

**THE OCEAN FOUNDATION
FINANCIAL STATEMENTS**

JUNE 30, 2010

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

THE OCEAN FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2010

THE OCEAN FOUNDATION

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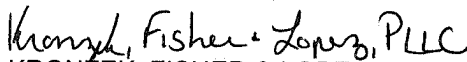
INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Ocean Foundation
Washington, DC

We have audited the accompanying statement of financial position of The Ocean Foundation (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of The Ocean Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ocean Foundation as of June 30, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

November 19, 2010

THE OCEAN FOUNDATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 959,368
Grants and accounts receivable	3,013,144
Prepaid expenses	126,148
	<hr/>
	4,098,660

PROPERTY AND EQUIPMENT

Equipment and software	55,243
Furniture and fixtures	2,041
	<hr/>
	57,284
Less: accumulated depreciation	43,158
	<hr/>
	14,126

TOTAL ASSETS \$ 4,112,786

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$ 72,781
	<hr/>

TOTAL LIABILITIES 72,781

NET ASSETS

Unrestricted - Non Designated	(108,615)	
- Board Designated	1,088,629	980,014
Temporarily Restricted		<hr/>
		3,059,991

TOTAL NET ASSETS 4,040,005

TOTAL LIABILITIES AND NET ASSETS \$ 4,112,786

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Grants & contributions	\$ 177,598	\$ 5,496,266	\$ 5,673,864
Program service revenue	157,179	-	157,179
Interest income	11,682	-	11,682
Net realized gain on sale of donated security	793	-	793
	<u>347,252</u>	<u>5,496,266</u>	<u>5,843,518</u>
Net assets released from restriction:			
Satisfaction of program restrictions	4,168,624	(4,168,624)	-
Total revenue & support	<u>4,515,876</u>	<u>1,327,642</u>	<u>5,843,518</u>
EXPENSES			
Program Services			
Protecting Marine Habitats	564,657	-	564,657
Protecting Species of Concern	1,367,587	-	1,367,587
Ocean literacy	1,086,828	-	1,086,828
Building Marine Community Capacity	956,395	-	956,395
Total program expenses	<u>3,975,467</u>	<u>-</u>	<u>3,975,467</u>
Support Services			
Management & general	510,701	-	510,701
Fundraising	62,600	-	62,600
Total support expenses	<u>573,301</u>	<u>-</u>	<u>573,301</u>
Total expenses	<u>4,548,768</u>	<u>-</u>	<u>4,548,768</u>
CHANGE IN NET ASSETS (DEFICIT)	(32,892)	1,327,642	1,294,750
Pro Peninsula merger (See Note 3)	5,695	411,615	417,310
Beginning net assets	<u>1,007,211</u>	<u>1,320,734</u>	<u>2,327,945</u>
Ending net assets	<u>\$ 980,014</u>	<u>\$ 3,059,991</u>	<u>\$ 4,040,005</u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Protecting Marine Habitats	Protecting Species of Concern	Expanding Ocean Literacy	Building Marine Community Capacity	Total Program	Management & General	Fundraising	Total Expenses
Grants awarded	\$ 197,861	\$ 688,420	\$ 99,339	\$ 540,527	\$ 1,526,147	\$ 10,253	\$ 56	\$ 1,536,456
Salaries & wages	65,344	55,763	213,665	261,349	596,121	288,671	24,811	909,603
Payroll taxes	4,454	3,617	16,778	21,813	46,662	16,398	1,471	64,531
Employee benefits	7,804	5,016	30,095	40,153	83,068	35,127	3,114	121,309
Training & development	496	1,319	772	1,536	4,123	1,635	39	5,797
Travel & carbon offsets	64,881	38,178	120,442	8,518	232,019	14,395	9,032	255,446
Conferences & meetings	26,770	50,342	37,300	5,123	119,535	5,521	5,731	130,787
Project & field expenses	10,421	97,900	110,187	754	219,262	25	1	219,288
Educational merchandise	-	1,665	369	-	2,034	-	-	2,034
Scientific & technical consultants	55,469	130,662	15,166	125	201,422	-	-	201,422
Research & advocacy fees	782	7,515	16,745	2,274	27,316	1,813	61	29,190
Communications & design fees	4,735	2,904	99,037	2,773	109,449	-	-	109,449
Web hosting, design & maint	6,790	9,147	41,248	9,685	66,870	5,961	5,347	78,178
Program mgt & support fees	93,766	193,914	203,790	889	492,359	-	-	492,359
Legal fees	6,276	8,854	7,646	11,054	33,830	15,530	267	49,627
Accounting & bookkeeping svcs	209	209	209	3,038	3,665	51,662	209	55,536
Insurance	1,740	4,521	9,890	5,284	21,435	10,145	136	31,716
Office expenses, supplies, equip	1,257	4,785	9,553	2,710	18,305	1,603	18	19,926
Occupancy	8,633	50,880	28,998	26,714	115,225	36,300	7,250	158,775
Telephone & Internet	5,290	932	5,401	4,902	16,525	3,663	244	20,432
Printing & duplicating	308	3,405	6,264	1,767	11,744	919	261	12,924
Postage & delivery	551	2,121	4,945	1,743	9,360	469	30	9,859
Dues, books & subscriptions	267	3,682	4,031	922	8,902	2,856	638	12,396
Bank & donation processing fees	543	1,559	1,167	2,003	5,272	1,315	6	6,593
Depreciation	-	-	653	-	653	5,536	3,877	10,066
Advertising	-	250	3,120	358	3,728	-	-	3,728
Licenses, taxes & fees	10	27	16	383	436	904	1	1,341
	<u>\$ 564,657</u>	<u>\$ 1,367,587</u>	<u>\$ 1,086,826</u>	<u>\$ 956,397</u>	<u>\$ 3,975,467</u>	<u>\$ 510,701</u>	<u>\$ 62,600</u>	<u>\$ 4,548,768</u>

