

# **Clearwater Marine Aquarium, Inc. And Affiliate**

## **Combined Financial Statements**

**For The Years Ended  
September 30, 2020 and 2019**



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
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Oldsmar / Tampa / St. Petersburg

727-785-4447

813-498-1294

727-784-5491 Fax

[www.pdr-cpa.com](http://www.pdr-cpa.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Clearwater Marine Aquarium, Inc. and Affiliate  
Clearwater, Florida

We have audited the accompanying combined financial statements of Clearwater Marine Aquarium, Inc. (a nonprofit organization) and affiliate, which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of activities and cash flows for the years then ended, the combined statement of functional expenses for the year ended September 30, 2020, and the related notes to the combined financial statements.

### Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Clearwater Marine Aquarium, Inc. and affiliate as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**CONTINUED**

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### Report on Summarized Comparative Information

We have previously audited the Organization's 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*PDR CPAs + Advisors*

Oldsmar, Florida  
August 13, 2021

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019**

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,016,494	\$ 5,108,291
Restricted cash	79,237	11,088,623
Accounts receivable	78,422	54,188
Grants receivable	54,341	49,671
Current portion of contributions receivable	824,991	1,458,025
Inventory	1,359,784	1,378,964
Other current assets	340,979	753,773
<b>Total current assets</b>	<b>5,754,248</b>	<b>19,891,535</b>
<b>Property and Equipment, Net</b>	<b>91,102,019</b>	<b>62,430,635</b>
<b>Other Assets</b>		
Investments	501,230	6,735,308
Film costs, net	1,800,000	2,671,555
Contributions receivable, net	1,728,403	2,666,963
Externally controlled endowments	2,799,199	2,719,383
<b>Total Assets</b>	<b>\$ 103,685,099</b>	<b>\$ 97,115,379</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,809,543	\$ 7,367,791
Deferred compensation	70,834	80,000
Deferred revenue	189,962	366,262
Current portion of notes payable	473,817	458,494
<b>Total current liabilities</b>	<b>5,544,156</b>	<b>8,272,547</b>
<b>Notes Payable, Net</b>	<b>26,163,632</b>	<b>12,454,058</b>
<b>Total Liabilities</b>	<b>31,707,788</b>	<b>20,726,605</b>
<b>Net assets</b>		
Without donor restrictions	66,509,527	69,451,644
With donor restrictions	5,467,784	6,937,130
<b>Total net assets</b>	<b>71,977,311</b>	<b>76,388,774</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,685,099</b>	<b>\$ 97,115,379</b>

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Revenue and Support</b>				
Admissions and member fees	\$ 5,962,922	\$ -	\$ 5,962,922	\$ 9,310,537
Educational program fees	2,020,400	-	2,020,400	3,929,577
Fundraising events, net of expenses of \$113,819 and \$121,495, respectively	249,328	-	249,328	250,354
Gift shop sales, net of cost of goods sold of \$904,526 and \$1,339,720, respectively	1,679,211	-	1,679,211	2,745,522
Food service income, net of cost of goods sold of \$167,650 and \$301,400, respectively	297,980	-	297,980	562,330
Sea turtle nesting fees	113,200	-	113,200	72,108
Grant income	481,712	-	481,712	749,891
Contributions	2,080,230	265,004	2,345,234	19,799,464
In-kind contributions	164,298	-	164,298	326,241
Realized and unrealized gains on investments	1,449	-	1,449	71,529
Interest and dividend income	271,761	-	271,761	500,795
Net assets released from restrictions	1,814,166	(1,814,166)	-	-
<b>Total revenue and support</b>	<b>15,136,657</b>	<b>(1,549,162)</b>	<b>13,587,495</b>	<b>38,318,348</b>
<b>Operating Expenses</b>				
Animal care	4,765,820	-	4,765,820	4,564,704
Research and education	9,842,506	-	9,842,506	10,733,171
Management and general	2,299,217	-	2,299,217	2,069,147
Fundraising	493,315	-	493,315	723,142
<b>Total operating expenses</b>	<b>17,400,858</b>	<b>-</b>	<b>17,400,858</b>	<b>18,090,164</b>
<b>Changes in Net Assets Before Other Changes</b>	<b>(2,264,201)</b>	<b>(1,549,162)</b>	<b>(3,813,363)</b>	<b>20,228,184</b>
<b>Other Changes - Revenue (Expense)</b>				
Miscellaneous revenue	108,319	-	108,319	285,831
Change in third-party endowments	-	79,816	79,816	(38,813)
Film cost impairment	(532,633)	-	(532,633)	-
Loss on disposal of assets	(253,602)	-	(253,602)	(56,144)
Total non-operating income (expense)	(677,916)	79,816	(598,100)	190,874
<b>Change in Net Assets</b>	<b>(2,942,117)</b>	<b>(1,469,346)</b>	<b>(4,411,463)</b>	<b>20,419,058</b>
<b>Net Assets, Beginning of Year</b>	<b>69,451,644</b>	<b>6,937,130</b>	<b>76,388,774</b>	<b>55,969,716</b>
<b>Net Assets, End of Year</b>	<b>\$ 66,509,527</b>	<b>\$ 5,467,784</b>	<b>\$ 71,977,311</b>	<b>\$ 76,388,774</b>

