AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OCEAN CONSERVANCY, INC. AND SUBSIDIARY

SEPTEMBER 30, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ocean Conservancy, Inc.
Washington, D.C.

We have audited the accompanying consolidated statements of financial position of Ocean Conservancy, Inc. and its subsidiary (collectively, the Organization) as of September 30, 2009 and 2008, the related consolidated statements of activities and changes in net assets, and of cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended September 30, 2009. 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 audits. The summarized comparative information included in the consolidated statement of functional expenses for the year ended September 30, 2008 has been derived from the Organization's September 30, 2008 consolidated financial statements, and, in our report dated March 9, 2009, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Ocean Conservancy, Inc. and its subsidiary as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the consolidated financial statements, the 2008 consolidated financial statements have been restated for errors in the Organization's method of revenue recognition.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
February 5, 2010

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OCEAN CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2009 AND 2008

	2009	2008 (Restated)
ASSETS		
Cash and cash equivalents	$ 272,683	$ 57,492
Investments	11,753,289	12,901,516
Accounts and grants receivable	157,164	178,140
Prepaid expenses	145,193	113,402
Pledges receivable, net	6,260,165	5,951,922
Bequests receivable	723,074	397,027
Charitable remainder trusts receivable	563,123	616,059
Property and equipment, net	306,219	406,352
Deposits	203,681	205,181
Other assets	69,454	97,330
Total assets	$ 20,454,045	$ 20,924,421
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,043,328	$ 1,312,641
Charitable gift annuities	801,723	810,720
Line-of-credit	700,000	1,250,000
Note payable	2,496,041	2,645,829
Deferred rent	115,327	117,196
Total liabilities	5,156,419	6,136,386
Commitments		
Net assets		
Unrestricted - Board-designated	3,289,951	3,049,326
Temporarily restricted	10,415,505	10,146,539
Permanently restricted	1,592,170	1,592,170
Total net assets	15,297,626	14,788,035
Total liabilities and net assets	$ 20,454,045	$ 20,924,421

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

OCEAN CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009				2008 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support								
Contributions, grants and bequests	$ 7,256,044	$ 8,840,354	$ 0	$ 16,096,398	$ 7,996,931	$ 10,293,612	$ 0	$ 18,290,543
Federal grants	241,149	0	0	241,149	306,838	0	0	306,838
List rental income	80,613	0	0	80,613	28,939	0	0	28,939
Other income	159,040	0	0	159,040	78,157	0	0	78,157
Net assets released from restrictions	8,435,177	(8,435,177)	0	0	6,305,642	(6,305,642)	0	0
Total revenues and support	16,172,023	405,177	0	16,577,200	14,716,507	3,987,970	0	18,704,477
Expenses								
Program services								
Sustainable fisheries	3,911,657	0	0	3,911,657	2,246,596	0	0	2,246,596
Citizen outreach	2,906,205	0	0	2,906,205	2,437,445	0	0	2,437,445
Ocean governance, international, and other	1,927,855	0	0	1,927,855	1,277,605	0	0	1,277,605
Conserve special places	1,533,764	0	0	1,533,764	1,557,928	0	0	1,557,928
Marine wildlife	981,342	0	0	981,342	2,177,818	0	0	2,177,818
Communications, marketing and publications	880,747	0	0	880,747	1,940,070	0	0	1,940,070
Total program services	12,141,570	0	0	12,141,570	11,637,462	0	0	11,637,462
Support services								
Fundraising and membership development	2,207,434	0	0	2,207,434	3,442,519	0	0	3,442,519
Management and administration	1,681,526	0	0	1,681,526	1,813,603	0	0	1,813,603
Total support services	3,888,960	0	0	3,888,960	5,256,122	0	0	5,256,122
Total expenses	16,030,530	0	0	16,030,530	16,893,584	0	0	16,893,584
Change in net assets before gains and losses	141,493	405,177	0	546,670	(2,177,077)	3,987,970	0	1,810,893
Gains and losses								
Investment and interest income (loss)	99,132	0	0	99,132	(2,345,712)	0	0	(2,345,712)
Losses and allowances on uncollectible promises to give	0	(136,211)	0	(136,211)	0	(193,986)	0	(193,986)
Change in net assets	240,625	268,966	0	509,591	(4,522,789)	3,793,984	0	(728,805)
Net assets at the beginning of the year, as restated	3,049,326	10,146,539	1,592,170	14,788,035	7,572,115	6,352,555	1,592,170	15,516,840
Net assets at the end of the year	$ 3,289,951	$ 10,415,505	$ 1,592,170	$ 15,297,626	$ 3,049,326	$ 10,146,539	$ 1,592,170	$ 14,788,035

