



BUCHBINDER TUNICK & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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September 1, 2010

██████████, President
American Maritime Officers
2 West Dixie Highway
Dania Beach, FL 33004

Re: **Audited Financial Statements for the fiscal years ended
March 31, 2010 and 2009**

Dear Mr. ██████████:

Attached is your copy of the financial statements of American Maritime Officers (AMO) for the fiscal years ended March 31, 2010 and 2009. As per your request, I have addressed the following as it relates to the statements:

1. Differences between the information on the Form LM-2 and the audited financial statements.
2. Analysis of revenue for the fiscal years ended March 31, 2010 and 2009.
3. Analysis of expenses for the fiscal years ended March 31, 2010 and 2009.
4. Analysis of other revenues and expenses for the fiscal years ended March 31, 2010 and 2009.
5. Analysis of Statements of Financial Position as of March 31, 2010 and 2009.

Differences between the LM and the Financial Statements

When reading the financial statements, please remember that the federal Form LM-2 that AMO filed with the Department of Labor requires that revenue “*must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.*” The financial statements are prepared on the accrual basis of accounting which complies with accounting principles generally accepted in the United States of America (GAAP). Therefore revenue is recognized when earned versus when received and expenses are recorded when incurred regardless of when they are paid.

Analysis of Revenue for the Fiscal Years Ended March 31, 2010 and 2009

Total revenue earned by AMO increased by approximately \$1 million (10% increase) from the 2008-2009 year to the 2009-2010 year (*Statement of Activities - Page 4*). The composition of the increase is stated below:

- Revenue from dues and initiations increased approximately \$190,000 (4% increase) from the 2008-2009 to 2009-2010.
- Employment office revenue, which is the reimbursement by AMO Joint Employment Committee for expenses associated with functions of the employment office, increased by over \$805,000.



Analysis of Expenses for the Fiscal Years Ended March 31, 2010 and 2009

Total expenses decreased by \$1.7 million. The detail for the expenses is itemized on page 16 - *Schedules of Expenses*.

- **Legal costs** associated with AMO's defense in various litigation matters is included in the \$1.9 million incurred during 2008-2009. With the completion of these matters, legal expenses during 2009-2010 decreased to \$395,353, resulting in a saving of \$1.5 million. Included in the 2009-2010 amount is one-time services rendered by legal counsel for its representation in connection with the Department of Labor's I-CAP audit.
- **Travel and meeting** expenses decreased by approximately \$312,000 from 2008-2009, a drop of approximately 30%.
- **Auditing fees** paid to Buchbinder Tunick & Company LLP decreased by approximately \$55,000 because the firm incurred time and expenses associated with the litigation referred to above.
- **Payroll** decreased by approximately \$100,000.
- In addition several general overhead items decreased between the two years. These included the following:
 - **Telephone** - \$20,000
 - **Insurance** - \$15,000
 - **Overhead expenses** charged by the AMO Plans - \$21,000

Certain expenses increased for the year. These included the following:

- **Rent and occupancy** – The increase of almost \$300,000 was the result of the sale of the Florida property and therefore there was less rental income to offset the expenses incurred.
- **Data processing** – Computer and software costs increased by approximately \$328,000, however, the majority of these costs were directly reimbursed by the AMO Joint Employment Committee as part of the calculation of the employment office expenses.
- **Office expense** increased by almost \$60,000 due to an increase in printing and stationary costs.

Analysis of Other Revenues and Expenses for the Fiscal Years Ended March 31, 2010 and 2009

- **Net investment income** was approximately \$1.3 million for the 2009-2010 fiscal year and a loss of approximately \$800,000 for the 2008-2009 fiscal year.
- **Net income in equity of subsidiaries** increased to \$9,161,834 in 2009-2010 from \$257,338. The current year income included a gain of approximately \$9.7 million from the sale of the properties owned by the AMO Building Corporation of Florida and the AMO Building Corporation.
- **Arbitration awards and restitution** income of \$1,250,000 during the 2008-2009 fiscal year was the amount received from District 1-MEBA.