See accompanying notes to financial statements

THE OCEAN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from grants & contributions	\$ 3,966,032
Cash received from program service revenue	157,179
Interest received	11,682
Cash paid to employees, contractors and vendors	<u>(4,630,650)</u>
Net cash used by operating activities	(495,757)
Cash flows from investing activities:	
Cash acquired in merger with Pro Peninsula	131,357
Net realized gain on sale of donated stock	793
Acquisition of equipment	<u>(8,330)</u>
Net cash provided by investing activities	<u>123,820</u>
Net decrease in cash and cash equivalents	(371,937)
Cash and cash equivalents - July 1, 2009	<u>1,331,305</u>
Cash and cash equivalents - June 30, 2010	<u><u>\$ 959,368</u></u>
Reconciliation of increase in net assets to net cash used by operating activities:	
Change in net assets	\$ 1,294,750
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Net realized gain on sale of donated stock	(793)
Depreciation	10,066
Changes in assets and liabilities:	
Increase in receivables	(1,707,832)
Increase in prepaid expenses	(114,569)
Increase in accounts payable & accrued expenses	<u>22,621</u>
Net cash used by operating activities	<u><u>\$ (495,757)</u></u>

See accompanying notes to financial statements.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION

The Ocean Foundation is a non-profit organization, incorporated in California in 2001 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(A)(vi).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standard – Effective July 1, 2009, the organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification*. The FASB 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.

Basis of accounting - The financial statements of the organization have been prepared on the accrual basis of accounting.

Revenue Recognition - Grants and contributions are recognized when the grant or contribution has been awarded. Restricted revenue is classified in the temporarily restricted fund until the provisions of the restriction are satisfied. Unrestricted grants & contributions are recognized in the unrestricted fund when awarded.

Cash and Cash Equivalents – The organization considers cash equivalents to be highly liquid investments with original maturities at time of purchase of less than 90 days.

Furniture, Equipment & Software – Furniture, Equipment & Software is recorded at cost of acquisition or fair market value of donation. Depreciation on such fixed assets is determined by the straight-line method based on an estimated useful life of three to seven years.

Functional expenses - The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, insurance, etc).