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Other Support</b>			
<b>Public Support:</b>			
Admissions and member fees	\$ 9,310,537	\$ -	\$ 9,310,537
Educational program fees	3,929,577	-	3,929,577
Fundraising events, net of expenses of \$121,495	250,354	-	250,354
Gift shop sales, net of cost of goods sold of \$1,339,720	2,745,522	-	2,745,522
Food service income, net of cost of goods sold of \$301,400	562,330	-	562,330
Sea turtle nesting fees	72,108	-	72,108
Grant income	749,891	-	749,891
Contributions	15,839,627	3,959,837	19,799,464
In-kind contributions	326,241	-	326,241
Realized and unrealized gains on investments	71,529	-	71,529
Interest and dividend income	500,795	-	500,795
Net assets released from restrictions	3,691,278	(3,691,278)	-
<b>Total revenues and support</b>	<b>38,049,789</b>	<b>268,559</b>	<b>38,318,348</b>
<b>Operating Expenses</b>			
Animal care	4,564,704	-	4,564,704
Research and education	10,733,171	-	10,733,171
Management and general	2,069,147	-	2,069,147
Fundraising	723,142	-	723,142
<b>Total operating expenses</b>	<b>18,090,164</b>	<b>-</b>	<b>18,090,164</b>
<b>Changes in Net Assets Before Other Changes</b>	<b>19,959,625</b>	<b>268,559</b>	<b>20,228,184</b>
<b>Other Changes - Revenue (Expense)</b>			
Miscellaneous revenue	285,831	-	285,831
Change in third-party endowments	-	(38,813)	(38,813)
Loss on disposal of assets	(56,144)	-	(56,144)
<b>Total other changes</b>	<b>229,687</b>	<b>(38,813)</b>	<b>190,874</b>
<b>Change in Net Assets</b>	<b>20,189,312</b>	<b>229,746</b>	<b>20,419,058</b>
<b>Net Assets, Beginning of Year</b>	<b>49,262,332</b>	<b>6,707,384</b>	<b>55,969,716</b>
<b>Net Assets, End of Year</b>	<b>\$ 69,451,644</b>	<b>\$ 6,937,130</b>	<b>\$ 76,388,774</b>

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Animal Care	Research and Education	Total Program Services	Management and General	Fundraising	Total	
						2020	2019
<b>Salaries and related expenses</b>							
Salaries and wages	\$ 2,102,222	\$ 4,304,889	\$ 6,407,111	\$ 729,786	\$ 293,619	\$ 7,430,516	\$ 7,742,691
Retirement	5,512	13,626	19,138	56,468	12,417	88,023	310,256
Other employee benefits	168,228	300,221	468,449	636,043	14,760	1,119,252	517,211
Payroll taxes	154,801	304,166	458,967	202,089	19,244	680,300	500,729
<b>Total salaries and related expenses</b>	<u>2,430,763</u>	<u>4,922,902</u>	<u>7,353,665</u>	<u>1,624,386</u>	<u>340,040</u>	<u>9,318,091</u>	<u>9,070,887</u>
<b>Other operating expenses</b>							
Advertising	1,287	1,075,254	1,076,541	13,807	3,869	1,094,217	1,436,894
Computer services	48,635	219,063	267,698	118,875	5,844	392,417	331,181
Depreciation and amortization	537,887	1,263,299	1,801,186	36,674	-	1,837,860	1,744,748
Insurance	195,452	149,633	345,085	8,808	523	354,416	309,737
Interest expense	69,038	450,408	519,446	32,571	-	552,017	580,108
Merchant processing fees	-	257,083	257,083	84	-	257,167	366,458
Office expenses	2,714	22,908	25,622	18,938	448	45,008	31,202
Postage and shipping	10,218	56,198	66,416	8,647	455	75,518	65,522
Professional fees:							
Legal	3,826	25	3,851	115,097	33	118,981	61,447
Accounting	-	-	-	57,294	-	57,294	69,618
Other	9,208	240,022	249,230	102,623	-	351,853	378,932
Repairs and maintenance	199,522	162,466	361,988	4,550	363	366,901	428,838
Royalties	-	201,865	201,865	-	-	201,865	485,449
Supplies	794,644	335,098	1,129,742	4,544	10,645	1,144,931	1,327,581
Telephone	11,035	19,266	30,301	1,824	472	32,597	31,206
Travel and entertainment	21,263	95,392	116,655	8,502	2,727	127,884	200,066
Occupancy and utilities	382,259	271,375	653,634	69,708	1,454	724,796	666,017
Miscellaneous	-	14,879	14,879	69,783	801	85,463	79,879
Personnel enhancement	31,736	69,037	100,773	2,502	1,320	104,595	111,620
Capital campaign expenses	-	-	-	-	124,321	124,321	293,934
Construction related expenses	16,333	16,333	32,666	-	-	32,666	18,840
<b>Total other operating expenses</b>	<u>2,335,057</u>	<u>4,919,604</u>	<u>7,254,661</u>	<u>674,831</u>	<u>153,275</u>	<u>8,082,767</u>	<u>9,019,277</u>
<b>Total expenses</b>	<u>\$ 4,765,820</u>	<u>\$ 9,842,506</u>	<u>\$ 14,608,326</u>	<u>\$ 2,299,217</u>	<u>\$ 493,315</u>	<u>\$ 17,400,858</u>	<u>\$ 18,090,164</u>

