

Clearwater Marine Aquarium, Inc. and Affiliate

Combined Financial Statements

For Years-Ended

September 30, 2021 and 2020

And

Reports of Independent Certified
Public Accountants



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT	3 - 4
Combined Financial Statements for the Years Ended September 30, 2021 and 2020:	
Combined Statements of Financial Position	5
Combined Statements of Activities	6 - 7
Combined Statement of Functional Expenses.....	8
Combined Statements of Cash Flows.....	9
Notes to Combined Financial Statements.....	10 - 27
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards.....	29
Notes to Schedule of Expenditures of Federal Awards.....	30
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	31 - 32
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	33 - 34
Schedule of Findings and Questioned Costs	35 - 36



Oldsmar / Tampa / St. Petersburg

727-785-4447

813-498-1294

727-784-5491 Fax

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. and Affiliate (a nonprofit organization) (the Organization), which comprise the combined statements of financial position as of September 30, 2021 and 2020, 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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021 and 2020, 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 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated August 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PDR CPAs + Advisors

Oldsmar, Florida
February 11, 2022

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 4,377,686	\$ 3,016,494
Restricted cash	570,956	79,237
Accounts receivable	221,353	78,422
Grants receivable	16,444	54,341
Current portion of contributions receivable	2,081,500	824,991
Inventory	1,060,904	1,359,784
Other current assets	418,383	340,979
Total current assets	8,747,226	5,754,248
Property and Equipment, Net	91,651,840	91,102,019
Other Assets		
Investments	151,932	501,230
Film costs, net	1,350,000	1,800,000
Contributions receivable, net	147,584	1,728,403
Board designated funds	12,459,347	-
Externally controlled endowments	3,308,516	2,799,199
Total Assets	\$ 117,816,445	\$ 103,685,099
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,832,560	\$ 4,809,543
Deferred compensation	95,003	70,834
Deferred revenue	562,635	189,962
Current portion of notes payable	12,381,357	473,817
Total current liabilities	15,871,555	5,544,156
Long-Term Liabilities		
Note payable - PPP	1,606,026	1,627,900
Notes payable, net	14,492,880	24,535,732
Total long-term liabilities	16,098,906	26,163,632
Total Liabilities	31,970,461	31,707,788
Net assets		
Without donor restrictions:		
Operating	2,187,748	417,057
Property and equipment	64,777,603	66,092,470
Board designated for investment and growth	12,459,347	-
Total net assets without donor restrictions	79,424,698	66,509,527
With donor restrictions	6,421,286	5,467,784
Total net assets	85,845,984	71,977,311
Total Liabilities and Net Assets	\$ 117,816,445	\$ 103,685,099

See notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Revenue and Support				
Admissions and member fees	\$ 13,773,530	\$ -	\$ 13,773,530	\$ 5,962,922
Educational program fees	4,059,322	-	4,059,322	2,020,400
Fundraising events, net of expenses of \$52,206 and \$113,819, respectively	222,025	-	222,025	249,328
Gift shop sales, net of cost of goods sold of \$1,666,743 and \$904,526, respectively	3,743,205	-	3,743,205	1,679,211
Food service income, net of cost of goods sold of \$480,481 and \$167,650, respectively	912,100	-	912,100	297,980
Sea turtle nesting fees	107,985	-	107,985	113,200
Grant income	9,202,223	-	9,202,223	481,712
Contributions	1,305,242	1,049,419	2,354,661	2,345,234
In-kind contributions	108,753	-	108,753	164,298
Realized and unrealized gains on investments	-	-	-	1,449
Interest and dividend income	117,713	-	117,713	271,761
Net assets released from restrictions	605,234	(605,234)	-	-
Total revenue and support	34,157,332	444,185	34,601,517	13,587,495
Operating Expenses				
Animal care	6,377,088	-	6,377,088	4,765,820
Research and education	14,219,366	-	14,219,366	9,842,506
Management and general	2,301,073	-	2,301,073	2,299,217
Fundraising	421,703	-	421,703	493,315
Total operating expenses	23,319,230	-	23,319,230	17,400,858
Changes in Net Assets Before Other Changes	10,838,102	444,185	11,282,287	(3,813,363)
Other Changes - Revenue (Expense)				
Miscellaneous revenue	478,592	-	478,592	108,319
Gain on forgiveness of note payable - PPP	1,627,900	-	1,627,900	-
Change in third-party endowments	-	509,317	509,317	79,816
Film cost impairment	-	-	-	(532,633)
Loss on disposal of assets	(29,423)	-	(29,423)	(253,602)
Total non-operating income (expense)	2,077,069	509,317	2,586,386	(598,100)
Change in Net Assets	12,915,171	953,502	13,868,673	(4,411,463)
Net Assets, Beginning of Year	66,509,527	5,467,784	71,977,311	76,388,774
Net Assets, End of Year	\$ 79,424,698	\$ 6,421,286	\$ 85,845,984	\$ 71,977,311