Analysis of the Statements of Financial Position as of March 31, 2010 and 2009– Page 3

- ***Cash and investments at fair value*** increased by just under \$7.9 million from March 31, 2009 with the receipt of the cash from the sale of the properties by the respective building corporations.
- ***Current liabilities*** dropped from \$1.7 million on March 31, 2009 to just \$318,000 a year later.

If you have any questions regarding the letter, please give us a call.

Very truly yours,


Buchbinder Tunick & Company LLP

**AMERICAN MARITIME OFFICERS
Financial Statements
and
Supplemental Schedules**

**For the Years Ended
March 31, 2010 and 2009**

AMERICAN MARITIME OFFICERS
Financial Statements and Supplemental Schedules
For the Years Ended March 31, 2010 and 2009

INDEX

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 15
Supplemental Schedules	
Schedules of Expenses	16



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INDEPENDENT AUDITOR'S REPORT

To the National Executive Board of American Maritime Officers

We have audited the accompanying statements of financial position of American Maritime Officers ("AMO") as of March 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of AMO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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.

As discussed in Notes 2 and 8 to the financial statements, AMO reports its investment in four wholly-owned subsidiaries on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If generally accepted accounting principles had been followed, assets and liabilities would have increased by \$606,593 and \$263,495 as of March 31, 2010 and 2009, respectively. There would be no effect to the change in net assets for the years ended March 31, 2010 and 2009.

As discussed in Note 8 to the financial statements, one of the subsidiaries has valued property and equipment at cost net of accumulated depreciation; however, events indicate that the carrying value of these assets may not be recoverable. In our opinion, accounting principles generally accepted in the United States of America require that if the carrying value of the property and equipment is not recoverable and the carrying value exceeds the fair value, an impairment loss is recognized. The effect on the financial statements of the preceding practice is not reasonably determinable.

In our opinion, except for the effects of not consolidating all wholly-owned subsidiaries and not reflecting an impairment loss, for the assets held by the subsidiary as discussed in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of American Maritime Officers as of March 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules on page 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the effects of not consolidating all wholly-owned subsidiaries and not reflecting an impairment loss for the assets held by the subsidiary as explained in the preceding paragraphs, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

Rockville, Maryland
September 1, 2010

AMERICAN MARITIME OFFICERS
Statements of Financial Position
March 31, 2010 and 2009

	2010	2009
Current assets:		
Cash and cash equivalents	\$ 1,241,235	\$ 460,249
Dues and initiations receivable	107,101	28,055
Interest and dividends receivable	41,611	22,719
Due from broker	-	700
Due from AMO Joint Employment Committee	177,905	-
Due from related organizations and other receivables, net	58,778	91,758
Prepaid expenses	214,273	251,857
Total current assets	1,840,903	855,338
Net property assets	324,583	364,866
Other assets:		
Investments at fair value	10,599,095	3,476,177
Equity in net assets of and advances to subsidiaries	8,665,730	8,310,044
Total other assets	19,264,825	11,786,221
Total assets	\$ 21,430,311	\$ 13,006,425
Current liabilities:		
Accounts payable and accrued expenses	\$ 289,008	\$ 1,280,376
Deferred income	-	177,364
Due to broker	1,671	-
Due to related organizations	26,985	242,921
Total current liabilities	317,664	1,700,661
Unrestricted net assets	21,112,647	11,305,764
Total liabilities and net assets	\$ 21,430,311	\$ 13,006,425

See notes to financial statements.