See notes to combined financial statements



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (4,411,463)	\$ 20,419,058
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	1,498,938	1,326,616
Film cost impairment	532,633	-
Film cost amortization	338,922	320,018
Bad debt expense	42,054	30,000
Loss on disposals of fixed assets	69,923	56,144
Donated boat and vehicle inventory	-	(77,500)
Realized and unrealized gain on investments	(5,094)	(71,529)
Amortization of debt issuance costs	116,640	98,113
Depreciation/(appreciation) in externally controlled endowments	(79,816)	38,813
Contributions restricted for long-term purposes	-	(18,867,474)
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(24,234)	76,191
Contribution receivable	1,529,540	(235,294)
Grant receivable	(4,670)	(40,978)
Inventory	19,180	(243,052)
Other current assets	412,794	(99,460)
Accounts payable and accrued expenses	(2,558,248)	4,052,513
Deferred compensation	(9,166)	-
Deferred revenue	(176,300)	273,858
<b>Net cash (used in) provided by operating activities</b>	<b>(2,708,367)</b>	<b>7,056,037</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(7,279,499)	(8,075,863)
Proceeds from sales of investments	13,518,671	7,944,506
Proceeds from sale of property and equipment	10,117	7,167
Purchases of property and equipment	(13,878,928)	(26,692,418)
<b>Net cash used in investing activities</b>	<b>(7,629,639)</b>	<b>(26,816,608)</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions restricted for long-term purposes	-	18,867,474
Proceeds on notes payable	1,627,900	-
Payments on notes payable	(4,351,827)	(457,587)
Cash paid for deferred loan costs	(39,250)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(2,763,177)</b>	<b>18,409,887</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(13,101,183)</b>	<b>(1,350,684)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>16,196,914</b>	<b>17,547,598</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,095,731</b>	<b>\$ 16,196,914</b>
<b>Total Cash Consisted of the Following at September 30:</b>		
Cash and cash equivalents	\$ 3,016,494	\$ 5,108,291
Restricted cash	79,237	11,088,623
	<b>\$ 3,095,731</b>	<b>\$ 16,196,914</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 464,285	\$ 477,938
Property and equipment acquired via long-term debt	<b>\$ 16,371,434</b>	<b>\$ -</b>

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE A - NATURE OF ORGANIZATION**

Clearwater Marine Aquarium, Inc. (CMA) is a nonprofit corporation located in Clearwater, Florida. CMA is dedicated to public education, the rescue, rehabilitation and release of sick or injured marine life, research, and creating life-changing inspirational connections to its rescued animals for sick, injured, and developmentally disabled kids and wounded soldiers.

Revenue and support for CMA's programs and activities is generated primarily through admission, gift shop revenue, animal care experiences, education boat tours, grants, and contributions from the public.

Sea to Shore Alliance, Inc. (S2S) is a nonprofit corporation located in Clearwater, Florida. S2S works to protect threatened marine species such as sea turtles, manatees and right whales, and improve the health and productivity of coastal environments for the benefit of people and marine life. On June 30, 2018, CMA executed an affiliation agreement with S2S. As a result of the affiliation agreement, CMA obtained control of S2S such that the financial information of S2S is combined with CMA.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Combination and Presentation**

The accompanying combined financial statements include the accounts of CMA and S2S (collectively, the Organization). The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All material intercompany transactions and balances have been eliminated in combination. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization presents information regarding its financial position and activities according to two classes of net assets described as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Measure of Operations**

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

**Use of Estimates**

The preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of receivables, determination of the useful lives of the property and equipment, amortization of film costs, and allocation of functional expenses.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fair Value Measurement**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Cash and Cash Equivalents**

At September 30, 2020 and 2019, cash consists of monies held in checking accounts, savings accounts, money market funds, and petty cash. Cash contributions for a specific purpose are recorded as net assets with donor restrictions until spent.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally insured limits. From time to time throughout the years ended September 30, 2020 and 2019, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

**Restricted Cash**

Restricted cash represents amounts to be used for the Organization's construction project to expand CMA.

**Accounts and Grants Receivable**

The Organization considers all accounts and grants receivable to be substantially collectible. When collection is doubtful, an allowance for doubtful accounts is established. Accounts and grants receivable are monitored continuously and are written off or reserved when deemed uncollectible based on contractual terms and age of the account. There was no allowance for doubtful accounts as of September 30, 2020 and 2019.

**Inventory**

Inventory consists primarily of merchandise held for sale by the Organization's gift shop and is stated at the lower of average cost or net realizable value. Management periodically reviews inventory items for obsolescence and slow moving items and has determined no allowance is considered necessary at September 30, 2020 and 2019.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Contributions Receivable**

Contribution receivables are recorded at their estimated net realizable value when a pledge is made from a viable source and is in written form. Contributions to be received after one year are discounted to present value using Treasury bill rates with similar terms with an added amount for economic uncertainty. Contributions receivable are recorded as donor restricted until the pledge payment is received and/or the purpose is met. Contributions receivable are evaluated on a regular basis and management establishes an allowance as necessary. Management has established an allowance for uncollectible contributions receivable in the amount of \$105,000 at September 30, 2020 and 2019, respectively. Bad debt expense was \$42,054 and \$30,000 for the years ended September 30, 2020 and 2019, respectively.