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Public Support:			
Admissions and member fees	\$ 5,962,922	\$ -	\$ 5,962,922
Educational program fees	2,020,400	-	2,020,400
Fundraising events, net of expenses of \$113,819	249,328	-	249,328
Gift shop sales, net of cost of goods sold of \$904,526	1,679,211	-	1,679,211
Food service income, net of cost of goods sold of \$167,650	297,980	-	297,980
Sea turtle nesting fees	113,200	-	113,200
Grant income	481,712	-	481,712
Contributions	2,080,230	265,004	2,345,234
In-kind contributions	164,298	-	164,298
Realized and unrealized gains on investments	1,449	-	1,449
Interest and dividend income	271,761	-	271,761
Net assets released from restrictions	1,814,166	(1,814,166)	-
Total revenues and support	<u>15,136,657</u>	<u>(1,549,162)</u>	<u>13,587,495</u>
Operating Expenses			
Animal care	4,765,820	-	4,765,820
Research and education	9,842,506	-	9,842,506
Management and general	2,299,217	-	2,299,217
Fundraising	493,315	-	493,315
Total operating expenses	<u>17,400,858</u>	<u>-</u>	<u>17,400,858</u>
Changes in Net Assets Before Other Changes	(2,264,201)	(1,549,162)	(3,813,363)
Other Changes - Revenue (Expense)			
Miscellaneous revenue	108,319	-	108,319
Change in third-party endowments	-	79,816	79,816
Film cost impairment	(532,633)	-	(532,633)
Loss on disposal of assets	(253,602)	-	(253,602)
Total other changes	<u>(677,916)</u>	<u>79,816</u>	<u>(598,100)</u>
Change in Net Assets	<u>(2,942,117)</u>	<u>(1,469,346)</u>	<u>(4,411,463)</u>
Net Assets, Beginning of Year	<u>69,451,644</u>	<u>6,937,130</u>	<u>76,388,774</u>
Net Assets, End of Year	<u>\$ 66,509,527</u>	<u>\$ 5,467,784</u>	<u>\$ 71,977,311</u>

See notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	Animal Care	Research and Education	Total Program Services	Management and General	Fundraising	Total	
						2021	2020
Salaries and related expenses							
Salaries and wages	\$ 2,666,062	\$ 5,395,088	\$ 8,061,150	\$ 351,650	\$ 255,079	\$ 8,667,879	\$ 7,430,516
Retirement	-	25,955	25,955	100,753	25,955	152,663	88,023
Other employee benefits	104,238	238,105	342,343	1,102,916	9,122	1,454,381	1,119,252
Payroll taxes	193,601	366,769	560,370	67,708	25,959	654,037	680,300
Total salaries and related expenses	<u>2,963,901</u>	<u>6,025,917</u>	<u>8,989,818</u>	<u>1,623,027</u>	<u>316,115</u>	<u>10,928,960</u>	<u>9,318,091</u>
Other operating expenses							
Advertising	200	2,300,070	2,300,270	7,169	530	2,307,969	1,094,217
Computer services	67,125	279,932	347,057	33,998	9,352	390,407	392,417
Depreciation and amortization	1,206,030	2,090,965	3,296,995	52,463	-	3,349,458	1,837,860
Insurance	405,658	200,116	605,774	27,872	1,398	635,044	354,416
Interest expense	33,486	666,252	699,738	63,431	-	763,169	552,017
Merchant processing fees	-	514,450	514,450	45	-	514,495	257,167
Office expenses	6,863	13,659	20,522	13,876	466	34,864	45,008
Postage and shipping	11,633	56,754	68,387	5,408	318	74,113	75,518
Professional fees:							
Legal	4,792	136	4,928	211,654	87	216,669	118,981
Accounting	-	-	-	38,776	-	38,776	57,294
Other	28,084	724,650	752,734	124,138	72,973	949,845	351,853
Repairs and maintenance	198,932	110,477	309,409	4,831	426	314,666	366,901
Royalties	-	362,952	362,952	-	-	362,952	201,865
Supplies	857,174	463,915	1,321,089	9,387	9,820	1,340,296	1,144,931
Telephone	10,067	16,711	26,778	949	310	28,037	32,597
Travel and entertainment	2,055	112,768	114,823	1,672	1,482	117,977	127,884
Occupancy and utilities	572,219	268,591	840,810	28,804	2,350	871,964	724,796
Miscellaneous	-	(11,576)	(11,576)	52,414	1,848	42,686	85,463
Personnel enhancement	6,393	20,151	26,544	1,159	1,345	29,048	104,595
Capital campaign expenses	-	-	-	-	2,883	2,883	124,321
Construction related expenses	2,476	2,476	4,952	-	-	4,952	32,666
Total other operating expenses	<u>3,413,187</u>	<u>8,193,449</u>	<u>11,606,636</u>	<u>678,046</u>	<u>105,588</u>	<u>12,390,270</u>	<u>8,082,767</u>
Total expenses	<u>\$ 6,377,088</u>	<u>\$ 14,219,366</u>	<u>\$ 20,596,454</u>	<u>\$ 2,301,073</u>	<u>\$ 421,703</u>	<u>\$ 23,319,230</u>	<u>\$ 17,400,858</u>

See notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 13,868,673	\$ (4,411,463)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,899,458	1,498,938
Film cost impairment	-	532,633
Film cost amortization	450,000	338,922
Bad debt expense	35,000	42,054
Loss on disposals of fixed assets	29,423	69,923
Realized and unrealized gain on investments	-	(5,094)
Amortization of debt issuance costs	76,300	116,640
Depreciation/(appreciation) in externally controlled endowments	(509,317)	(79,816)
Gain on forgiveness of note payable - PPP	(1,627,900)	-
Changes in assets and liabilities:		
Accounts receivable	(142,931)	(24,234)
Contribution receivable	289,310	1,529,540
Grant receivable	37,897	(4,670)
Inventory	298,880	19,180
Other current assets	(77,404)	412,794
Accounts payable and accrued expenses	(1,976,984)	(2,558,248)
Deferred compensation	24,169	(9,166)
Deferred revenue	372,673	(176,300)
Net cash provided (used in) by operating activities	14,047,247	(2,708,367)
Cash Flows from Investing Activities:		
Purchases of investments	-	(7,279,499)
Proceeds from sales of investments	349,298	13,518,671
Proceeds from sale of property and equipment	43,274	10,117
Purchases of property and equipment	(3,521,976)	(30,250,362)
Net cash used in investing activities	(3,129,404)	(24,001,073)
Cash Flows from Financing Activities:		
Proceeds from notes payable	4,449,838	17,999,334
Payments on notes payable	(1,055,423)	(4,351,827)
Cash paid for deferred loan costs	-	(39,250)
Net cash provided by (used in) financing activities	3,394,415	13,608,257
Net Increase (Decrease) in Cash and Cash Equivalents	14,312,258	(13,101,183)
Cash and Cash Equivalents at Beginning of Year	3,095,731	16,196,914
Cash and Cash Equivalents at End of Year	\$ 17,407,989	\$ 3,095,731
Total Cash Consisted of the Following at September 30:		
Cash and cash equivalents	\$ 4,377,686	\$ 3,016,494
Restricted cash	570,956	79,237
Board designated fund	12,459,347	-
	\$ 17,407,989	\$ 3,095,731
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 610,195	\$ 464,285

See notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 and 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.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, respectively. Bad debt expense was \$35,000 and \$42,054 for the years ended September 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment with an acquisition cost or donated value of \$2,500 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:

	<u>Years</u>
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.

Board Designated Fund

In September 2021, the Board of Directors approved the establishment of a Board designated fund consisting of cash held in a money market account. The purpose of the fund is to segregate monies from general operations for investment and growth. Board designated funds are included in net assets without donor restrictions.

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.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 \$2,307,969 and \$1,094,217 for the years ended September 30, 2021 and 2020, 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.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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*.

Historically as part of its evaluation of the recoverability of film costs, management evaluated the expected total ultimate revenue over the life of the project and compared that amount to actual revenue earned to date to determine the actual amortization expense for the year. During 2020, management determined that a change to straight line amortization was the most accurate method for amortizing the remaining film costs.

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, 2020, from which the summarized information was derived.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 4,377,686	\$ 3,016,494
Accounts receivable	221,353	78,422
Grants receivable	16,444	54,341
	<u> </u>	<u> </u>
Total available financial assets	\$ 4,615,483	\$ 3,149,257
Less financial assets unavailable for general expenditures within one year due to:		
Donor restricted contributions	883,686	115,191
	<u> </u>	<u> </u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,731,797</u>	<u>\$ 3,034,066</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 B**, the Organization has approximately \$12,460,000 in board designated funds available for use in meeting financial obligations in the event of an unanticipated liquidity need. Additionally, the Organization has a \$1,500,000 line of credit available for use in meeting financial obligations (**NOTE J**).

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Gross contributions receivable	\$ 2,372,482	\$ 2,887,934
Less: Allowance for uncollectible contributions receivable	(105,000)	(105,000)
Less: Unamortized discount	<u>(38,398)</u>	<u>(229,540)</u>
Contributions receivable, net	<u>\$ 2,229,084</u>	<u>\$ 2,553,394</u>
Amounts due in:		
Less than one year	\$ 2,186,500	\$ 929,991
One to five years	185,982	1,512,229
Thereafter	<u>-</u>	<u>445,714</u>
	<u>\$ 2,372,482</u>	<u>\$ 2,887,934</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>2021</u>	<u>2020</u>
Land and improvements	\$ 5,603,855	\$ 5,603,855
Building and improvements	90,212,946	58,251,511
Furniture, fixtures, and equipment	5,034,059	4,564,820
Vehicles and boats	1,415,660	1,484,328
Construction in progress	<u>633,851</u>	<u>29,607,139</u>
	102,900,371	99,511,653
Less accumulated depreciation	<u>(11,248,531)</u>	<u>(8,409,634)</u>
	<u>\$ 91,651,840</u>	<u>\$ 91,102,019</u>

Depreciation expense was \$2,899,458 and \$1,498,938 for the years ended September 30, 2021 and 2020, respectively. Depreciation will commence on amounts in construction in progress when the items are completed and placed into service. Construction in progress represents costs associated with the ongoing renovation of the aquarium.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE F - INVESTMENTS

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

	2021		2020	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 717	\$ 717	\$ 717	\$ 717
Certificate of deposit	151,215	151,215	500,513	500,513
Total	\$ 151,932	\$ 151,932	\$ 501,230	\$ 501,230

The following schedule summarizes investment return on the above investments for the years ended September 30, 2021 and 2020:

	2021	2020
Interest and dividends on investments	\$ 2,297	\$ 28,498
Realized and unrealized gain on investments	-	1,449
Total investment return	\$ 2,297	\$ 29,947

NOTE G - FILM COSTS

Film costs of \$5,005,031 relating to *Dolphin Tale 2* were capitalized in the year ended September 30, 2014. 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 \$533,000, which is included in the accompanying 2020 combined statement of activities. Amortization expense was \$450,000 and \$338,922 for the years ended September 30, 2021 and 2020, respectively. Accumulated amortization amounted to \$3,655,031 and \$3,205,031 as of September 30, 2021 and 2020, respectively.

