

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

## **Combined Financial Statements**

**For the years ended  
September 30, 2023 and 2022**

**and  
Reports of Independent Certified  
Public Accountants**



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of Financial Statements

#### Opinion

We have audited the accompanying combined financial statements of Clearwater Marine Aquarium, Inc. and Affiliate (a Nonprofit Organization) (collectively, the Organization), which comprise the combined statements of financial position as of September 30, 2023 and 2022 and the related combined statements of activities, and cash flows for the years then ended, the combined statement of functional expenses for the years ended September 30, 2023, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Clearwater Marine Aquarium, Inc. and Affiliate as of September 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clearwater Marine Aquarium, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clearwater Marine Aquarium, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

**CONTINUED**

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clearwater Marine Aquarium, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clearwater Marine Aquarium, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Report on Summarized Comparative Information

We have previously audited Clearwater Marine Aquarium, Inc. and Affiliate's 2022 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated February 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

**CONTINUED**

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General, State of Florida*, 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 schedule of expenditures of state financial assistance 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 April 25, 2024, 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  
April 25, 2024

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 976,408	\$ 1,415,178
Restricted cash	3,368,169	2,397,738
Short term investments	151,417	152,081
Accounts receivable	285,179	197,039
Grants receivable	1,064,087	39,172
Current portion of contributions receivable	183,892	112,250
Inventory, net	401,205	1,007,044
Other current assets	728,390	625,767
<b>Total current assets</b>	<b>7,158,747</b>	<b>5,946,269</b>
<b>Property and Equipment, Net</b>	<b>89,736,937</b>	<b>89,948,814</b>
<b>Other Assets</b>		
Film costs, net	450,000	900,000
Contributions receivable, net	298,793	61,894
Board designated funds	3,083,787	10,491,893
Externally controlled endowments	2,676,203	2,472,431
<b>Total Assets</b>	<b>\$ 103,404,467</b>	<b>\$ 109,821,301</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,862,889	\$ 2,170,604
Deferred revenue	888,244	289,318
Current portion of notes payable	1,130,673	1,131,011
<b>Total current liabilities</b>	<b>3,881,806</b>	<b>3,590,933</b>
<b>Long-Term Liabilities</b>		
Notes payable, net	21,821,080	23,002,840
<b>Total Liabilities</b>	<b>25,702,886</b>	<b>26,593,773</b>
<b>Net Assets</b>		
Without donor restrictions:		
Operating	7,361,884	3,631,454
Property and equipment	66,785,184	65,814,963
Board designated for investment and growth	12,830	10,491,893
Total net assets without donor restrictions	74,159,898	79,938,310
With donor restrictions	3,541,683	3,289,218
<b>Total net assets</b>	<b>77,701,581</b>	<b>83,227,528</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,404,467</b>	<b>\$ 109,821,301</b>