**Property and Equipment**

Property and equipment with an acquisition cost or donated value of \$750 or more and a useful life of more than one year are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair market value. Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

	<b><u>Years</u></b>
Building and improvements	5 - 40
Furniture, fixtures and equipment	3 - 15
Vehicles and boats	5 - 10

**Investments**

Investments in equity securities with readily determinable fair values are measured at fair value based on quoted market prices. Realized and unrealized gains and losses on sales and market value adjustments are recognized in the combined statement of activities. Investment fees are included within management and general expenses in the accompanying combined statements of activities. The Organization's investments are donor restricted and represent amounts to be used for the construction project to expand CMA.

**Revenue Recognition**

Certain grants received by the Organization are considered conditional contributions since the grant agreements require the Organization to perform services, incur expenses or meet contract objectives in order to earn the grant funding. Advance payments received under these grants, if any, are deferred until earned. Revenue is earned and recognized in the financial statements when eligible expenses are incurred, services performed or grant objectives met.

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition - Continued**

Revenues from admissions, memberships, program fees, and retail sales are considered exchange transactions. Revenues from exchange transactions are recognized when control of the goods and services are transferred to the Organization's customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Payments received in advance of the transaction are recorded as deferred revenue.

**Donated Items**

The value of donated materials and equipment has been recorded in the combined financial statements as contributions based upon the fair market value of the goods received. In addition, the Organization has received donated services from various individuals.

The Organization includes the fair market value of these services in the combined financial statements when they meet the criteria for recognition under Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

**Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. These functions are defined as follows:

- Program services - the costs associated with the Organization's efforts to achieve the stated mission and goals.
- Management and general - the costs of operating the Organization's offices, including gathering, processing, and maintaining financial information.
- Fundraising - the costs associated with soliciting contributions or holding special events for the benefit of the Organization.

**Advertising Costs**

Advertising is expensed as incurred or upon the date the advertising publications are first released. Advertising expense totaled \$1,094,217 and \$1,436,894 for the years ended September 30, 2020 and 2019, respectively. Included in advertising expense in 2020 and 2019 is donated advertising in the amount of \$-0- and \$11,750, respectively.

**Deferred Loan Costs**

The costs of obtaining certain debt are capitalized and amortized over the life of the debt and are classified as a reduction of the notes payable on the accompanying combined statements of financial position (**NOTE K**). Amortization of the deferred loan costs is charged to interest expense within the combined statements of activities.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

**Film Costs**

The Organization has capitalized film costs associated with three films: two documentaries and a major motion picture. During fiscal year 2012, the Organization began efforts to launch a documentary surrounding one of its acclaimed dolphins. During both 2013 and 2014, the Organization incurred expenses meeting the definition of film costs to be capitalized under *ASC No. 926, Entertainment - Films*.

As part of its evaluation of the recoverability of film costs, management evaluates the expected total ultimate revenue over the life of the project and compares that amount to actual revenue earned to date to determine the actual amortization expense for the year. The calculated amortization is compared to the recorded amortization for reasonableness.

In addition, the estimated ultimate revenue is compared to remaining film costs, net to determine if an impairment charge is necessary. During the year ended September 30, 2020, the Organization determined that the film costs were impaired (**NOTE G**).

**Comparative Financial Information**

The accompanying combined financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended September 30, 2019, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the 2019 combined financial statement presentation have been reclassified to conform to the 2020 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**New Accounting Pronouncements**

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, Not for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor imposed restriction. The Organization adopted ASU 2018-08 effective October 1, 2019 and determined that the adoption did not result in a material change to how it accounts for revenue from contributions and grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition and establishes a five-step approach for the recognition of revenue. Topic 606 applies to the Organization since a portion of the Organization's revenues are generated from providing goods and services that are considered exchange transactions. Management has determined that the adoption of ASU 2014-09 did not result in a material change to the timing of when the Organization's revenue is recognized and there was no cumulative effect adjustment recorded to opening net assets as of October 1, 2019 upon adoption of the standard.

**NOTE C – AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at September 30:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 3,016,494	\$ 5,108,291
Accounts receivable	78,422	54,188
Grants receivable	<u>54,341</u>	<u>49,671</u>
Total available financial assets	\$ 3,149,257	\$ 5,212,150
Less financial assets unavailable for general expenditures within one year due to:		
Donor restricted contributions	<u>115,191</u>	<u>92,759</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,034,066</u>	<u>\$ 5,119,391</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in **NOTE J**, the Organization also has a \$1,500,000 line of credit available for use in meeting financial obligations in the event of an unanticipated liquidity need.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE D - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Gross contributions receivable	\$ 2,887,934	\$ 4,578,849
Less: Allowance for uncollectible contributions receivable	(105,000)	(105,000)
Less: Unamortized discount	<u>(229,540)</u>	<u>(348,861)</u>
Contributions receivable, net	<u>\$ 2,553,394</u>	<u>\$ 4,124,988</u>
Amounts due in:		
Less than one year	\$ 929,991	\$ 1,563,025
One to five years	1,512,229	2,099,154
Thereafter	<u>445,714</u>	<u>916,670</u>
	<u>\$ 2,887,934</u>	<u>\$ 4,578,849</u>

Contributions receivable consist primarily of promises from individuals and corporations. The applicable discount rate for amounts due in more than one-year ranges from 1.16% to 3.94%.

