



OCEANA, INC. AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)



**and
Report Thereon**



OCEANA, INC. AND AFFILIATE
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For the Year Ended December 31, 2014

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on 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, 2014, 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, 2014, 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

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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
May 29, 2015

OCEANA, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 December 31, 2014
 (With Summarized Financial Information as of December 31, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17,126,856	\$ 13,209,561
Short-term investments	2,363,128	2,207,895
Grants and contributions receivable	16,759,531	12,698,773
Accounts receivable	23,184	18,898
Prepaid expenses	376,515	320,752
Inventory	<u>1,794</u>	<u>2,327</u>
Total Current Assets	<u>36,651,008</u>	<u>28,458,206</u>
Investments	139,302	157,522
Grants and contributions receivable, net	8,592,332	17,652,657
Property and equipment, net	1,642,202	1,337,871
Deposits	<u>172,269</u>	<u>218,038</u>
TOTAL ASSETS	<u>\$ 47,197,113</u>	<u>\$ 47,824,294</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,691,697	\$ 1,098,307
Deferred revenue	205,532	-
Deferred rent and lease incentive	<u>135,815</u>	<u>116,334</u>
Total Current Liabilities	<u>2,033,044</u>	<u>1,214,641</u>
Deferred rent and lease incentive	<u>430,316</u>	<u>566,131</u>
TOTAL LIABILITIES	<u>2,463,360</u>	<u>1,780,772</u>
Net Assets		
Unrestricted	12,680,536	11,220,702
Temporarily restricted	<u>32,053,217</u>	<u>34,822,820</u>
TOTAL NET ASSETS	<u>44,733,753</u>	<u>46,043,522</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,197,113</u>	<u>\$ 47,824,294</u>

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, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,109,354	\$ 15,686,478	\$ 18,795,832	\$ 42,026,690
Special events	2,421,211	-	2,421,211	2,887,380
In-kind revenue	316,366	-	316,366	-
Rental income	42,248	-	42,248	48,950
Investment income	7,378	-	7,378	13,032
Miscellaneous	43,326	-	43,326	116,197
Foreign currency transaction (losses) gains	(430,150)	-	(430,150)	86,821
Net assets released from restrictions:				
Satisfaction of time restrictions	7,972,442	(7,972,442)	-	-
Satisfaction of program restrictions	10,483,639	(10,483,639)	-	-
	23,965,814	(2,769,603)	21,196,211	45,179,070
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
United States Oceans	5,105,768	-	5,105,768	4,291,987
International Activities	7,102,306	-	7,102,306	5,670,671
Communications	1,715,300	-	1,715,300	1,682,919
Law	657,163	-	657,163	849,700
Marine Science	951,605	-	951,605	570,228
Oceana Advocacy Resources, Inc.	11,075	-	11,075	11,195
	15,543,217	-	15,543,217	13,076,700
Total Program Services				
Supporting Services:				
General and administrative	4,307,334	-	4,307,334	2,507,463
Fundraising - cost of direct benefit to donors	281,564	-	281,564	504,291
Fundraising - other	2,373,865	-	2,373,865	2,313,867
	6,962,763	-	6,962,763	5,325,621
Total Supporting Services				
TOTAL EXPENSES	22,505,980	-	22,505,980	18,402,321
CHANGE IN NET ASSETS	1,459,834	(2,769,603)	(1,309,769)	26,776,749
NET ASSETS, BEGINNING OF YEAR	11,220,702	34,822,820	46,043,522	19,266,773
NET ASSETS, END OF YEAR	\$ 12,680,536	\$ 32,053,217	\$ 44,733,753	\$ 46,043,522

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, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,309,769)	\$ 26,776,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	387,817	385,821
Amortization of deferred lease incentive	68,034	68,034
Realized and unrealized investment (gains) losses	18,905	(6,497)
Change in the allowance for grants receivable	282,140	-
Change in the present value discount for contributions receivable	(215,414)	323,027
Changes in assets and liabilities:		
Grants and contributions receivable	4,932,841	(23,832,732)
Accounts receivable	(4,286)	(15,602)
Prepaid expenses	(55,763)	(62,584)
Inventory	533	717
Deposits	45,769	(53,107)
Accounts payable and accrued expenses	593,390	22,404
Deferred revenue	205,532	-
Deferred rent and lease incentive	(184,368)	(161,037)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,765,361	3,445,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	9,431,266	8,222,285
Purchases of investments	(9,587,184)	(7,646,781)
Acquisition of property and equipment	(692,148)	(197,611)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(848,066)	377,893
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,917,295	3,823,086
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,209,561	9,386,475
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,126,856	\$ 13,209,561

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, 2014

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. 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; and Belize City, Belize. 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. 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, Philippines pesos, Brazilian reals, and euros.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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, 2014, 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, 2014

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, 2014

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 2014, donated services consist 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 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.