Fair Value of Financial Instruments - The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 6 for a description of financial instruments carried at fair value.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 3 – MERGER

On August 13, 2009 the organization entered into an agreement with Pro Peninsula, a San Diego, CA based exempt organization to merge the two organizations. The effective date of the merger was September 3, 2009. The merged organization will continue as The Ocean Foundation and all net assets and activities of Pro Peninsula became part of The Ocean Foundation. Pro Peninsula continues as a fund of The Ocean Foundation. Net assets acquired as of September 3, 2009 were as follows –

Cash	\$131,357
Receivables	280,258
Net fixed assets	<u>5,695</u>

Total change to The Ocean Foundation net assets from merger \$417,310

The Ocean Foundation also inherited some nominal liabilities from Pro Peninsula, which were not separately accounted for, as well as taking over commitments and contingencies such as the Pro Peninsula office space lease. (See Note 4)

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The organization subleases office space located at 1990 M Street, NW, Suite 250, Washington DC under a seven-year lease effective June 1, 2007 and expiring May 31, 2014. Effective September 1, 2010, the organization entered an agreement to amend its sublease to increase its office space to 1,566 square feet. Monthly base rent payments under the amended sublease are \$5,411, provided however, that the amount of the monthly base rent shall automatically increase by 2.5% on each anniversary of the commencement date of the sublease.

Effective September 10, 2009, the organization entered into an amended lease agreement for additional office space consisting of approximately 981 square feet located at 710 13th Street, Suite 201, San Diego, CA. The original lease was held by Pro Peninsula, who occupied space in the building, prior to the merger. Monthly base rent payments are \$1,177 through August 31, 2010 and \$1,213 through May 31, 2011.

NOTE 5 – TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

The organization's purpose is to encourage and facilitate a variety of philanthropic and programmatic work to preserve the health of the Oceans, globally. To further this goal, the organization manages a variety of funds some of which actively conduct programs and some of which raise and grant money to further various important Ocean conservation goals.

The organization designates its Net Assets in three categories: Temporarily Restricted, Unrestricted - Board Designated, and Unrestricted. The organization has no permanently restricted net assets.

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

It uses the category of "Unrestricted - Board Designated" for two types of situations. In the first type of situation, a fund will generate program service revenue, which, as earned income rather than support, is not restricted, but the Board has designated that funds may keep their revenues, and therefore that part of a fund's balance is characterized as Unrestricted - Board Designated. In the second situation, the organization has a donor advised fund which has goals which are as broad as the world's Oceans, identical to the exempt purpose of the organization itself. However, since a key strategy in encouraging philanthropic support for the Oceans is to nurture and develop various types of funds including donor advised funds, the organization has designated the broad donor advised fund's net assets as "Unrestricted - Board Designated."

Temporarily Restricted and Unrestricted – Board Designated Net Assets are available for the following purposes:

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Protecting Marine Habitats</u>			
Seagrass	\$ 15,780	\$ -	\$ 15,780
Coral Reef	-	46,838	46,838
Arctic	32,855	-	32,855
Coast & Beaches	2,374	-	2,374
Cuba Marine Rsrch & Cons	27,591	-	27,591
LSIESP	82,581	-	82,581
Lateral Line	15,188	-	15,188
Weird & Wild in the Sea	585	-	585
Surfers Without Borders	2,559	-	2,559
Friends of GA Strait Alliance	162	-	162
Guanaja Mangrove Restortn	4,500	-	4,500
Blue Cloud Spatial	90,000	-	90,000
Gulf Restoration Fund	36,000	-	36,000
Coastal CODE DAF	8,627	-	8,627
W. Henry Coral Reef DAF	<u>91,253</u>	<u>-</u>	<u>91,253</u>
Sub-total Protecting Marine Habitats	\$410,055	\$46,838	\$456,893
 <u>Protecting Species of Concern</u>			
Sea Turtle	\$ 1,001	\$ -	\$ 1,001
Tag-A-Giant	247,805	793	248,598
Ocean Consv Rsrch	14,868	-	14,868
Aves Marinas	25,846	-	25,846
Eastern Pacific Hawksbill Init	-	35,974	35,974
Shark Advocates Int'l	7,532	3,500	11,032
ProCaguama	218,989	233,612	452,601
Sonar and Whales	87,216	-	87,216