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 5,603,855	\$ 5,358,855
Building and improvements	58,251,511	22,742,965
Furniture, fixtures, and equipment	4,564,820	4,472,761
Vehicles and boats	1,484,328	1,549,473
Construction in progress	<u>29,607,139</u>	<u>35,543,831</u>
	99,511,653	69,667,885
Less accumulated depreciation	<u>(8,409,634)</u>	<u>(7,237,250)</u>
	<u>\$ 91,102,019</u>	<u>\$ 62,430,635</u>

Depreciation expense was \$1,498,938 and \$1,326,616 for the years ended September 30, 2020 and 2019, respectively. Depreciation will commence on amounts in construction in progress when the items are completed and placed into service. See **NOTE R** for a description of the construction in progress.



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**NOTE F - INVESTMENTS**

The Organization's investments consist of the following at September 30:

	<b>2020</b>		<b>2019</b>	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 717	\$ 717	\$ 200,152	\$ 200,152
Certificate of deposit	500,513	500,513	514,749	514,749
US Government bonds	-	-	2,586,521	2,600,926
Corporate bonds	-	-	3,057,851	3,085,385
Foreign bonds	-	-	330,219	334,096
<b>Total</b>	<b>\$ 501,230</b>	<b>\$ 501,230</b>	<b>\$ 6,689,492</b>	<b>\$ 6,735,308</b>

The following schedule summarizes investment return on the above investments for the years ended September 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Interest and dividends on investments	\$ 28,498	\$ 136,025
Realized and unrealized gain on investments	1,449	71,529
<b>Total investment return</b>	<b>\$ 29,947</b>	<b>\$ 207,554</b>

**NOTE G - FILM COSTS**

Film costs of \$5,537,664 relating to *Dolphin Tale 2* were capitalized in the year ending September 30, 2014. As of September 30, 2019, accumulated amortization associated with *Dolphin Tale 2* totaled \$2,866,109 resulting in net film costs totaling \$2,671,555. During the year ended September 30, 2020, the Organization experienced a significant decline in attendance due to COVID-19 which caused the Organization to reexamine the value of the film costs. The Organization determined that film costs associated with *Dolphin Tale 2* were impaired and recorded an impairment loss of approximately \$532,000, which is included in the accompanying combined statements of activities. As a result of the impairment, net film costs at September 30, 2020 amount to \$1,800,000.

The Organization expects that approximately \$375,500 of *Dolphin Tale 2* costs will be amortized over the next 12 months. Within three years of September 30, 2020, the Organization expects to have amortized approximately 70% of the total remaining costs. The Organization expects to fully amortize the film by 2024. The estimates of expected amortization are based on *Dolphin Tale 2*'s release and the impact on attendance to the Organization.

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**NOTE H - EXTERNALLY CONTROLLED ENDOWMENTS**

The Organization's third-party endowments consist of two externally managed funds established for a variety of purposes. The endowments are both donor-restricted endowment funds. The funds are held by third-party trustees and therefore the Organization has no direct influence over the investment policy of either fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's policy is to appropriate interest and dividends received from these endowments for operations. Therefore, interest and dividend income is reported as increases in net assets without donor restriction.

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, the Organization classifies as net assets with donor restrictions of a permanent nature (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.

Endowment net asset composition by type of fund at September 30, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Summary of Endowment Assets at September 30, 2020:</b>			
Externally controlled endowments	\$ -	\$ 2,799,199	\$ 2,799,199
<b>Summary of Endowment Assets at September 30, 2019:</b>			
Externally controlled endowments	\$ -	\$ 2,719,383	\$ 2,719,383

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
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**NOTE H - EXTERNALLY CONTROLLED ENDOWMENTS - CONTINUED**

Changes in endowment net assets for the years ended September 30, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Changes in Endowment Net Assets for the year ended September 30, 2020:</b>			
Endowment net assets, beginning	\$ -	\$ 2,719,383	\$ 2,719,383
Investments return:			
Unrealized gain	-	79,816	79,816
Net assets released from restrictions	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 2,799,199</u>	<u>\$ 2,799,199</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Changes in Endowment Net Assets for the year ended September 30, 2019:</b>			
Endowment net assets, beginning	\$ -	\$ 2,758,196	\$ 2,758,196
Investments return:			
Unrealized loss	-	(38,813)	(38,813)
Net assets released from restrictions	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 2,719,383</u>	<u>\$ 2,719,383</u>

These endowment assets are held in perpetuity and are invested and managed by outside trustees in accordance with trust instruments established by the donors. The fair market value of the assets held in the endowment trusts are considered to be the most appropriate estimates of the discounted values of the estimated future revenue streams, and are therefore the basis used to record these future streams of revenue. Changes in the fair market value of the endowment trusts are included in other changes in net assets with donor restrictions.

**NOTE I - DEFERRED COMPENSATION PLAN**

The Organization implemented an unfunded executive deferred compensation plan subject to Section 457(f) of the Internal Revenue Code in 2015. The accrual for deferred compensation totaled \$70,836 and \$80,000 as of September 30, 2020 and 2019, respectively. Deferred compensation expense was approximately \$82,500 and \$180,000 for the years ended September 30, 2020 and 2019, respectively.

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**NOTE J - LINE-OF-CREDIT**

The Organization has a \$1.5 million line-of-credit with a bank. The interest rate is One-Month LIBOR plus 2.25% (2.41% at September 30, 2020). The line-of-credit matures on April 3, 2021. There were no amounts drawn under the line-of-credit on September 30, 2020 and 2019. The line is collateralized by certain receivables, inventory, and equipment.