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

2. Grants and Contributions Receivable

As of December 31, 2014, contributors to the Organization have unconditionally promised to give \$25,495,476 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	\$ 16,759,531
Due in one to five years	<u>8,735,945</u>
Subtotal	25,495,476
Less: Present Value Component (1.50%)	<u>(143,613)</u>
Total	<u><u>\$ 25,351,863</u></u>

During the year ended December 31, 2014, the Organization was awarded a conditional grant based on raising a specified match. For the year ended December 31, 2014, the Organization recognized \$1,500,000 in revenue under this grant, which is included in grants and contributions revenue in the accompanying consolidated statement of activities. As of December 31, 2014, the Organization has not recognized \$500,000 of revenue related to this conditional grant as the matching funds had not been raised as of December 31, 2014.

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, 2014, 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	\$ 2,357,469	\$ -	\$ 2,357,469	\$ -
Fixed income – guaranteed mutual fund	<u>144,961</u>	<u>-</u>	<u>144,961</u>	<u>-</u>
Total	<u><u>\$ 2,502,430</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,502,430</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, 2014

3. Investments and Fair Value Measurements (continued)

Net investment income consisted of the following for the year ended December 31, 2014:

Interest and dividends	\$ 26,283
Realized and unrealized investment losses	<u>(18,905)</u>
Investment Income	<u>\$ 7,378</u>

4. Property and Equipment and Related Depreciation and Amortization

The Organization held the following property and equipment as of December 31, 2014:

Leasehold improvements	\$ 1,901,813
Computer equipment	1,611,309
Furniture and office equipment	1,086,166
Computer software	896,745
Website development	629,455
Vehicles	553,498
Land	<u>96,923</u>
Total Property and Equipment	6,775,909
Less: Accumulated Depreciation and Amortization	<u>(5,133,707)</u>
Property and Equipment, Net	<u>\$ 1,642,202</u>

Depreciation and amortization expense was \$387,817 for the year ended December 31, 2014.

5. Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets were available for the following:

International Activities	\$ 20,415,522
General operating support for future periods	7,733,540
United States Oceans	<u>3,904,155</u>
Total	<u>\$ 32,053,217</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 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

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

6. Commitments and Risks (continued)

Operating Leases (continued)

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 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; and Belize City, Belize, as well as its offices in New York City, New York; Portland, Oregon; Monterey, California; and Juneau, Alaska, under non-cancelable operating leases and a sublease, of which the latest expires in March 2019.

The Organization also subleases a portion of the Washington, DC, office space to one organization. The future minimum rental payments required under the operating leases and sublease, net of sublease income, are as follows as of December 31, 2014:

For the Year Ending December 31,	Total	Sublease	Net
2015	1,442,867	(7,950)	1,434,917
2016	1,167,746	-	1,167,746
2017	967,089	-	967,089
2018	557,093	-	557,093
2019	22,218	-	22,218
Total	<u>\$ 4,157,013</u>	<u>\$ (7,950)</u>	<u>\$ 4,149,063</u>

Rent expense, not including utilities, totaled \$1,382,105 for the year ended December 31, 2014.

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, 2014, the amount in excess of the FDIC insured limit was approximately \$14,500,000. As of December 31, 2014, the Organization maintained approximately \$870,000 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, 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.

Continued

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

6. Commitments and Risks (continued)

Foreign Operations (continued)

As of December 31, 2014, the Organization had cash and net property and equipment in these countries totaling approximately \$1,350,000, representing approximately 3% of the Organization's total consolidated assets as of December 31, 2014.

7. Line of Credit

The Organization has a revolving line of credit with a bank in the amount of \$1,200,000, which is secured by the Organization's assets. Borrowings on the line of credit accrue interest at an annual rate equal to the BBR LIBOR Daily Floating Rate plus 2.25%, which was 2.419% as of December 31, 2014. Under the line of credit agreement, the Organization has to maintain a basic fixed charge coverage ratio of not less than 1:25 to 1, and the Organization was in compliance with this covenant as of December 31, 2014. The line of credit expired on December 31, 2014, and management of the Organization made the decision not to renew the line of credit. As of December 31, 2014, the Organization had no borrowings outstanding on the line of credit.