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

OCEAN CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008 (Restated)
Cash flows from operating activities:		
Change in net assets	$ 509,591	$ (728,805)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Losses and allowances on uncollectible promises to give	136,211	193,986
Depreciation and amortization	192,916	245,504
Donation of marketable securities	(125,099)	(236,690)
Net realized and unrealized losses on investments	308,818	2,973,636
Change in value of charitable remainder trusts receivable	52,936	62,991
Change in charitable gift annuity liability valuation	86,619	79,281
Changes in operating assets and liabilities:		
Accounts and grants receivable	20,976	(60,420)
Pledges receivable	(444,454)	(5,102,432)
Bequests receivable	(326,047)	(146,741)
Prepaid expenses	(31,791)	138,087
Other assets	27,876	16,816
Accounts payable and accrued expenses	(269,313)	516,389
Charitable gift annuities	(95,616)	(65,379)
Deferred rent	(1,869)	117,196
Total adjustments	(467,837)	(1,267,776)
Net cash provided by (used in) operating activities	41,754	(1,996,581)
Cash flows from investing activities:		
Purchases of investments	(1,016,925)	(1,056,518)
Proceeds from sales of investments	1,981,433	1,362,074
Purchases of property and equipment	(92,783)	(287,368)
Decrease in deposits	1,500	24,079
Net cash provided by investing activities	873,225	42,267
Cash flows from financing activities:		
Net (repayments) borrowings under line-of-credit	(550,000)	1,250,000
Principal payments under note payable	(149,788)	(141,088)
Net cash (used in) provided by financing activities	(699,788)	1,108,912
Net increase (decrease) in cash and cash equivalents	215,191	(845,402)
Cash and cash equivalents at the beginning of the year	57,492	902,894
Cash and cash equivalents at the end of the year	$ 272,683	$ 57,492

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

OCEAN CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2009, WITH COMPARATIVE TOTALS FOR 2008