The line of credit agreement was modified in June 2021. The modification changed the interest rate to the bank's secured overnight financing rate plus 3.25% with a minimum rate of 3.50%. The maturity date was extended to June 9, 2022.

**NOTE K - LONG-TERM DEBT**

Long-term debt at September 30, 2020 and 2019 consists of the following:

	<b>2020</b>	<b>2019</b>
Note payable to financial institution; monthly payments of \$412, including interest at 7.99%; collateralized by a vehicle; maturing December 2022.	\$ 10,240	\$ 14,085
Series 2010 bonds payable. Principal payable in monthly installments of \$35,834 plus interest at 68% of one-month LIBOR plus 1.787%. Bond matures December 2031 and was secured by all real property and improvements. Bond was satisfied in 2020.	-	2,075,149
Note payable pursuant to the PayCheck Protection Program (the "PPP"), accruing interest at 1.0%, maturing April 2022.	1,627,900	-
Note payable to bank. Payable in installments of principal prior to each December 31, beginning December 31, 2020, in the amounts necessary so that as of December 31 of each year, the outstanding principal balance of this note is not greater than the lesser of 80% of pledges receivable or \$2,250,000 at 12/31/20, \$1,750,000 at 12/31/21, \$1,000,000 at 12/31/22, and \$500,000 at 12/31/23, with one final payment of all remaining principal and accrued interest due March, 2025. Interest accrues at one-month LIBOR plus 2.5% (2.65% at September 30, 2020). This note is secured by all assets of the Organization.	1,481,468	-
Note payable to bank with current monthly installments of \$20,833 including interest at one-month LIBOR plus 2.5% (2.65% at September 30, 2020) through March 2025. Secured by all assets of the Organization. This loan was subsequently modified as described in the paragraph below.	671,695	-
Note payable to bank with current monthly installments of \$3,572 including interest at 4.25% through May 2030. Secured by a mortgage on real property.	567,760	-

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE K - LONG-TERM DEBT - CONTINUED**

	<b>2020</b>	<b>2019</b>
<p>Series 2018 bonds payable. Interest is payable monthly on principal amounts outstanding at 79% of one-month LIBOR plus 2.0875% (2.25% at September 30, 2020). Interest only payments will continue for thirty-six months from the loan date of March 1, 2018 at which point the loan will be amortized over a twenty-five year period. Monthly installments will be \$49,800 plus accrued interest through March 2024 at which time all remaining principal and interest will be due and payable. Bond is secured by all assets of the Organization.</p>	12,175,990	50,001
<p>Note payable to bank with current monthly installments of \$3,589 including interest at one-month LIBOR plus 1.85% (2.06% at September 30, 2020) through July 2021 with a single payment of all remaining unpaid principal and accrued interest due August 2021. Secured by a mortgage on real property. This loan was subsequently modified as described in the paragraph below.</p>	579,757	608,754
<p>Note payable to bank in monthly installments of \$35,667 plus interest through April 2018, then interest only through April 2021, and then four payments of \$40,663 plus interest through August 2021 with a single payment of all remaining unpaid principal and accrued interest due September 2021. Interest accrues on the unpaid principal balance at one-month LIBOR plus 1.85% (2.06% at September 30, 2020). Secured by a mortgage on the parking garage. This loan was subsequently modified as described in the paragraph below.</p>	9,731,017	10,450,331
<p>Total long-term debt</p>	26,845,827	13,198,320
<p>Less unamortized debt issuance costs</p>	208,378	285,768
<p>Long-term debt, less unamortized debt issuance costs</p>	26,637,449	12,912,552
<p>Less current portion</p>	473,817	458,494
<p>Long-term debt, net</p>	\$ 26,163,632	\$ 12,454,058

**Loan Modifications**

In June 2021, the Organization's bank modified three of the loans as noted in the above table. The modifications were similar for each modified loan. The interest rate was modified to be the bank's secured overnight financing rate plus 3.25% with a minimum effective rate of 3.50%. The required monthly payments were modified to be interest only from the modification date through the maturity date and the maturity date for each of the loans was changed to June 9, 2022. All remaining principal and interest will be due and payable on the new maturity date.

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**NOTE K - LONG-TERM DEBT - CONTINUED**

Future maturities of the notes payable for each of the five years subsequent to September 30, 2020 and thereafter, are as follows:

<u>Year Ending September 30,</u>	<u>Principal Payment Due</u>
2021	\$ 473,817
2022	12,884,904
2023	619,718
2024	10,753,497
2025	22,648
Thereafter	<u>463,343</u>
	<u>\$ 25,217,927</u>

The PPP loan has been excluded from future maturities of long-term debt due management's expectation that it will be forgiven.

In addition to the loan agreements described above, during the year ended September 30, 2018, the Organization obtained a \$13 million non-revolving construction line-of-credit from a bank. Advances under this agreement were to accrue interest at One-Month LIBOR plus 2.25%. The Organization was required to make monthly payments of accrued interest during the term of the loan. All amounts advanced under this line-of-credit plus any accrued and unpaid interest were due on September 27, 2019. The organization did not draw on this line-of-credit during 2018 or 2019. The line-of-credit expired on September 27, 2019 and was not renewed.