AMERICAN MARITIME OFFICERS
Statements of Activities
For the Years Ended March 31, 2010 and 2009

	2010	2009
Revenue:		
Dues and Initiations	\$ 4,488,061	\$ 4,297,145
Employment office	6,317,892	5,511,928
Total revenue	10,805,953	9,809,073
Expenses:		
Program services:		
Membership services	7,464,520	7,525,697
Supporting activities:		
Administrative	4,759,522	6,402,955
Total expenses	12,224,042	13,928,652
Change in net assets before other revenues and (expenses)	(1,418,089)	(4,119,579)
Other revenues and (expenses):		
Rental operations of subsidiary	-	302,104
Reimbursed expenses from related entities	688,270	579,067
Recovery of bad debts - D2A	36,361	53,498
Bad debts	-	(3,883)
Arbitration awards and restitution	-	1,250,000
Net investment income (loss)	1,338,014	(804,497)
Net income in equity of subsidiaries	9,161,834	257,338
Other	493	1,357
Total other revenues and (expenses), net	11,224,972	1,634,984
Change in net assets	9,806,883	(2,484,595)
Unrestricted net assets:		
Beginning of year	11,305,764	13,790,359
End of year	\$ 21,112,647	\$ 11,305,764

See notes to financial statements.

AMERICAN MARITIME OFFICERS
Statements of Cash Flows
For the Years Ended March 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 9,806,883	\$ (2,484,595)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized (appreciation) depreciation in fair value	(1,173,136)	925,042
Loss of disposal/sale of assets	1,631	4,245
Depreciation	230,394	265,309
Recovery of bad debts	(36,361)	(53,498)
Bad debts	-	3,883
Net (income) in equity of subsidiaries	(9,161,834)	(257,338)
Occupancy charge from subsidiary	287,848	114,114
Rental operations of subsidiary	-	(302,104)
(Increase) decrease in operating assets:		
Dues and initiations receivable	(79,046)	45,187
Interest and dividends receivable	(18,892)	6,197
Due from AMO Joint Employment Committee	(177,905)	690,976
Due from broker	700	(700)
Due from related organizations and other receivables	69,341	457,777
Prepaid expenses	37,584	(45,116)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(991,368)	685,553
Deferred income	(177,364)	177,364
Due to broker	1,671	(5,227)
Due to related organizations	(215,936)	216,878
Net cash (used in) provided by operating activities	(1,595,790)	443,947
Cash flows from investing activities:		
Proceeds from sale of investments	4,727,605	5,239,276
(Purchase) of investments	(10,677,387)	(5,208,321)
(Purchase) of property assets	(191,742)	(158,594)
(Advances) to subsidiaries	(2,951,966)	(1,870,953)
Repayments by subsidiaries	11,470,266	1,188,413
Net cash provided by (used in) investing activities	2,376,776	(810,179)
Net increase (decrease) in cash and cash equivalents	780,986	(366,232)
Cash and cash equivalents, beginning of period	460,249	826,481
Cash and cash equivalents, end of period	\$ 1,241,235	\$ 460,249

See notes to financial statements

AMERICAN MARITIME OFFICERS
Notes to Financial Statements
March 31, 2010 and 2009

Note 1- Organization

American Maritime Officers ("AMO" or "Union") is a national membership organization engaged in organizing and representing employees in the maritime industry. It also operates and maintains an employment office on behalf of various maritime companies. AMO is affiliated with Seafarers International Union of N.A., AFL-CIO.

Operating revenues are predominantly derived from dues received from members located throughout the United States and from the maritime companies for the reimbursement of cost associated with the operation of an employment office.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

AMO has not prepared consolidated financial statements with its wholly owned subsidiaries, American Maritime Officers Building Corporation, American Maritime Officers Building Corp. of Ohio, American Maritime Officers Building Corporation of Florida and, American Maritime Officers Building Corporation of Hawaii. Accounting principles generally accepted in the United States of America require that such consolidated financial statements be prepared for majority owned subsidiaries.

The financial statements of the Union reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Union had no temporarily or permanently restricted net assets at March 31, 2010 and 2009.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Dues and Initiations

Dues and initiations are recognized at receipt or at the time of check-off.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Allowances for Doubtful Accounts

The allowances for doubtful accounts are maintained at levels which are adequate to absorb reasonable foreseeable losses based on management's evaluation of outstanding balances and current economic conditions. As of March 31, 2010 and 2009, no allowance for doubtful accounts was deemed necessary for dues and initiations receivable and an allowance of \$6,831,764 and \$6,874,653 was deemed necessary for the receivable from District 2A Transportation, Technical, Warehouse, Industrial and Service Employees Union

Investments

Investments in securities are stated at fair value as determined by quoted market prices. Changes in fair value are recognized as investment income or loss in the statement of activities.