The Organization expects to amortize the remaining *Dolphin Tale 2* costs straight line over the next three years at \$450,000 annually. The estimates of expected amortization are based on *Dolphin Tale 2*'s release and the impact on attendance to the Organization.

**CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Summary of Endowment Assets at September 30, 2021:			
Externally controlled endowments	\$ -	\$ 3,308,516	\$ 3,308,516
Summary of Endowment Assets at September 30, 2020:			
Externally controlled endowments	\$ -	\$ 2,799,199	\$ 2,799,199

**CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE H - EXTERNALLY CONTROLLED ENDOWMENTS - CONTINUED

Changes in endowment net assets for the years ended September 30, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment Net Assets for the year ended September 30, 2021:			
Endowment net assets, beginning	\$ -	\$ 2,799,199	\$ 2,799,199
Change in value of endowment fund	-	622,261	622,261
Distributions	-	(112,944)	(112,944)
Net change in endowment assets	-	509,317	509,317
	<u>\$ -</u>	<u>\$ 3,308,516</u>	<u>\$ 3,308,516</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment Net Assets for the year ended September 30, 2020:			
Endowment net assets, beginning	\$ -	\$ 2,719,383	\$ 2,719,383
Change in value of endowment fund	-	222,300	222,300
Distributions	-	(142,484)	(142,484)
Net change in endowment assets	-	79,816	79,816
	<u>\$ -</u>	<u>\$ 2,799,199</u>	<u>\$ 2,799,199</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 \$95,003 and \$70,836 as of September 30, 2021 and 2020, respectively. Deferred compensation expense was approximately \$54,200 and \$82,500 for the years ended September 30, 2021 and 2020, respectively.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE J - LINE-OF-CREDIT

The Organization has a \$1.5 million line-of-credit with a bank. The interest rate is the bank's secured overnight financing rate plus 3.25% with a minimum rate of 3.50% (3.5% at September 30, 2021). The line-of-credit matures on June 9, 2022. There was no outstanding balance on the line-of-credit at September 30, 2021 and 2020. The line is collateralized by certain receivables, inventory, and equipment.

NOTE K - LONG-TERM DEBT

Long-term debt at September 30, 2021 and 2020 consists of the following:

	2021	2020
Note payable to financial institution; monthly payments of \$412, including interest at 7.99%; collateralized by a vehicle; maturing December 2022.	\$ 4,945	\$ 10,240
Note payable pursuant to the PayCheck Protection Program (the "PPP"), accruing interest at 1.0%, loan was forgiven during 2021.	-	1,627,900
Note payable pursuant to the PayCheck Protection Program (the "PPP"), accruing interest at 1.0%, maturing March 2026.	1,606,026	-
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% (2.59% at September 30, 2021). This note is secured by all assets of the Organization.	1,120,450	1,481,468
Note payable to bank with monthly payments of interest only starting June 2021 at the greater of the bank's secured overnight rate plus 3.25% or 3.5% (3.5% at September 30, 2021) through June 2022 with a single payment of all remaining unpaid principal and accrued interest due June 9, 2022. Secured by a mortgage on real property. This loan was modified in 2021 as described in the paragraph below.	466,667	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.	548,991	567,760

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE K - LONG-TERM DEBT - CONTINUED