During the year ended September 30, 2018, the Organization also obtained financing for the expansion project through a bond issue involving the Pinellas County Industrial Development Authority and the Organization's bank. The Series 2018 bonds (the "Bonds") have a borrowing limit of \$14,941,824. Advances are limited to a period of not before eighteen months from the closing date of the bonds (March 1, 2018) and not after thirty-six months from the closing date. Repayment of the then outstanding principal amount of the Bonds plus accrued interest will commence thirty-seven months from the closing date based on a twenty-five year amortization period. All unpaid principal amounts plus accrued interest will be due and payable on March 27, 2024. This loan contains restrictive covenants described below and is cross collateralized and cross defaulted with the \$13 million non-revolving construction line-of-credit described above. Amounts outstanding under the bonds are collateralized by essentially all assets of the Organization.

The Organization's loans include restrictive covenants that, among other things, require a minimum debt service coverage ratio and limit indebtedness for money borrowed as a percentage of unrestricted net assets. Other loan covenants include additional restrictions on incurring new debt and lease obligations, limits on investing activities, maintaining the Organization's charitable status and requiring certain reports be submitted to the bank. The Organization is also required to create and maintain a reserve account beginning with the period starting September 30, 2021 and ending September 29, 2022. The required reserve balance is \$1 million for the first period and grows by \$1 million per subsequent period until the balance reaches \$3 million. The Organization was not in compliance with certain covenants at September 30, 2020 and subsequently obtained a waiver from the bank.

The City of Clearwater has certain reversionary rights that limit the Organization's ability to borrow against the real property to \$25,000,000.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE K - LONG-TERM DEBT - CONTINUED**

In April 2020, the Organization received a loan under the Paycheck Protection Program (PPP) in the amount of \$1,627,900. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying entities. The loan and accrued interest are forgivable as long as the loan proceeds are used for qualifying expenses as described in the CARES Act. The loan accrues interest at 1% and was originally payable in eighteen monthly installments of principal and interest commencing seven months after the loan date if the loan, in whole or in part, was not forgiven under the provisions of the PPP. The loan is a program of the U.S. Small Business Administration (SBA) and is administered by the Organization's bank (the lender). In June 2020, the Paycheck Protection Program Flexibility Act was enacted which extended the deferral period for payments of principal, interest and fees on PPP loans. The revised deferral period includes the loan forgiveness covered period which can be up to 24 weeks plus an additional ten months. If any portion of the PPP loan is not forgiven, repayment of the unforgiven portion will commence after the SBA notifies the lender of the unforgiven loan amount and remits the forgiven loan amount to the lender. If the Organization elects not to apply for forgiveness, repayment of the loan will commence ten months after the end of the Organization's loan forgiveness covered period. The Organization currently intends to use the entire loan amount for qualifying expenses and apply for forgiveness of the entire loan. It is not possible, as of the date of these financial statements, to determine with certainty that the loan, in whole or in part, will be eligible for forgiveness. The timing of the repayment of any unforgiven loan amount is subject to a number of factors as described above and Management has deemed forgiveness to be probable. Accordingly, the Organization has included the entire loan amount as a long-term liability in the accompanying statements of financial position.

**NOTE L – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Temporary restrictions:		
Contributions receivable, net	\$ 2,553,394	\$ 4,124,988
Donor restricted contributions	115,191	92,759
	<u>2,668,585</u>	<u>4,217,747</u>
Total net assets with temporary restrictions	2,668,585	4,217,747
Permanent restrictions - endowments:		
Thomas Cooper	1,965,482	1,896,463
Edna Klauser	833,717	822,920
	<u>2,799,199</u>	<u>2,719,383</u>
Total net assets with permanent restrictions	2,799,199	2,719,383
Total net assets with donor restrictions	<u>\$ 5,467,784</u>	<u>\$ 6,937,130</u>

Net assets of \$1,814,166 and \$3,691,278 were released from restrictions during the years ended September 30, 2020 and 2019, respectively, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE M - IN-KIND CONTRIBUTIONS**

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs principally in the areas of animal care, education, and daily operations. The value of this contributed time is not reflected in these combined financial statements as it does not meet the criteria for in-kind revenue and expense recognition. The total hours contributed during 2020 and 2019 were approximately 74,600 and 93,000, respectively.

During the years ended September 30, 2020 and 2019, the Organization received in-kind contributions for services provided to the Organization. These contributions include direct mail advertisements and CT scans performed on sea turtles and have been recorded as unrestricted contributions at their estimated fair market value (FMV) at the time of donation.

The related in-kind expenses have been recognized in the appropriate operating expense classification. The contributions received were as follows:

	<u>2020</u>	<u>2019</u>
FMV of time spent working on Winter's prosthetic tail	\$ -	\$ 167,000
Other donated services	<u>164,298</u>	<u>159,241</u>
Total in-kind contributions	<u>\$ 164,298</u>	<u>\$ 326,241</u>

**NOTE N - RELATED PARTY TRANSACTIONS**

The Organization purchased auction items, food, and beverages from restaurants owned by a member of CMA's Board of Directors. Total payments to these restaurants during the year ended September 30, 2020 and 2019 was approximately \$5,200 and \$21,700, respectively.

**NOTE O - MERCHANDISE ROYALTIES**

The Organization pays merchandising royalties on the sale of merchandise to the production company which produced the feature films *Dolphin Tale* and *Dolphin Tale 2*. These royalties are included in the education expense line item on both the combined statement of activities and statement of activities and totaled \$186,056 and \$452,876 for the years ended September 30, 2020 and 2019, respectively.