Property Assets

Property assets are carried at cost. Repairs and maintenance, which do not materially extend the life of the asset, are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: furniture and fixtures 5 years; computers and related software 3 years; automobiles 3 years; telephone systems 5 years. Leasehold improvements are amortized over the lesser of their useful lives or the remaining period of the lease.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and money market funds.

Equity Method

AMO's investments in four wholly-owned rental real estate subsidiaries are accounted for under the equity method. Under this method, investments are carried at cost, plus or minus changes in the subsidiaries' net assets after the date of acquisition. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

Functional Classification of Expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which the organization exists. Supporting activities are all activities of an organization, other than program services.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Financial Accounting Standards Board (the "FASB") established guidance on accounting for uncertainty in income taxes. 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. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Union adopted the guidance on accounting for uncertainty in income taxes during the year ended March 31, 2010 and it did not have a material impact on its financial statements.

The Union files an annual Form 990, *Return of Organization Exempt From Income Tax*, with the Internal Revenue Service (the "IRS"). At March 31, 2010, the Union's Form 990 for the years ended March 31, 2007 through 2010 remain eligible for examination by the IRS.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the current year's presentations.

Subsequent Events

The FASB established standards for the accounting for and disclosure of events and transactions that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The Union adopted these standards during the year ended March 31, 2010. The adoption of the subsequent events provisions did not have a material impact on the financial statements.

The Union has evaluated subsequent events and transactions through September 1, 2010, the date that the financial statements were available to be issued.

Note 3 - Concentrations of Risk

Cash Risk: Financial instruments that subject AMO to concentrations of credit risk consist of cash and cash equivalents. While AMO attempts to limit its financial exposure, its deposit balances may, at times, exceed the federally insured limits. AMO had no balances in excess of these limits.

Investment Risk: AMO invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 4 - Due from Related Organizations and Other Receivables

District 2A Transportation, Technical, Warehouse, Industrial and Service Employees Union ("D2A") is an affiliated union of AMO. Its membership is mostly comprised of employees of AMO and related entities. The receivable represents non-interest bearing operating loans to D2A. Due to the current financial position of D2A, management has set up the entire amount as an allowance for doubtful account.

The American Maritime Officers Benefit Plans ("AMO Benefit Plans") is comprised of various employee benefit plans established through collective bargaining between AMO on behalf of its membership and various contributing employers. The amount due from AMO Benefit Plans represents reimbursements for costs associated with the publication of the Union's newspaper and other shared costs.

Due from related organizations and other receivables at March 31, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
D2A	\$ 6,831,764	\$ 6,870,764
AMO Benefit Plans	47,018	66,891
Other	<u>11,760</u>	<u>28,756</u>
	6,890,542	6,966,411
Less: allowance for doubtful accounts	<u>(6,831,764)</u>	<u>(6,874,653)</u>
Due from related organizations and other receivables, net	<u>\$ 58,778</u>	<u>\$ 91,758</u>

Note 5 - Net Property Assets

Property assets, at cost, as of March 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Automobiles	\$ 274,763	\$ 274,763
Computers and related software	1,085,120	1,050,319
Furniture and fixtures	554,832	445,665
Telephone systems	106,207	96,370
Leasehold improvements	<u>147,077</u>	<u>111,935</u>
	2,167,999	1,979,052
Less: accumulated depreciation	<u>(1,843,416)</u>	<u>(1,614,186)</u>
Net property assets	<u>\$ 324,583</u>	<u>\$ 364,866</u>

Depreciation and amortization expenses for the years ended March 31, 2010 and 2009 were \$230,394 and \$265,309, respectively.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 6 - Fair Value Measurements

AMO follows the FASB's fair value measurements and disclosure accounting guidance, which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. It defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in AMO's principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.