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

	<u>Temporarily Restricted Purpose</u>	<u>Unrestricted Board Designated</u>	<u>Fund Total</u>
<u>Protecting Species of Concern</u>			
Striper Wars	3,773	-	3,773
Friends of La Tortuga Feliz	605	-	605
Friends of Grupo Tortuguero	50,488	26,850	77,338
Baja Loggerhead Mortality	50,883	-	50,883
PLF Marine Mammal Rsrch DAF	162,930	-	162,930
ISSF Sea Turtle	90,000	-	90,000
Boyd N. Lyon Sea Turtle	<u>47,360</u>	<u>-</u>	<u>47,360</u>
Sub-total Protecting Species of Concern	\$1,009,296	\$300,729	\$1,310,025
<u>Bldg Marine Comm Capacity</u>			
Pro Peninsula	\$ 33,176	\$ 3,540	\$ 36,716
Marine Ecosystems Service Plan	14,857	-	14,857
National Ocean Policy Fund	32,311	-	32,311
Anonymous	-	693,867	693,867
Loreto Bay – Casa Hogar	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Sub-total Bldg Marine Comm Capacity	\$ 81,769	\$697,407	\$779,176
<u>Expanding Ocean Literacy</u>			
Atlantic Salmon-Lost at Sea	\$ 12,751	\$ -	\$ 12,751
Ocean Doctor	5,827	-	5,827
Blue Legacy	1,023,159	-	1,023,159
Deep Ecology Resources	300	-	300
Eye of the Whale	12,327	-	12,327
Deep Surface	-	22	22
Oceans are Talking	7,762	779	8,541
The Ocean Project - General	57,742	-	57,742
The Ocean Project – Opinion Resch	26,589	-	26,589
Ocean Connectors	-	42,854	42,854
Ocean Revolution	85,672	-	85,672
LivBlue	19,982	-	19,982
SEEtHeWILD	17,955	-	17,955
SEE Turtles	22,051	-	22,051
Baja Capacity Bldg	18,864	-	18,864
The Last Ocean Project	238,815	-	238,815
The Science Exchange	<u>9,075</u>	<u>-</u>	<u>9,075</u>
Sub-total Expanding Ocean Literacy	<u>\$1,558,871</u>	<u>\$ 43,655</u>	<u>\$1,602,526</u>
Total Net Assets	<u>\$3,059,991</u>	<u>\$1,088,629</u>	<u>\$4,148,620</u>

THE OCEAN FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

Net assets were released from donor restrictions by incurring expenses or satisfying the purpose of time restriction specified by donors as shown below. In the case of the Anonymous Donor Advised Fund, the amount shown as released includes the reclassification of the fund from Temporarily Restricted to Unrestricted – Board Designated based on the broad purposes discussed above.

<u>Protecting Marine Habitats</u>	
Seagrass FIF-Gen	\$ 25,590
Seagrass GEMF	9,220
Coral Reef	76,856
Arctic	38,142
Coast & Beaches	5,444
Cuba Marine Rsrch & Cons	148,575
LSIESP	88,619
Lateral Line	3,900
Weird & Wild in the Sea	65
Surfers Without Borders	(942)
Friends of GA Strait Alliance	18
Guanaja Mangrove Restortn	500
Blue Cloud Spatial	10,000
Gulf Restoration Fund	4,000
Coastal CODE DAF	30,586
W. Henry Coral Reef	<u>7,000</u>
Sub-total Protecting Marine Habitats	\$ 447,573
<u>Protecting Species of Concern</u>	
Marine Mammal	\$ 1,375
Sea Turtle	1,566
Tag-A-Giant	244,679
Ocean Consv Rsrch	48,492
Aves Marinas	34,504
Eastern Pacific Hawksbill Init	36,850
Shark Advocates Int'l	1,560
ProCaguama	307,849
Sonar and Whales	1,000
Striper Wars	1,375
Friends of La Tortuga Feliz	34,018
Friends of Grupo Tortuguero	75,749
Baja Loggerhead Mortality	15,667
PLF Marine Mammal Rsrch DAF	639,829
ISSF Sea Turtle	10,000
Boyd N. Lyon Sea Turtle	<u>2,225</u>
Sub-total Protecting Species of Concern	\$1,456,738