8. 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 \$655,810 for the year ended December 31, 2014.

9. 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, 2014, 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, 2014, and

OCEANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

9. Income Taxes (continued)

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, 2014, the statute of limitations for tax years 2011 through 2013 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 is to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

10. 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, 2013, from which the summarized information was derived.

11. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 29, 2015, 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, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Program Services						Supporting Services			2014 Total	2013 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	\$ 2,607,764	\$ 3,230,029	\$ 666,720	\$ 146,341	\$ 584,695	\$ 141	\$ 7,235,690	\$ 1,767,283	\$ 944,470	\$ 2,711,753	\$ 9,947,443	\$ 8,100,480
Consultants	841,240	608,625	119,081	76	15,249	-	1,584,271	207,409	351,881	559,290	2,143,561	1,716,875
Occupancy	333,440	674,037	117,779	33,941	81,071	-	1,240,268	293,682	129,978	423,660	1,663,928	1,594,443
Employee Benefits	575,958	302,043	130,801	26,868	109,173	19	1,144,862	304,180	163,492	467,672	1,612,534	910,375
Travel	199,813	616,816	42,471	94	60,184	-	919,378	327,572	196,623	524,195	1,443,573	1,237,627
Payroll Taxes	192,141	499,945	46,270	9,562	39,889	11	787,818	124,543	71,026	195,569	983,387	853,517
Conferences and Meetings	39,481	100,323	37,350	296	4,162	-	181,612	111,272	476,176	587,448	769,060	907,745
Professional Fees	6,440	141,073	-	113,215	-	4,567	265,295	167,706	1,758	169,464	434,759	288,866
Depreciation and Amortization	4,652	41,481	2,179	-	1,690	-	50,002	332,585	5,230	337,815	387,817	385,821
Telecommunications	73,077	164,456	16,118	3,807	9,434	-	266,892	53,121	29,063	82,184	349,076	389,332
In-kind Expenses	-	-	-	316,366	-	-	316,366	-	-	-	316,366	-
Bad Debt Expense	-	-	-	-	-	-	-	282,140	-	282,140	282,140	50,000
Supplies	8,155	84,956	3,358	8	3,199	-	99,676	115,007	13,766	128,773	228,449	176,443
Web Hosting and Support	-	3,439	192,785	-	-	360	196,584	15,180	3,545	18,725	215,309	93,343
Equipment Rental and Maintenance	7,226	162,065	2,609	509	1,138	-	173,547	23,640	9,269	32,909	206,456	110,405
Dues and Subscriptions	40,355	14,421	42,301	446	45	3,333	100,901	66,910	32,690	99,600	200,501	176,034
Boat - Rental, Repairs and Maintenance	-	179,713	-	-	-	-	179,713	17,250	-	17,250	196,963	241,928
Insurance	61,396	22,787	17,632	2,998	12,085	-	116,898	43,181	16,757	59,938	176,836	204,103
Printing and Publications	23,248	14,883	15,367	336	23,040	-	76,874	4,669	44,443	49,112	125,986	159,276
Postage and Shipping	4,583	42,370	5,289	1,037	2,233	-	55,512	14,776	52,509	67,285	122,797	94,629
Advertising	6,401	108,052	5,147	-	1,000	-	120,600	1,495	-	1,495	122,095	114,024
Recruitment	405	1,028	115,028	80	-	-	116,541	4,215	604	4,819	121,360	100,173
Bank Fees	15	13,432	35,362	6	-	1,844	50,659	17,589	43,043	60,632	111,291	79,058
Marketing	17,000	-	80,450	-	-	-	97,450	-	2,625	2,625	100,075	56,976
Audio and Visual	19,376	46,836	11,266	-	3,318	-	80,796	-	600	600	81,396	96,371
Awards, Grants and Contributions	5,001	3,378	3,028	-	-	-	11,407	1,815	40,290	42,105	53,512	153,803
Miscellaneous Expenses	44	18,703	2,667	1,127	-	800	23,341	7,493	21,383	28,876	52,217	50,123
Design Costs	29,362	4,696	3,571	-	-	-	37,629	175	2,355	2,530	40,159	39,496
Professional Training and Development	9,195	1,728	671	50	-	-	11,644	2,446	1,853	4,299	15,943	21,055
Interest	-	991	-	-	-	-	991	-	-	-	991	-
TOTAL	\$ 5,105,768	\$ 7,102,306	\$ 1,715,300	\$ 657,163	\$ 951,605	\$ 11,075	\$ 15,543,217	\$ 4,307,334	\$ 2,655,429	\$ 6,962,763	\$ 22,505,980	\$ 18,402,321