The fair value hierarchy generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

AMO determines the fair market value of its investment in securities based on the established fair value definition and hierarchy levels. The three levels within the hierarchy that may be used to measure fair value are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities.

Judgment is required in evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification. Level 3 amounts can include assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as assets and liabilities for which the determination of fair value requires significant management judgment or estimation.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 6 - Fair Value Measurements

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of input that is a significant component of the fair value measurements determines the placement of the entire fair value measurement in the hierarchy. AMO's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels. The following tables sets forth, by level, AMO's assets that were accounted for at fair value on a recurring basis as of March 31, 2010 and 2009.

March 31, 2010	Total Fair Value	Level 1	Level 2	Level 3
Government securities:				
U.S. government	\$ 172,022	\$ 172,022	\$ -	\$ -
U.S. governmental agencies	1,592,285	-	1,592,285	-
	<u>1,764,307</u>	<u>172,022</u>	<u>1,592,285</u>	<u>-</u>
Mutual funds				
Domestic	2,829,038	2,829,038	-	-
International	957,350	957,350	-	-
	<u>3,786,388</u>	<u>3,786,388</u>	<u>-</u>	<u>-</u>
Stocks:				
Domestic	2,328,803	2,328,803	-	-
International	127,791	127,791	-	-
	<u>2,456,594</u>	<u>2,456,594</u>	<u>-</u>	<u>-</u>
Bonds:				
Domestic	2,560,000	-	2,560,000	-
International	31,806	-	31,806	-
	<u>2,591,806</u>	<u>-</u>	<u>2,591,806</u>	<u>-</u>
Total investments	<u>\$ 10,599,095</u>	<u>\$ 6,415,004</u>	<u>\$ 4,184,091</u>	<u>\$ -</u>

March 31, 2009	Total Fair Value	Level 1	Level 2	Level 3
Government securities:				
U.S. governmental agencies	\$ 518,766	\$ -	\$ 518,766	\$ -
Mutual funds				
Domestic	274,080	274,080	-	-
International	288,218	288,218	-	-
	<u>562,298</u>	<u>562,298</u>	<u>-</u>	<u>-</u>
Stocks:				
Domestic	823,633	823,633	-	-
International	83,874	83,874	-	-
	<u>907,507</u>	<u>907,507</u>	<u>-</u>	<u>-</u>
Bonds:				
Domestic	1,487,606	-	1,487,606	-
Total investments	<u>\$ 3,476,177</u>	<u>\$ 1,469,805</u>	<u>\$ 2,006,372</u>	<u>\$ -</u>

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 7 - Investments

Investment income consists of the following during the year ended March 31, 2010 and 2009:

	2010	2009
Net unrealized and realized appreciation (depreciation) of investments	\$ 1,173,136	\$ (925,040)
Interest and dividend income	210,379	146,734
	1,383,515	(778,306)
 Investment expenses	 (45,501)	 (26,191)
Net investment income (loss)	\$ 1,338,014	\$ (804,497)

Note 8 - Subsidiaries - Equity Method

AMO is the sole investor in four rental real estate corporations that own land and improvements. Three of the corporations are exempt from federal income taxes under Section 501(a) (2) of the Internal Revenue Code. The fourth, AMO Building Corporation of Hawaii, is a C Corporation.

AMO occupies certain properties owned by two of the corporations, AMO Building Corporation and AMO Building Corporation of Florida. In the event either of these two corporations incurs a net operating loss before depreciation for any fiscal year, AMO will be charged a cost for occupying the properties.

In the event any of the four corporations' activities result in a net profit before depreciation, AMO will receive a distribution of the net profit as consideration for its participation in operating the properties.

For the years ended March 31, 2010 and 2009, AMO incurred an occupancy charge from the AMO Building Corporation of \$108,468 and \$114,114, respectively.

For the year ended, March 31, 2010, AMO incurred an occupancy charge from AMO Building Corporation of Florida of \$179,380. For the year ended March 31, 2009 AMO had revenue from the rental operations of the AMO Building Corporation of Florida of \$302,104.