	Program Services							Support Services				
	Sustainable Fisheries	Citizen outreach	Ocean governance, international, and other	Conserve special places	Marine wildlife	Communications, marketing and publications	Total program services	Fundraising and membership development	Management and administration	Total support services	Total for the year ended September 30, 2009	Total for the year ended September 30, 2008
Salaries and wages	$ 1,867,898	$ 757,132	$ 604,564	$ 806,120	$ 226,903	$ 12,808	$ 4,275,425	$ 955,173	$ 600,181	$ 1,555,354	$ 5,830,779	$ 5,550,976
Professional fees	384,750	629,830	449,574	72,396	32,417	86,646	1,655,613	117,399	259,900	377,299	2,032,912	1,879,030
Employee benefits	535,132	217,777	158,863	239,493	66,348	4,160	1,221,773	274,729	154,540	429,269	1,651,042	1,151,458
Rent, utilities and telephone	409,920	151,998	123,090	159,625	45,535	5,936	896,104	178,932	197,768	376,700	1,272,804	1,188,959
Delivery services	4,408	440,546	846	7,161	170,955	76,974	700,890	324,527	18,245	342,772	1,043,662	1,688,723
Grants and contributions	25	25,000	415,500	2,625	2,500	500,000	945,650	0	0	0	945,650	709,889
Printing	74,333	144,187	693	19,171	320,373	125,360	684,117	207,157	142	207,299	891,416	2,208,321
Travel and meetings	395,017	157,388	67,633	117,091	22,579	12,932	772,640	28,386	32,126	60,512	833,152	966,862
In-kind other	0	150,330	0	0	62,770	0	213,100	358	0	358	213,458	13,213
Depreciation and amortization	57,413	23,271	18,582	24,778	7,004	394	131,442	29,358	32,116	61,474	192,916	245,504
Computer expenses	40,010	39,650	240	9,197	5,036	51,362	145,495	19,371	14,015	33,386	178,881	218,206
Interest expense	157	566	15	75	6	85	904	23	169,332	169,355	170,259	160,349
Repairs and maintenance	45,544	19,661	14,346	19,568	5,384	304	104,807	22,666	24,794	47,460	152,267	120,525
Advertising	38,400	38,794	26,014	33,990	0	30	137,228	217	173	390	137,618	122,894
Bank fees	208	918	595	3	0	0	1,724	230	91,514	91,744	93,468	158,216
Miscellaneous	5,656	6,560	14,330	2,385	673	1,178	30,782	2,535	33,857	36,392	67,174	48,936
Insurance	19,395	7,862	6,278	8,370	2,356	133	44,394	9,918	10,850	20,768	65,162	59,724
Subscriptions	16,288	14,947	14,797	2,313	267	391	49,003	4,153	1,954	6,107	55,110	54,423
Office supplies	16,329	7,655	7,778	8,168	2,495	1,703	44,128	3,305	7,151	10,456	54,584	96,470
Other materials/incentives	572	18,429	1,151	247	2,424	205	23,028	9,126	19,811	28,937	51,965	20,311
List rental expenses	0	24,157	0	0	0	0	24,157	15,406	0	15,406	39,563	166,108
Temporary help	0	15,889	2,483	824	5,299	0	24,495	141	12,349	12,490	36,985	94,908
Property taxes and other	202	13,658	483	164	18	146	14,671	4,324	708	5,032	19,703	(30,421)
Total for the year ended September 30, 2009	$ 3,911,657	$ 2,906,205	$ 1,927,855	$ 1,533,764	$ 981,342	$ 880,747	$ 12,141,570	$ 2,207,434	$ 1,681,526	$ 3,888,960	$ 16,030,530	
Total for the year ended September 30, 2008	$ 2,246,596	$ 2,437,445	$ 1,277,605	$ 1,557,928	$ 2,177,818	$ 1,940,070	$ 11,637,462	$ 3,442,519	$ 1,813,603	$ 5,256,122		$ 16,893,584

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ocean Conservancy, Inc. (OC) was established in 1972 to promote healthy and diverse ocean ecosystems and to oppose practices that threaten ocean life and human life. Through research, education, and science-based advocacy, OC informs, inspires, and empowers people to speak and act on behalf of the oceans. In its work, OC strives to be the world's foremost advocate for the oceans. OC is headquartered in Washington, D.C. and has regional offices located in various coastal regions of the United States. OC seeks to achieve its objectives by conducting policy-oriented research, educating the public and policy makers, and encouraging the development and implementation of sound policies through citizen participation and oversight. OC eschews confrontational politics and favors establishing, supporting and using administrative processes that compel wise protection and conservation of marine wildlife, ecosystems, and resources.

OC is funded in part by small contributions but also receives grants and contracts from individuals, foundations, government agencies, and corporations. OC is also funded by bequests and royalties.

2029 K LLC (2029 K Street or the Building), a wholly-owned subsidiary of OC, is a limited liability corporation that was established in 2004 to purchase, operate, and maintain the office building located at 2029 K Street in Washington, D.C., where OC located its headquarters office. In June 2007, OC sold the building and moved its headquarters office to leased space at 1300 19th Street, NW, in Washington, D.C.

In September 2009, OC's Board of Directors authorized a change in OC's fiscal year end from September 30 to June 30. This change will take effect with the nine month period ending June 30, 2010.

The significant accounting policies followed by OC and 2029 K Street (collectively, the Organization) are described below.

Principles of consolidation

The consolidated financial statements include the accounts of OC and 2029 K Street. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Revenue recognition

Contributions are recognized as revenue when the donor makes an unconditional promise to give to OC. Wills are recorded as bequest revenue when the probate courts declare the wills valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements are executed. Revenue from split-interest agreements is based on the present value of the expected cash flows to be received by OC.

Contributions that are restricted by the donor as to how or when the funds are to be used are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor-restricted contributions for which the donor has specified a permanent restriction are reported as increases in permanently restricted net assets.

OC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

Donated materials and professional services related to programs are recorded as contribution revenues and expenses at their fair values.