	2021	2020
<p>Series 2018 bonds payable. Interest is payable monthly on principal amounts outstanding at 79% of one-month LIBOR plus 2.0875% (2.19% at September 30, 2021). 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>	14,692,824	12,175,990
<p>Note payable to bank with monthly payments of interest only starting June 2021 at the greater of the bank's secured overnight rate plus 3.25% or 3.5% (3.5% at September 30, 2021) through June 2022 with a single payment of all remaining unpaid principal and accrued interest due June 9, 2022. Secured by a mortgage on real property. This loan was modified in 2021 as described in the paragraph below.</p>	557,627	579,757
<p>Note payable to bank with monthly payments of interest only starting June 2021 at the greater of the bank's secured overnight rate plus 3.25% or 3.5% (3.5% at September 30, 2021) through June 2022 with a single payment of all remaining unpaid principal and accrued interest due June 9, 2022. Secured by a mortgage on real property. This loan was modified in 2021 as described in the paragraph below.</p>	9,614,431	9,731,017
Total long-term debt	28,611,961	26,845,827
Less unamortized debt issuance costs	131,698	208,378
Long-term debt, less unamortized debt issuance costs	28,480,263	26,637,449
Less current portion	12,381,357	473,817
Long-term debt, net	\$ 16,098,906	\$ 26,163,632

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.

**CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE K - LONG-TERM DEBT - CONTINUED

Future maturities of the notes payable for each of the five years subsequent to September 30, 2021 and thereafter, are as follows:

<u>Year Ending September 30,</u>	<u>Principal Payment Due</u>
2022	\$ 12,381,357
2023	618,709
2024	13,519,331
2025	22,648
2026	23,629
Thereafter	<u>440,261</u>
	<u>\$ 27,005,935</u>

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

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. 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 in compliance with all covenants at September 30, 2021.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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).

During 2021, the Organization used all proceeds from the loan for qualifying expenses and applied for forgiveness of the PPP loan. In August 2021, the Organization received approval of its application for loan forgiveness and the loan was fully forgiven. The Organization recognized a \$1,627,900 gain on forgiveness of note payable which is included in the accompanying combined statements of activities for the year ended September 30, 2021.

Additionally, in March 2021, the Organization received a second PPP loan in the amount of \$1,606,026. The note matures in March 2026 and bears interest at a fixed annual rate of 1%, with loan payments being deferred until certain events occur in accordance with the PPP program regulations. Management intends to use the entire loan amount for qualifying expenses and apply for forgiveness of this loan during fiscal year ended September 30, 2022. The timing of the repayment of any unforgiven loan amount is subject to number of factors however management has deemed forgiveness to be probable. Accordingly, the second PPP loan is included in long term liabilities in the accompanying combined statement of financial position at September 30, 2021.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Temporary restrictions:		
Contributions receivable, net	\$ 2,229,084	\$ 2,553,394
Donor restricted contributions	883,686	115,191
	<u>3,112,770</u>	<u>2,668,585</u>
Total net assets with temporary restrictions	3,112,770	2,668,585
Permanent restrictions - endowments:		
Thomas Cooper	2,301,287	1,965,482
Edna Klauser	1,007,229	833,717
	<u>3,308,516</u>	<u>2,799,199</u>
Total net assets with permanent restrictions	3,308,516	2,799,199
Total net assets with donor restrictions	<u>\$ 6,421,286</u>	<u>\$ 5,467,784</u>

Net assets of \$605,234 and \$1,814,166 were released from restrictions during the years ended September 30, 2021 and 2020, respectively, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 2021 and 2020 were approximately 108,100 and 74,600, respectively.

During the years ended September 30, 2021 and 2020, the Organization received in-kind contributions for donated goods as well as services provided to the Organization. The contributed services included donated research and CT scans. All in-kind contributions 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:

	2021	2020
Donated boats, vehicles, and hospitality	\$ 14,250	\$ 114,450
Donated Services	94,503	49,848
Total in-kind contributions	\$ 108,753	\$ 164,298

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, 2021 and 2020 was approximately \$4,100 and \$5,200, 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*. Royalties totaled \$362,952 and \$201,865 for the years ended September 30, 2021 and 2020, 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 \$130,000 and \$126,000 to the Plan for the years ended September 30, 2021 and 2020, respectively.

