 970              | 105,269              | 35,079                        | 25,556              | 60,635                          | 165,904              | 237,067              |
| Insurance                        | 41,222                      | 20,642                      | 21,634              | 25,437            | 8,531             | -                | 117,466              | 23,388                        | 13,237              | 36,625                          | 154,091              | 131,766              |
| Postage and shipping             | 21,239                      | 49,655                      | 20,720              | 1,252             | 778               | -                | 93,644               | 12,953                        | 33,463              | 46,416                          | 140,060              | 137,296              |
| Recruitment                      | 25                          | 106                         | 118,321             | 310               | -                 | -                | 118,762              | 50                            | 2,365               | 2,415                           | 121,177              | 182,382              |
| Supplies                         | 22,005                      | 41,269                      | 2,299               | 304               | 210               | -                | 66,087               | 39,298                        | 14,281              | 53,579                          | 119,666              | 184,773              |
| Ranger - repairs and maintenance | -                           | 103,131                     | -                   | -                 | -                 | -                | 103,131              | -                             | -                   | -                               | 103,131              | 149,942              |
| Awards, grants and contributions | 18,793                      | 7,937                       | 120                 | -                 | 11,219            | -                | 38,069               | 2,101                         | 46,363              | 48,464                          | 86,533               | 115,200              |
| Design costs                     | 25,027                      | 59,562                      | 160                 | -                 | -                 | -                | 84,749               | -                             | 1,031               | 1,031                           | 85,780               | 83,207               |
| Web hosting and support          | 1,298                       | 342                         | 48,499              | -                 | -                 | 455              | 50,594               | 7,188                         | -                   | 7,188                           | 57,782               | 104,284              |
| Publications                     | 19,080                      | 4,011                       | 10,942              | 7,772             | 3,383             | -                | 45,188               | 1,999                         | 9,000               | 10,999                          | 56,187               | 62,139               |
| In-kind expenses                 | -                           | -                           | -                   | -                 | -                 | -                | -                    | -                             | 46,495              | 46,495                          | 46,495               | 19,176               |
| Training and development         | 8,226                       | 16,760                      | 998                 | 414               | 160               | -                | 26,558               | 5,792                         | 705                 | 6,497                           | 33,055               | 69,335               |
| Dues and subscriptions           | 15,354                      | (3,000)                     | 400                 | 1,587             | 290               | -                | 14,631               | 5,420                         | 690                 | 6,110                           | 20,741               | 29,070               |
| Bad debt expenses                | -                           | 10,602                      | -                   | -                 | -                 | -                | 10,602               | (1,429)                       | 9,980               | 8,551                           | 19,153               | 8,179                |
| Marketing                        | 15,500                      | 2,805                       | 120                 | -                 | -                 | -                | 18,425               | -                             | -                   | -                               | 18,425               | 15,824               |
| <b>Total Direct Expenses</b>     | <b>4,954,257</b>            | <b>4,682,241</b>            | <b>1,219,648</b>    | <b>736,199</b>    | <b>539,019</b>    | <b>11,467</b>    | <b>12,142,831</b>    | <b>2,256,147</b>              | <b>2,170,404</b>    | <b>4,426,551</b>                | <b>16,569,382</b>    | <b>16,209,604</b>    |
| Indirect cost allocation         | 627,507                     | 476,324                     | 609,454             | (51,534)          | -                 | -                | 1,661,751            | (819,627)                     | (842,124)           | (1,661,751)                     | -                    | -                    |
| <b>TOTAL</b>                     | <b>\$ 5,581,764</b>         | <b>\$ 5,158,565</b>         | <b>\$ 1,829,102</b> | <b>\$ 684,665</b> | <b>\$ 539,019</b> | <b>\$ 11,467</b> | <b>\$ 13,804,582</b> | <b>\$ 1,436,520</b>           | <b>\$ 1,328,280</b> | <b>\$ 2,764,800</b>             | <b>\$ 16,569,382</b> | <b>\$ 16,209,604</b> |