**NOTE P - DEFINED CONTRIBUTION BENEFIT PLAN**

The Organization sponsors a 401(k) savings plan for employees who have attained one year of service, worked at least 1,000 hours and have reached the age of 21. The Organization matches 100% of participant contributions that are not over 3% of the participant's compensation and 50% of participant contributions that are over 3% but not over 5% of the participant's compensation. The Organization contributed approximately \$126,000 and \$122,000 to the Plan for the years ended September 30, 2020 and 2019, respectively.



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE Q - OPERATING LEASES**

The Organization leases certain office space under non-cancelable operating lease agreements which expired during 2019. Also included in rent expense are month-to-month leases for parking and office space. Total rent expense under these leases was approximately \$217,000 and \$194,000 for the years ended September 30, 2020 and 2019, respectively

On February 7, 2017, Pinellas County entered into a license agreement with the Organization to use designated County property within Fred Howard Park in Tarpon Springs for a Marine Mammal Stranding Rehabilitation Facility. The agreement is for 10 years and may be renewed for two additional five-year terms. The agreement is cancelable by either party with twelve months' notice. The Organization is responsible for all applicable permitting, buildout, and operating costs of the facility. The facility was placed in service in 2019.

**NOTE R - CMA EXPANSION**

CMA's current facility is capacity constrained and limits increased future growth. The facility operates as a marine hospital and education center whose capacity to care for dolphins is limited to the existing pools. To provide for optimal care for these marine animals, enhance guest capacity, and improve the guest experience, CMA is currently undergoing a capital expansion project designed to deliver these enhancements.

The project will facilitate high quality in both the design of the facility and care for non-releasable resident marine animals it houses as well as the visitor experience. The proposed improvements include a parking garage, new dolphin habitat, and over 74,500 square feet of guest space in a new building as well as an elevated deck and ground floor viewing areas. These additions will provide for improved animal care, guest capacity for future growth, additional exhibits and enhancement of the organization's ability to educate the public on the preservation of marine life and environment. The expansion of CMA is expected to be completed in 2021.

**NOTE S - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization's investments are reported at fair value in the accompanying combined statements of financial position. Following is a description of valuation methodologies used for investments measured at fair value.

Cash and cash equivalents - The carrying amounts reported in the combined statements of financial position approximate the fair value due to the short maturities of those investments.

Certificate of Deposit - Valued at face value plus accrued interest which approximates fair value.

US treasury securities, government sponsored enterprise securities, and corporate bonds – Valued using quoted market prices and/or other observable market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry standard models that consider various assumptions including time value and yield curve as well as other relevant economic measures.

Externally controlled endowment - The investments are managed by an unrelated third party and are valued based upon the third-party information without adjustment. The Organization does not develop nor are they provided with the quantitative inputs used to develop the fair market values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE S - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED**

**Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers in 2020 and 2019.

The fair values of assets measured on a recurring basis at September 30, 2020 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at September 30, 2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 717	\$ 717	\$ -	\$ -
Certificate of deposit	500,513	-	500,513	-
Bonds	-	-	-	-
Externally controlled endowment	2,799,199	-	-	2,799,199
	<u>\$ 3,300,429</u>	<u>\$ 717</u>	<u>\$ 500,513</u>	<u>\$ 2,799,199</u>

The fair values of assets measured on a recurring basis at September 30, 2019 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at September 30, 2019</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 200,152	\$ 200,152	\$ -	\$ -
Certificate of deposit	514,749	-	514,749	-
Bonds	6,020,407	-	6,020,407	-
Externally controlled endowment	2,719,383	-	-	2,719,383
	<u>\$ 9,454,691</u>	<u>\$ 200,152</u>	<u>\$ 6,535,156</u>	<u>\$ 2,719,383</u>

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**NOTE S - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED**

The following is a reconciliation of the Organization's level 3 investments:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 2,719,383	\$ 2,758,196
Change in fair value of third-party endowments	<u>79,816</u>	<u>(38,813)</u>
	<u>\$ 2,799,199</u>	<u>\$ 2,719,383</u>

**NOTE T – SELF INSURANCE**

During the fiscal year ended September 30, 2019, the Organization became self-insured for certain losses related to its employee health insurance plan. The expected ultimate costs for claims incurred are estimated based principally on an analysis of historical claims data and estimates of claims incurred but not reported. Losses are accrued and charged to operations when it is probable that a loss has been incurred and the amount can be reasonably estimated. Recoveries of claims paid in excess of stop-loss insurance limits are accrued and reduce claims expense. The Organization maintains a third-party stop-loss insurance policy to cover claims costs in excess of predetermined retained amounts. Costs related to the administration of the plan and related claims are expensed as incurred. At September 30, 2020 and 2019, the Organization has recorded a receivable from the third party stop-loss insurance company for claims paid by the Organization in excess of policy stop-loss limits. This receivable totaled approximately \$60,000 and \$225,000 as of September 30, 2020 and 2019, respectively, and is included in other current assets in the accompanying statements of financial position. The Organization does not maintain specific financial reserves for claims and other expenses incurred under the plan as the Organization's general financial reserves are deemed by management to be adequate to pay such costs as they are incurred.

**NOTE U - SUBSEQUENT EVENTS**

Management of the Organization has evaluated all subsequent events through August 13, 2021, the date the combined financial statements were available to be issued. As described in Notes J and K, certain of the Organization's loan agreements were modified in June 2021. The Organization is not aware of any other subsequent events which would require recognition or disclosure in the combined financial statement.