Revenues received under grants and contracts with the United States government and other governmental agencies are recorded as revenues when the related costs are incurred. Grants receivable represent amounts due for expenditures incurred prior to year-end.

All other revenues are recognized when earned.

Cash equivalents

The Organization considers all undesignated, unrestricted short-term investments with initial maturities of three months or less to be cash equivalents. Temporary cash positions in the investment portfolio are considered investments and are not included in cash and cash equivalents on the accompanying consolidated statements of financial position.

Investments

Equity securities with readily determinable fair values and debt securities are presented at fair value in the financial statements based on quoted market prices. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. OC reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Gains and losses on investments, including changes in market value, are reported in the consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Charitable remainder trusts receivable

The fair values of the charitable remainder trusts receivable are estimated based on various assumptions including the present value of estimated future lump-sum cash flows.

Property and equipment

Property and equipment are recorded at cost, and depreciated or amortized on the straight-line basis over the estimated useful lives of the assets of three to ten years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the remaining lease term or the useful life of the improvement. OC's policy is to capitalize property and equipment purchases in excess of $1,000. Donated furniture and equipment exceeding the capitalization threshold is recorded at its estimated fair value on the date it is received.

Charitable gift annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying consolidated statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to other beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

Unrestricted net assets

Unrestricted net assets are those that are not subject to donor-imposed stipulations or board designations. At September 30, 2009 and 2008, there were no undesignated unrestricted net assets.

Unrestricted net assets - board-designated

OC's board of directors has set aside unrestricted amounts received from various donors as board-designated fund assets, and has implemented an investment policy that includes an annual discretionary transfer of amounts to undesignated net assets to support operations.

Temporarily restricted net assets

Temporarily restricted net assets represent revenue received that is restricted by the donor as to either time or purpose of expenditure for which the restrictions have not been substantially met as of the financial statement date. In addition, pledges, bequests, and charitable remainder trust receivables that are not otherwise restricted are considered to be temporarily restricted until the funds are received.

Permanently restricted net assets

Permanently restricted net assets are those that are subject to donor imposed stipulations that they be maintained permanently by OC. Generally, the donors of these assets permit OC to use the income earned on related investments for general or specific purposes.

Income taxes

The Internal Revenue Service has determined that OC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except for taxes on unrelated business income. OC is not a private foundation under 509(a)(1) of the IRC. Since OC owns 100% of 2029 K Street LLC, 2029 K Street is disregarded for federal and state income tax purposes. As such, all activity from 2029 K Street LLC is included with OC's income tax filings.

The Financial Accounting Standards Board (FASB) has issued authoritative guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In December 2008, the FASB issued further authoritative guidance that permits nonpublic entities to defer the effective date for accounting for uncertainty in income taxes recognized in an entity's financial statements until fiscal years beginning after December 15, 2008. This authoritative guidance must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying this guidance at adoption, if any, is to be reported as an adjustment to opening net assets during the year of adoption. Implementation of this guidance will require management of OC to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). OC has no examinations in progress. OC has elected to defer the application of this authoritative guidance and will continue to accrue for losses it believes are probable and can be reasonably estimated until it adopts this guidance. Management is currently assessing the impact of this guidance on its consolidated financial position and results of operations.

Concentrations of credit risk

OC is subject to credit risk concentrations principally from cash and cash equivalents, investments, accounts and grants receivable, pledges receivable, bequests receivable, and charitable remainder trusts receivable. OC believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, as of September 30, 2009 and 2008 and at various times throughout the year, OC had cash and cash equivalents on deposit with financial institutions that exceeded federally insured limits. Investments are subject to market fluctuations that may materially affect the balances. OC's grants receivable are due from agencies of the U.S. Government and are subject to audit by the grantor agency. All other receivables are due from numerous corporations, non-profit organizations and individuals. OC's management reviews the receivable balances as a whole to determine the adequacy of its allowance for doubtful accounts.

Functional allocation of expenses

The costs of providing the program and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets, and of functional expenses. Accordingly, certain costs have been allocated among the activities benefited.