**OCEANA, INC. AND AFFILIATE**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

December 31, 2009

|  | Oceana               | OAR              | Eliminations       | Total                |
|--|----------------------|------------------|--------------------|----------------------|
| <b>ASSETS</b>                            |                      |                  |                    |                      |
| Current Assets                           |                      |                  |                    |                      |
| Cash and cash equivalents                | \$ 11,714,671        | \$ 62,065        | \$ -               | \$ 11,776,736        |
| Short-term investments                   | 757,558              | -                | -                  | 757,558              |
| Grants and contributions receivable      | 4,867,839            | -                | (10,522)           | 4,857,317            |
| Prepaid expenses                         | 84,196               | -                | -                  | 84,196               |
| <b>Total Current Assets</b>              | <b>17,424,264</b>    | <b>62,065</b>    | <b>(10,522)</b>    | <b>17,475,807</b>    |
| Grants and contributions receivable, net | 1,381,333            | -                | -                  | 1,381,333            |
| Property and equipment, net              | 1,944,063            | -                | -                  | 1,944,063            |
| Deposits                                 | 185,847              | -                | -                  | 185,847              |
| <b>TOTAL ASSETS</b>                      | <b>\$ 20,935,507</b> | <b>\$ 62,065</b> | <b>\$ (10,522)</b> | <b>\$ 20,987,050</b> |
| <b>LIABILITIES AND NET ASSETS</b>        |                      |                  |                    |                      |
| Current Liabilities                      |                      |                  |                    |                      |
| Accounts payable and accrued expenses    | \$ 994,769           | \$ -             | \$ -               | \$ 994,769           |
| Deferred rent and lease incentive        | 116,204              | -                | -                  | 116,204              |
| Due to affiliates                        | -                    | 10,522           | (10,522)           | -                    |
| <b>Total Current Liabilities</b>         | <b>1,110,973</b>     | <b>10,522</b>    | <b>(10,522)</b>    | <b>1,110,973</b>     |
| Deferred rent and lease incentive        | 762,162              | -                | -                  | 762,162              |
| <b>TOTAL LIABILITIES</b>                 | <b>1,873,135</b>     | <b>10,522</b>    | <b>(10,522)</b>    | <b>1,873,135</b>     |
| Net Assets                               |                      |                  |                    |                      |
| Unrestricted                             | 12,522,578           | 51,543           | -                  | 12,574,121           |
| Temporarily restricted                   | 6,539,794            | -                | -                  | 6,539,794            |
| <b>TOTAL NET ASSETS</b>                  | <b>19,062,372</b>    | <b>51,543</b>    | <b>-</b>           | <b>19,113,915</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$ 20,935,507</b> | <b>\$ 62,065</b> | <b>\$ (10,522)</b> | <b>\$ 20,987,050</b> |

**OCEANA, INC. AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2009

|  | <u>Oceana</u>        | <u>OAR</u>       | <u>Eliminations</u> | <u>Total</u>         |
|--|----------------------|------------------|---------------------|----------------------|
| <b>REVENUE AND SUPPORT</b>                     |                      |                  |                     |                      |
| Grants and contributions                       | \$ 11,744,366        | \$ 60,663        | \$ -                | \$ 11,805,029        |
| Special events                                 | 1,430,853            | -                | -                   | 1,430,853            |
| Investment income                              | 79,865               | -                | -                   | 79,865               |
| Rental income                                  | 70,164               | -                | -                   | 70,164               |
| In-kind revenue                                | 46,495               | -                | -                   | 46,495               |
| Miscellaneous                                  | 12,980               | -                | -                   | 12,980               |
| Foreign currency transaction gain              | 133,332              | -                | -                   | 133,332              |
|  | <u>13,518,055</u>    | <u>60,663</u>    | <u>-</u>            | <u>13,578,718</u>    |
| <b>EXPENSES</b>                                |                      |                  |                     |                      |
| Program Services:                              |                      |                  |                     |                      |
| North American Oceans                          | 5,581,764            | -                | -                   | 5,581,764            |
| International Activities                       | 5,158,565            | -                | -                   | 5,158,565            |
| Communications                                 | 1,829,102            | -                | -                   | 1,829,102            |
| Law  | 684,665              | -                | -                   | 684,665              |
| Marine Science                                 | 539,019              | -                | -                   | 539,019              |
| Oceana Advocacy Resources                      | -                    | 11,467           | -                   | 11,467               |
|  | <u>13,793,115</u>    | <u>11,467</u>    | <u>-</u>            | <u>13,804,582</u>    |
| Supporting Services:                           |                      |                  |                     |                      |
| General and administrative                     | 1,436,520            | -                | -                   | 1,436,520            |
| Fundraising - cost of direct benefit to donors | 340,587              | -                | -                   | 340,587              |
| Fundraising - other                            | 987,693              | -                | -                   | 987,693              |
|  | <u>2,764,800</u>     | <u>-</u>         | <u>-</u>            | <u>2,764,800</u>     |
|  | <u>16,557,915</u>    | <u>11,467</u>    | <u>-</u>            | <u>16,569,382</u>    |
| CHANGE IN NET ASSETS                           | (3,039,860)          | 49,196           | -                   | (2,990,664)          |
| NET ASSETS, BEGINNING OF YEAR                  | <u>22,102,232</u>    | <u>2,347</u>     | <u>-</u>            | <u>22,104,579</u>    |
| NET ASSETS, END OF YEAR                        | <u>\$ 19,062,372</u> | <u>\$ 51,543</u> | <u>\$ -</u>         | <u>\$ 19,113,915</u> |