At March 31, 2010 and 2009, AMO's equity in net assets of and advances to the subsidiaries were as follows:

	2010	2009
AMO Building Corporation of Florida	\$ 6,114,274	\$ 6,675,803
AMO Building Corp. of Ohio	1,377,063	1,431,633
AMO Building Corporation	1,072,264	96,907
AMO Building Corporation of Hawaii	102,129	105,701
	\$ 8,665,730	\$ 8,310,044

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 8 - Subsidiaries - Equity Method (Continued)

The combined results of operations and financial position of AMO's equity basis investments as of March 31, 2010 and 2009 and the years then ended are summarized below:

	2010	2009
<u>Condensed statement of activities:</u>		
Rental revenue	\$ 845,628	\$ 1,299,355
Net income	<u>\$ 9,161,839</u>	<u>\$ 257,338</u>
<u>Condensed statement of financial position:</u>		
Assets	<u>\$ 9,272,323</u>	<u>\$ 8,573,540</u>
Liabilities	\$ 7,738,756	\$ 16,201,503
Net assets (deficit)	<u>1,533,567</u>	<u>(7,627,963)</u>
Total liabilities and net assets (deficit)	<u>\$ 9,272,323</u>	<u>\$ 8,573,540</u>

Included in net income are gains from the sale of properties of \$9,684,963 and \$868,390 for the fiscal years ended March 31, 2010 and 2009, respectively.

As discussed in Note 2, accounting principles generally accepted in the United States of America require that consolidated financial statements be prepared for majority owned subsidiaries and certain financially interrelated organizations. If generally accepted accounting principles had been followed, assets and liabilities would have increased by \$606,593 and \$263,496 as of March 31, 2010 and 2009. There would be no effect to the change in net assets for the fiscal years ended March 31, 2010 and 2009, respectively.

The Union is required to review their properties for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. As of March 31, 2010, American Maritime Officers Building Corp. of Ohio has valued property and equipment at cost net of accumulated depreciation; however, events indicate the carrying value of these assets may not be recoverable.

Accounting principles generally accepted in the United States of America require that if the carrying value of the property and equipment is not recoverable and the carrying value exceeds the fair value, an impairment loss is recognized. The effects on the financial statements of the preceding practice are not reasonably determinable.

Note 9 - Employment Office - AMO Joint Employment Committee

The American Maritime Officers Joint Employment Committee ("JEC") was established in accordance with a memorandum of understanding between various employers having collective bargaining agreements with AMO. The JEC is a labor-management committee within the meaning of Section 302(c)(9) of the Labor Management Relations Act.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 9 - Employment Office - AMO Joint Employment Committee (Continued)

The purpose of the JEC is to (a) match qualified and licensed maritime officers and other seagoing personnel with employers seeking such officers and other seagoing personnel; (b) improve job security of AMO members by communicating job requirements and job opportunities; (c) improve the efficient operations of the employer's vessels by ensuring a steady supply of qualified, licensed maritime officers and other seagoing personnel; (d) expand and improve communications and working relationships between members of the AMO and the employers; and (e) further the overall effectiveness of both the AMO and the employers.

In accordance with the Amended Administrative Services Agreement between AMO and the JEC, AMO is reimbursed by the JEC for performing the following employment office services; recruiting, processing applications for union membership, registering members for work, dispatching, research and planning, and administrative services associated with the employment office.

For the years ended March 31, 2010 and 2009, AMO recognized \$6,317,892 and \$5,511,928, respectively, of revenue associated with the employment office. As of March 31, 2010 the JEC owed AMO \$177,905 and as of March 31, 2009, \$177,364 of collections from the JEC were deemed deferred.

Note 10 - Pension Plans

AMO participates in two multiemployer defined benefit pension plans, a multiemployer defined contribution pension plan, and a 401(k) plan. During the years ended March 31, 2010 and 2009, contributions to these plans totaled \$1,130,253 and \$1,066,167, respectively.