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE Q - OPERATING LEASES

The Organization leases certain office space under non-cancelable operating lease agreements which expire through August of 2022. Also included in rent expense are month-to-month leases for parking and office space. Total rent expense under these leases was approximately \$53,000 and \$217,000 for the years ended September 30, 2021 and 2020, respectively. Future minimum lease payments required under these operating leases total \$840 for the year ending September 30, 2022.

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 - 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.

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.

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 2021 and 2020.

**CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE R - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The fair values of assets measured on a recurring basis at September 30, 2021 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value at September 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 717	\$ 717	\$ -	\$ -
Certificate of deposit	151,215	-	151,215	-
Externally controlled endowment	3,308,516	-	-	3,308,516
	\$ 3,460,448	\$ 717	\$ 151,215	\$ 3,308,516

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

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

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

	2021	2020
Balance at beginning of year	\$ 2,799,199	\$ 2,719,383
Change in fair value of third-party endowments	509,317	79,816
	\$ 3,308,516	\$ 2,799,199

CLEARWATER MARINE AQUARIUM, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE S – SELF INSURANCE

The Organization is 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, 2021, the Organization has recorded a payable for estimated claims incurred but not paid. The accrual totaled approximately \$425,000 and is included within accounts payable and accrued expenses in the accompanying statements of financial position. At September 30, 2020, 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 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 T - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 11, 2022, the date the combined financial statements were available to be issued. No matters were noted by management that would require recognition or disclosure in the combined financial statements.

SUPPLEMENTARY INFORMATION

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Federal Agency

<u>Pass-Through Entity</u> <u>Federal Program</u>	<u>Federal Assistance Listing Number</u>	<u>Contract/Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Provided to Subrecipients</u>
FEDERAL AWARDS:				
U.S. Small Business Administration				
Shuttered Venue Operators Grant Program	59.075	SBAHQ21SV015463	\$ 7,087,023	-
U.S. Department of the Interior				
<i>Passed through United States Fish and Wildlife Service:</i>				
Prescott Marine Mammal Rescue Assistance	15.683	F21AP03123-00	77,879	-
Total Expenditures of Federal Awards			\$ 7,164,902	\$ -

**CLEARWATER MARINE AQUARIUM INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Clearwater Marine Aquarium, Inc. and Affiliate under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clearwater Marine Aquarium, Inc. and Affiliate it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clearwater Marine Aquarium, Inc. and Affiliate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization did not elect to use the 10% de minimis indirect cost rate.

SUBRECIPIENTS

The Organization did not provide federal funds to subrecipients for the year ended September 30, 2021.



Oldsmar / Tampa / St. Petersburg

727-785-4447
813-498-1294
727-784-5491 Fax

www.pdr-cpa.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clearwater Marine Aquarium, Inc. and Affiliate (a nonprofit organization) (the Organization), which comprise the combined statement of financial position as of September 30, 2021, and the related combined statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated February 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CONTINUED

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS - CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDR CPAs + Advisors

Oldsmar, Florida
February 11, 2022



Oldsmar / Tampa / St. Petersburg

727-785-4447

813-498-1294

727-784-5491 Fax

www.pdr-cpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Clearwater Marine Aquarium, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

CONTINUED

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PDR CPAs + Advisors

Oldsmar, Florida
February 11, 2022

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards Section

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Type of auditor's report on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a) of the Uniform Guidance? yes no

Identification of major federal programs:

Federal Programs:

Federal Assistance Listing Number	Name of Program or Cluster
59.075	Shuttered Venue Operators Grant Program

Dollar threshold used to determine Type A programs:

Federal programs \$ 750,000

Auditee qualified as low-risk auditee for federal purposes? yes no

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
SEPTEMBER 30, 2021**

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no reportable findings.

Part III - Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weakness, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

There were no reportable findings.

Summary Schedule of Prior Audit Findings

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior year audit findings related to a major federal program.