Subsequent events

The Organization has evaluated its September 30, 2009 consolidated financial statements for subsequent events through February 5, 2010, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

Recently adopted accounting pronouncements

Effective October 1, 2008, OC adopted the authoritative guidance issued by the FASB on fair value for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). This guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance does not require any new fair value measurements, but addresses how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The adoption of this guidance did not have a material impact on OC's results of operations or financial position.

In February 2007, the FASB issued authoritative guidance that gives OC the irrevocable option to carry many financial assets and liabilities, on an instrument-by-instrument basis, at fair value, with changes in fair value recognized in the change in net assets. This guidance also requires additional disclosures that are intended to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities, and between assets and liabilities in the financial statements of an entity that selects different measurement attributes for similar assets and liabilities. OC has chosen not to elect the fair value option for any assets or liabilities, and therefore the adoption of this authoritative guidance did not have a material effect on OC's results of operations or financial position.

Effective October 1, 2008, OC adopted the authoritative guidance issued by the FASB on net asset classifications of endowment funds. This guidance provides new rules for net asset classifications of donor-restricted endowment funds for not-for-profit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also requires additional disclosures for all not-for-profit organizations, whether or not they are subject to UPMIFA, regarding the net asset composition, changes in net asset composition, spending policies, and related investment policies of its donor-restricted and board-designated endowment funds. In accordance with this guidance, OC has applied the provisions of this guidance retroactively to the earliest comparative period presented in which UPMIFA was effective (see Note 10).

Reclassifications

Certain amounts presented in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation. These reclassifications had no effect on the change in net assets, as previously reported.

NOTE 2 - INVESTMENTS

Investments consist of the following as of September 30:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money market accounts	$ 1,237,051	$ 1,237,051	$ 1,208,692	$ 1,208,692
Equity securities	5,665,306	5,783,028	6,143,714	5,455,362
Mutual funds	4,076,751	3,947,911	4,473,408	4,130,863
Real estate investment trusts	671,865	472,120	1,069,535	720,534
Alternative investments	96,123	96,123	900,000	968,237
Mortgage-backed securities	144,654	149,958	171,244	161,686
State and local government obligations	69,977	67,098	259,190	256,142
	$ 11,961,727	$ 11,753,289	$ 14,225,783	$ 12,901,516

For the years ended September 30, 2009 and 2008, OC recorded net realized and unrealized losses on investments of $308,818 and $2,973,636, respectively, and interest and dividend income totaling $407,950 and $627,924, respectively.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of September 30:

	2009	2008
Receivable in less than one year	$ 4,256,258	$ 2,684,396
Receivable in one to five years	2,253,884	3,492,727
	6,510,142	6,177,123
Less: discount to present value (at 3.0%)	(119,127)	(199,179)
Less: allowance for doubtful accounts	(130,850)	(26,022)
	$ 6,260,165	$ 5,951,922

NOTE 4 - CHARITABLE REMAINDER TRUSTS RECEIVABLE

OC is the remainder beneficiary in two irrevocable charitable remainder trusts, which are expected to be distributed upon termination of life interests retained by the donor. The amounts receivable from these trusts are revalued annually. The expected future cash flows from the trusts have been recorded at fair value using a present value approach using discount rates ranging from 3.4% to 4.2%. At September 30, 2009 and 2008, the estimated fair value of these receivables totaled $563,123 and $616,059, respectively, and is included in the charitable remainder trusts receivable in the accompanying consolidated statements of financial position. The estimated net present value of the charitable remainder trusts are considered to be temporarily restricted until the funds are received.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30:

	2009	2008
Computer equipment	$ 1,377,160	$ 1,284,909
Furniture and fixtures	196,519	196,519
Leasehold improvements	47,075	47,075
	1,620,754	1,528,503
Less: accumulated depreciation and amortization	(1,314,535)	(1,122,151)
	$ 306,219	$ 406,352

Depreciation and amortization expense on property and equipment for the years ended September 30, 2009 and 2008 was $192,916 and $245,504, respectively.

NOTE 6 - CHARITABLE GIFT ANNUITIES

OC has entered into charitable gift annuity arrangements with a number of donors. In exchange for contributions, these arrangements require OC to make annual fixed payments during the lives of the donors. The contributions are treated as contribution revenue when received and are included in unrestricted net assets in the accompanying consolidated financial statements. Contribution revenue for the years ended September 30, 2009 and 2008 was $27,267 and $85,520, respectively.