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

<u>Bldg Marine Comm Capacity</u>	
World Ocean	\$ 533,958
Pro Peninsula	212,957
COVC	57,566
Marine Ecosystems Service Plan	148
National Ocean Policy Fund – GEN	38,689
Kendall Fund	45,000
JSCK DAF	100,000
St. Kitts Foundation	<u>4,341</u>
Sub-total Bldg Marine Comm Capacity	\$ 992,659
<u>Expanding Ocean Literacy</u>	
Atlantic Salmon-Lost at Sea	\$ 31,249
Blue Climate Solutions	26,501
1 Planet 1 Ocean	2,647
Ocean Doctor	19,029
Blue Legacy	481,358
Deep Ecology Resources	3,700
Eye of the Whale	12,673
Deep Surface	4,728
Oceans are Talking	28,878
The Ocean Project - GEN	99,860
The Ocean Project – Opin Rsrch	84,215
Ocean Connectors	69,422
Ocean Revolution	116,381
LivBlue	5,759
Ocean Revolution – Other	2,028
SEetheWILD - GEN	12,045
SEE Turtles	128,544
Baa Capacity Bldg	27,111
The Last Ocean Project	56,185
The Science Exchange	1,008
Vertebrates' Conceit Fund	10,000
Friends of Sinades	<u>4,200</u>
Sub-total Expanding Ocean Literacy	\$1,227,521
<u>Expanding Ocean Literacy</u>	
Conservation Tourism	\$ 12,712
Alaska Cons Sols	31,282
Mexiconservacion	<u>139</u>
Sub-total Expanding Ocean Literacy	<u>\$ 44,133</u>
Total Purpose Restricted Net Assets Released and Reclassified	<u>\$4,168,624</u>

THE OCEAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 6 – FAIR VALUE MEASUREMENTS

The organization adopted FASB ASC 820-10 (formerly SFAS No. 157, Fair Value Measurements for financial assets (and liabilities) measured on a recurring basis, as amended. FASB ASC 820-10 clarifies fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, through corroboration with observable market data (market corroborated inputs).

Level 3 – unobservable inputs for the asset or liability including inputs that reflect the reporting entity's own assumptions in determining the fair value measurements.

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

Assets Measured at Fair Value

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical (Level 1)</u>
Money Market Fund	\$10,019	\$10,019

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value.

Market Fund – is valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Money Market Funds seek a stable \$1.00 net asset value. The net asset value is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

THE OCEAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 7 – CONCENTRATION OF CREDIT RISK

The organization maintains cash balances in excess of \$250,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the organization's cash balance in excess of FDIC insurance totaled \$653,121.

NOTE 8 – RETIREMENT PLAN

The Organization offers eligible employees the option of investing in a tax-deferred 401(k) retirement plan. Employee elective deferrals are allowed after one year of service. The Organization will contribute, at its sole discretion, an amount determined from year to year on a pro rata basis. The employer contributions vest over a five year period. Pension expense for the fiscal year ended June 30, 2010 was \$51,949.

NOTE 9 – INCOME TAXES

The organization is exempt from income taxes under Internal Revenue Code 501 (c) (3) and applicable DC statutes. No provision for income taxes is required at June 30, 2010, as the Organization had no net unrelated business income.

Effective July 1, 2009, the Organization adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC 740-10, 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 June 30, 2010, and determined that there were no matters that would require recognition in the financial statements or which may have any affect on its tax-exempt status. As of June 30, 2010, the statute of limitations for tax years 2006 through 2008 remains open with federal and DC authorities.

NOTE 10 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through November 19, 2010, the date the financial statements were available to be issued. There were no subsequent events identified through November 19, 2010, required to be disclosed in these financial statements.