Note 11 - Related Party Transactions

AMO engages in various transactions with its wholly-owned subsidiaries, related employee benefit plans and other related organizations. Such transactions include advances of operating funds, rental of office facilities and charges for overhead expenses.

Reimbursements of allocated expenses charged to related organizations amounted to \$688,270 and \$579,067 for the years ended March 31, 2010 and 2009, respectively. At March 31, 2010 and 2009, AMO was owed by related organizations \$47,018 and \$66,891, respectively.

Allocated salaries, related payroll expenses and other overhead expenses charged to AMO by related organizations amounted to \$100,149 and \$122,329 for the years ended March 31, 2010 and 2009, respectively. At March 31, 2010 and 2009, AMO owed related organizations \$26,985 and \$242,921, respectively.

AMERICAN MARITIME OFFICERS
Notes to Financial Statements (Continued)
March 31, 2010 and 2009

Note 11 - Related Party Transactions (Continued)

AMO subleases space in Washington, DC from a not-for-profit organization whose executive board is comprised of representatives of contributing employers to the AMO Benefit Plans. The sublease terminated on February 28, 2009 and is now on a month-to-month basis. During the years ended March 31, 2010 and 2009, \$214,890 and \$217,262 was paid under this agreement.

AMO leases office space in Toledo, Ohio from a trust whose beneficiary is an employee benefit plan that is related to AMO. The lease expires on August 31, 2013 and requires monthly payments of \$4,850 thru August of 2011 and \$4,995 from September 2011 thru August 2013.

Note 12 - Tax Status

AMO is exempt from federal income taxes under the provisions of Section 501(c) (5) of the Internal Revenue Code.

Note 13 - Commitments and Contingencies

Commitments

AMO leases space from an unrelated party in Philadelphia, Pennsylvania. The lease requires monthly rent of \$3,736 per month with annual increases of 2.5%. The lease terminates on February 9, 2014.

Rent expense for all operating leases was \$424,302 and \$300,027 for the years ended March 31, 2010 and 2009, respectively.

The minimum annual lease payments including those to related parties (Note 11) are as follows:

Year Ending <u>March 31,</u>	
2011	\$ 104,254
2012	105,375
2013	108,233
2014	74,395
Thereafter	<u>50,654</u>
	<u>\$ 442,911</u>

Contingencies

AMO, from time to time, is named as a defendant in legal actions seeking to recover monies from AMO. Management's policy is to vigorously defend itself against any such litigation.

AMERICAN MARITIME OFFICERS
(Supplemental Schedules)
Schedules of Expenses
For the Years Ended March 31, 2010 and 2009

	2010	2009
Payroll	\$ 4,920,507	\$ 5,017,362
Employee benefits	1,776,530	1,699,149
Travel and meetings	736,772	1,048,938
Rent and occupancy	712,150	414,141
Data processing	628,637	300,120
Office	413,187	354,366
Recruiting	395,395	598,392
Legal	395,353	1,988,557
Newspaper publication	369,167	353,027
Payroll taxes	323,766	339,417
Auditing	307,196	362,143
Depreciation	230,394	265,309
Telephone	161,769	182,175
Insurance	155,063	171,783
Per capita	124,048	118,053
Postage and delivery	102,401	108,899
Allocated overhead expenses	100,149	122,329
Subscriptions	76,110	55,817
Consulting	47,152	113,121
Participations	45,350	33,315
Charitable donations	36,295	89,015
Public relations	32,505	41,339
Noncompete fee	23,377	31,169
Negotiation committees	20,228	9,205
Union elections	17,768	44,380
Membership education and training	17,665	3,093
Automobiles	13,774	15,080
Personal development	12,227	15,623
Bank charges	8,918	3,023
Gifts and condolences	5,664	5,166
Finance committee	5,400	4,368
Arbitration	3,776	20,754
Other	3,442	24
Temporary help	1,907	-
	\$ 12,224,042	\$ 13,928,652
Total expenses		

See independent auditor's report