The annuity payment obligations are based on donor life expectancies as presented in actuarial tables discounted at rates ranging from 3.2% to 8.2%.

NOTE 7 - LINE-OF-CREDIT

OC maintains a revolving line-of-credit facility with a securities broker under which OC may borrow up to a maximum of $2,000,000. The credit line is payable on demand and provides for a variable interest rate equal to LIBOR plus 1.75% (2.00% at September 30, 2009). The line-of-credit is secured by a first priority lien on all cash and investments OC has deposited with the securities broker, and, if not renewed, expires on June 30, 2010. At September 30, 2009 and 2008, OC had outstanding $700,000 and $1,250,000 respectively under the credit line.

NOTE 8 - NOTE PAYABLE

OC maintains a term loan with an original principal amount of $3,000,000. The loan requires monthly principal and interest payments in the amount of $24,656, bears interest at 5.59% per annum, and is due on February 10, 2021. The outstanding balance at September 30, 2009 and 2008 was $2,496,041 and $2,645,829 respectively, and is secured by OC's investment portfolio.

Scheduled maturities of the note payable as of September 30, 2009 are as follows:

Years ending September 30,	
2010	$ 160,598
2011	169,809
2012	179,549
2013	189,847
2014	200,735
Thereafter	1,595,503
	$ 2,496,041

Interest expense related to notes payable including the line-of-credit (see Note 7) was $170,258 and $160,348 for the years ended September 30, 2009 and 2008, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following at September 30:

	2009	2008
Net assets with purpose restriction	$ 6,968,337	$ 8,848,975
Net assets with time restriction	3,124,320	914,239
Endowment net assets	322,848	383,325
	$ 10,415,505	$ 10,146,539

NOTE 10 - ENDOWMENT

OC holds its donor-restricted endowment in a separate investment account with Bank of America. The donor-restricted endowment fund has no purpose restrictions, and was established to provide continuing support for general operations of the organization.

The Board of Directors of OC has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, OC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by OC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

The donors' intent in contributing to the OC endowment fund was to provide an ongoing source of funding for general operations. There are no donor restrictions as to how income generated from the endowment should be used. In order to honor donor intent, OC's board of directors has authorized an annual distribution of 5% of the fair market value of the fund annually. The fair market value of the fund is measured by taking the rolling average of the quarterly fair market values for the prior three years on a fiscal quarter basis.

The purpose of OC's endowment fund is to achieve, over a full-market cycle, a real rate of return in excess of the spending policy. The target rate of return over the long-term was derived as follows:

Annual Spending	5.00%
Inflation	3.00%
Real Growth	1.00%
Long-term target return	9.00%

Endowment-related activities for the year ended September 30, 2009 are as follows:

	Donor-Restricted Endowment Funds
Investment return	
Investment income	$ 76,326
Net losses	(25,668)
Total investment return	50,658
Appropriations	(98,000)
Investment management fees	(13,135)
Change in funds	$ (60,477)

The following table presents the endowment-related balances and activities by net asset classification as of and for the year ended September 30, 2009:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	$ 383,325	$ 1,592,170
Investment return		
Investment income	76,326	0
Net losses	(25,668)	0
Total investment return	50,658	0
Appropriations	(98,000)	0
Investment management fees	(13,135)	0
Endowment net assets, end of year	$ 322,848	$ 1,592,170

This authoritative guidance was adopted as of October 1, 2008. However, in accordance with the guidance, the net asset classifications of the accumulated unappropriated earnings in the donor-restricted endowment fund is shown as a retroactive adjustment for all prior balances presented in the accompanying consolidated financial statements. This adjustment resulted in an increase in temporarily restricted net assets and a corresponding decrease in unrestricted board-designated net assets of $383,325 and $792,320 at September 30, 2008 and 2007, respectively.

NOTE 11 - ALLOCATION OF JOINT COSTS

OC conducts direct mail campaigns that incur joint costs for informational materials that include fundraising appeals. These joint costs are allocated on a basis that the management of OC determines to be appropriate based on its policies and practices and the content and purpose of the specific informational materials, in accordance with the provisions of the current authoritative guidance.