OCEANA, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2014

	<u>Oceana</u>	<u>OAR</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 17,113,609	\$ 13,247	\$ -	\$ 17,126,856
Short-term investments	2,363,128	-	-	2,363,128
Grants and contributions receivable	16,759,531	-	-	16,759,531
Due from affiliates	1,969	-	(1,969)	-
Accounts receivable	23,184	-	-	23,184
Prepaid expenses	374,848	1,667	-	376,515
Inventory	1,794	-	-	1,794
	<u>36,638,063</u>	<u>14,914</u>	<u>(1,969)</u>	<u>36,651,008</u>
Total Current Assets				
Investments	139,302	-	-	139,302
Grants and contributions receivable, net	8,592,332	-	-	8,592,332
Property and equipment, net	1,642,202	-	-	1,642,202
Deposits	172,269	-	-	172,269
	<u>14,546,105</u>	<u>-</u>	<u>-</u>	<u>14,546,105</u>
TOTAL ASSETS	<u>\$ 47,184,168</u>	<u>\$ 14,914</u>	<u>\$ (1,969)</u>	<u>\$ 47,197,113</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,687,497	\$ 4,200	\$ -	\$ 1,691,697
Deferred revenue	205,532	-	-	205,532
Deferred rent and lease incentive	135,815	-	-	135,815
Due to affiliates	-	1,969	(1,969)	-
	<u>2,028,844</u>	<u>6,169</u>	<u>(1,969)</u>	<u>2,033,044</u>
Total Current Liabilities				
Deferred rent and lease incentive	430,316	-	-	430,316
	<u>430,316</u>	<u>-</u>	<u>-</u>	<u>430,316</u>
TOTAL LIABILITIES	<u>2,459,160</u>	<u>6,169</u>	<u>(1,969)</u>	<u>2,463,360</u>
Net Assets				
Unrestricted	12,671,791	8,745	-	12,680,536
Temporarily restricted	32,053,217	-	-	32,053,217
	<u>44,725,008</u>	<u>8,745</u>	<u>-</u>	<u>44,733,753</u>
TOTAL NET ASSETS				
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,184,168</u>	<u>\$ 14,914</u>	<u>\$ (1,969)</u>	<u>\$ 47,197,113</u>

OCEANA, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	Oceana	OAR	Eliminations	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 18,795,332	\$ 500	\$ -	\$ 18,795,832
Special events	2,421,211	-	-	2,421,211
In-kind revenue	316,366	-	-	316,366
Rental income	42,248	-	-	42,248
Investment income	7,378	-	-	7,378
Miscellaneous	43,326	-	-	43,326
Foreign currency transaction losses	<u>(430,150)</u>	<u>-</u>	<u>-</u>	<u>(430,150)</u>
TOTAL REVENUE AND SUPPORT	<u>21,195,711</u>	<u>500</u>	<u>-</u>	<u>21,196,211</u>
EXPENSES				
Program Services:				
United States Oceans	5,105,768	-	-	5,105,768
International Activities	7,102,306	-	-	7,102,306
Communications	1,715,300	-	-	1,715,300
Law	657,163	-	-	657,163
Marine Science	951,605	-	-	951,605
Oceana Advocacy Resources, Inc.	<u>-</u>	<u>11,075</u>	<u>-</u>	<u>11,075</u>
Total Program Services	<u>15,532,142</u>	<u>11,075</u>	<u>-</u>	<u>15,543,217</u>
Supporting Services:				
General and administrative	4,307,334	-	-	4,307,334
Fundraising - cost of direct benefit to donors	281,564	-	-	281,564
Fundraising - other	<u>2,373,865</u>	<u>-</u>	<u>-</u>	<u>2,373,865</u>
Total Supporting Services	<u>6,962,763</u>	<u>-</u>	<u>-</u>	<u>6,962,763</u>
TOTAL EXPENSES	<u>22,494,905</u>	<u>11,075</u>	<u>-</u>	<u>22,505,980</u>
CHANGE IN NET ASSETS	(1,299,194)	(10,575)	-	(1,309,769)
NET ASSETS, BEGINNING OF YEAR	<u>46,024,202</u>	<u>19,320</u>	<u>-</u>	<u>46,043,522</u>
NET ASSETS, END OF YEAR	<u><u>\$ 44,725,008</u></u>	<u><u>\$ 8,745</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,733,753</u></u>