These costs were allocated as follows for the years ended September 30:

	2009	2008
Program services	$ 1,328,217	$ 2,490,065
Fundraising and membership development	777,279	1,542,910
	$ 2,105,496	$ 4,032,975

NOTE 12 - COMMITMENTS

OC leases office space for its headquarters office in Washington, D.C. and its regional offices throughout the United States under the terms of noncancelable operating leases that expire at various dates through September 2020. Certain leases provide for additional rent based on OC's pro-rata share of increases in real estate taxes and operating expenses as well as a percentage of any Consumer Price Index increases. In addition, OC leases office equipment under the terms of noncancelable operating leases that expire at various dates through January 2014.

As of September 30, 2009, the following is a schedule by year of approximate future minimum lease payments required under these operating leases:

Years ending September 30,	
2010	$ 867,000
2011	731,000
2012	605,000
2013	604,000
2014	590,000
Thereafter	4,044,000
	$ 7,441,000

Rent expense for the years ended September 30, 2009 and 2008 totaled $1,093,475 and $952,795, respectively.

NOTE 13 - FINANCIAL INSTRUMENTS

Certain assets are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

OC's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1 -** Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2 -** Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- **Level 3 -** Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the OC uses to measure different financial assets at fair value.

Investments

Investments include money market accounts, equity securities, mutual funds, real estate investment trusts, alternative investments, mortgage-backed securities, and state and local government obligations.

In general, and where applicable, OC uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to Level 1 investments as scheduled below. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then OC uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist of state and local government obligations. OC's Level 3 asset is an investment in a hedge fund. OC values the Level 3 investment using internally-developed valuation models, whose inputs include interest rate curves, credit spreads, stock prices, and volatilities. Unobservable inputs used in these models are significant to the fair value of the investment.

Charitable remainder trust agreements

Charitable remainder trust agreements, which are irrevocable, are administered by a trustee or fiscal agent. Distributions are to be made to OC the donor's designee during the terms of the agreements. At the end of the terms, a portion of the remaining trust assets, as defined in the trust agreements are to be distributed to OC. The expected future cash inflows from the trusts are based on the fair value of the investments, future expected investment returns, and the life expectancy of the donor or donors designee and have been recorded at present value based on a discount rate in the range of 3.4% to 5.8%. The value of these trusts is based on unobservable inputs and OC's own assumptions and is therefore classified within Level 3.

Assets measured at fair value on a recurring basis are summarized below:

	As of September 30, 2009			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market accounts	$ 1,237,051	$ 1,237,051	$ 0	$ 0
Equity securities	5,783,028	5,783,028	0	0
Mutual funds	3,947,911	3,947,911	0	0
Real estate investment trusts	472,120	472,120	0	0
Alternative investments	96,123	0	0	96,123
Mortgage-backed securities	149,958	149,958	0	0
State and local government obligations	67,098	0	67,098	0
Total investments	11,753,289	11,590,068	67,098	96,123
Charitable remainder trusts receivable	563,123	0	0	563,123
Total assets at fair value	$ 12,316,412	$ 11,590,068	$ 67,098	$ 659,246

A roll forward of the fair value measurements using unobservable inputs (Level 3) for the year ended September 30, 2009 is as follows:

	Alternative Investments	Charitable Remainder Trusts
Beginning balance, September 30, 2008	$ 968,237	$ 616,059
Total realized and unrealized losses	(7,011)	0
Purchases, issuances, and settlements	(865,103)	0
Change in value in split-interest agreements	0	(52,936)
Ending balance, September 30, 2009	$ 96,123	$ 563,123

NOTE 14 - SELF-FUNDED INSURANCE PLAN

OC has a self-funded insurance plan (the Insurance Plan) for medical, dental and disability insurance available to all employees scheduled to work 30 or more hours per week that includes coinsurance to minimize OC's annual financial risk. The maximum amount of medical claims that will be paid during the Insurance Plan's calendar year is $25,000 per employee and $500,000 for OC as a whole. The total expense for the years ended September 30, 2009 and 2008 of $765,864 and $542,766, respectively, includes claims of $450,651 and $257,887, respectively, and premiums and administrative fees of $315,213 and $284,879, respectively. As of September 30, 2009 and 2008, the accrued liability for incurred but not reported claims was $105,277 and $75,736, respectively.

NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN

OC has a defined contribution pension plan (the Pension Plan) that covers all eligible employees of OC who are at least age 18, have completed one year of service and have worked 1,000 hours or more in the preceding 12 month period. Contributions to the Pension Plan, as determined by OC's Board, are 6% of qualifying compensation of the participants. OC recorded contributions to the Pension Plan of $264,854 and $166,515 for the years ended September 30, 2009 and 2008, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

During the years ended September 30, 2009 and 2008, OC recorded contributions from board members totaling $501,354 and $362,866, respectively.

NOTE 17 – ACCOUNTING CHANGE AND ERROR CORRECTIONS

As explained in Note 10, OC adopted the provisions of authoritative guidance regarding endowments and related activities, which resulted in changes to the previously reported net assets balances as of September 30, 2008 and 2007.

Permanently restricted, temporarily restricted and unrestricted board-designated net assets at September 30, 2008 and 2007, as previously reported, have also been adjusted to correct errors related to the method of revenue recognition for bequest contributions and a charitable remainder trust contribution.

The restatement of the September 30, 2008 opening net asset balances occurred because OC determined that certain bequest contributions totaling $250,286 should have been recognized as of September 30, 2007 as either the donors wills had been validated or an irrevocable trust had been executed as of that date and the proceeds were measurable. In addition, OC discovered an unrecorded interest in a charitable remainder trust with an estimated value of $365,125 as of September 30, 2007. OC also determined that another charitable remainder trust valued at $281,041 as of September 30, 2007 that should have been included in temporarily restricted net assets was improperly classified as unrestricted board-designated net assets as of September 30, 2007, and gifts to OC's permanent endowment totaling $42,775 that should have been included in permanently restricted net assets were improperly classified as unrestricted board-designated net assets as of September 30, 2007.

The restatement of the September 30, 2008 consolidated financial statements occurred because OC determined that certain bequest contributions totaling $146,741 that should have been recorded as temporarily restricted contributions were improperly unrecorded, as the related cash receipts had not yet been received. In addition, the 2007 unrecorded interest in the charitable remainder trust decreased in value by $30,107 and this change in value should have been recorded as a reduction of temporarily restricted revenue in 2008.

The impact of the accounting change and errors on the previously reported unrestricted board-designated, temporarily restricted and permanently restricted net assets at September 30, 2007 is as follows:

	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted
Net assets, September 30, 2007 - as previously reported	$ 8,688,251	$ 4,663,783	$ 1,549,395
Restatement	(323,816)	896,452	42,775
Adoption of new accounting standard (Note 10)	(792,320)	792,320	0
Net assets, September 30, 2007 - as restated	$ 7,572,115	$ 6,352,555	$ 1,592,170

The impact of the accounting change and errors on the previously reported unrestricted and temporarily restricted net assets at September 30, 2008 and the previously reported change in unrestricted, temporarily and permanently restricted net assets for the year ended September 30, 2008 is as follows:

	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted
Change in net assets - as previously reported	$ (4,931,784)	$ 4,086,345	$ 0
Restatement	0	116,634	0
Adoption of new accounting standard	408,995	(408,995)	0
Change in net assets - as restated	$ (4,522,789)	$ 3,793,984	$ 0
Net assets, September 30, 2008 - as previously reported	$ 3,756,467	$ 8,750,128	$ 1,549,395
Restatement - September 30, 2007	(323,816)	896,452	42,775
Restatement - year ended September 30, 2008	0	116,634	0
Adoption of new accounting standard (Note 10)	(383,325)	383,325	0
Net assets, September 30, 2008 - as restated	$ 3,049,326	$ 10,146,539	$ 1,592,170

The impact of these errors on the previously reported balances of other accounts is as follows as of and for the year ended September 30, 2008:

	Bequests Receivable	Charitable Remainder Trusts Receivable	Contributions, Grants and Bequests Revenue
Balance, as previously reported	$ 0	$ 281,041	$ 18,173,909
Restatement	397,027	335,018	116,634
Balance, as restated	$ 397,027	$ 616,059	$ 18,290,543