See accompanying notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**  
**(WITH COMPARATIVE TOTALS FOR 2022)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<b>Revenue and Support</b>				
Admissions and member fees	\$ 10,268,510	\$ -	\$ 10,268,510	\$ 10,917,362
Educational program fees	2,977,736	-	2,977,736	3,608,129
Fundraising events, net of expenses of \$98,255 and \$87,831, respectively	355,102	-	355,102	561,999
Gift shop sales, net of cost of goods sold of \$1,115,200 and \$2,095,163, respectively	1,345,522	-	1,345,522	2,282,281
Food service income, net of cost of goods sold of \$1,202,617 and \$475,915, respectively	412,203	-	412,203	715,210
Sea turtle nesting fees	117,954	-	117,954	129,925
Grant income	3,675,930	-	3,675,930	2,415,983
Contributions	1,070,129	493,310	1,563,439	2,103,318
Contributed nonfinancial assets	178,532	-	178,532	166,665
Interest and dividend income	417,408	-	417,408	133,940
Net assets released from restrictions	444,617	(444,617)	-	-
<b>Total revenue and support</b>	<b>21,263,643</b>	<b>48,693</b>	<b>21,312,336</b>	<b>23,034,812</b>
<b>Operating Expenses</b>				
Animal care	7,506,286	-	7,506,286	6,995,271
Research and education	15,433,684	-	15,433,684	15,892,724
Management and general	2,912,697	-	2,912,697	2,688,301
Fundraising	1,531,336	-	1,531,336	1,139,582
<b>Total operating expenses</b>	<b>27,384,003</b>	<b>-</b>	<b>27,384,003</b>	<b>26,715,878</b>
<b>Changes in Net Assets Before Other Changes</b>	<b>(6,120,360)</b>	<b>48,693</b>	<b>(6,071,667)</b>	<b>(3,681,066)</b>
<b>Other Changes - Revenue (Expense)</b>				
Miscellaneous revenue	341,448	-	341,448	402,669
Gain on forgiveness of note payable - PPP	-	-	-	1,606,026
Change in third-party endowments	-	203,772	203,772	(866,085)
Other income (expense)	500	-	500	(80,000)
Total other changes - revenue (expense)	341,948	203,772	545,720	1,062,610
<b>Change in Net Assets</b>	<b>(5,778,412)</b>	<b>252,465</b>	<b>(5,525,947)</b>	<b>(2,618,456)</b>
<b>Net Assets, Beginning of Year</b>	<b>79,938,310</b>	<b>3,289,218</b>	<b>83,227,528</b>	<b>85,845,984</b>
<b>Net Assets, End of Year</b>	<b>\$ 74,159,898</b>	<b>\$ 3,541,683</b>	<b>\$ 77,701,581</b>	<b>\$ 83,227,528</b>

See accompanying notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Admissions and member fees	\$ 10,917,362	\$ -	\$ 10,917,362
Educational program fees	3,608,129	-	3,608,129
Fundraising events, net of expenses of \$87,831	561,999	-	561,999
Gift shop sales, net of cost of goods sold of \$2,095,163	2,282,281	-	2,282,281
Food service income, net of cost of goods sold of \$475,915	715,210	-	715,210
Sea turtle nesting fees	129,925	-	129,925
Grant income	2,415,983	-	2,415,983
Contributions	1,325,166	778,152	2,103,318
Contributed nonfinancial assets	166,665	-	166,665
Interest and dividend income	133,940	-	133,940
Net assets released from restrictions	3,074,135	(3,074,135)	-
<b>Total revenue and support</b>	<b>25,330,795</b>	<b>(2,295,983)</b>	<b>23,034,812</b>
<b>Operating Expenses</b>			
Animal care	6,995,271	-	6,995,271
Research and education	15,892,724	-	15,892,724
Management and general	2,688,301	-	2,688,301
Fundraising	1,139,582	-	1,139,582
<b>Total operating expenses</b>	<b>26,715,878</b>	<b>-</b>	<b>26,715,878</b>
<b>Changes in Net Assets Before Other Changes</b>	<b>(1,385,083)</b>	<b>(2,295,983)</b>	<b>(3,681,066)</b>
<b>Other Changes - Revenue (Expense)</b>			
Miscellaneous revenue	402,669	-	402,669
Gain on forgiveness of note payable - PPP	1,606,026	-	1,606,026
Change in third-party endowments	-	(866,085)	(866,085)
Transfer to permanent endowment	(30,000)	30,000	-
Other expense	(80,000)	-	(80,000)
Total non-operating income (expense)	1,898,695	(836,085)	1,062,610
<b>Change in Net Assets</b>	<b>513,612</b>	<b>(3,132,068)</b>	<b>(2,618,456)</b>
<b>Net Assets, Beginning of Year</b>	<b>79,424,698</b>	<b>6,421,286</b>	<b>85,845,984</b>
<b>Net Assets, End of Year</b>	<b>\$ 79,938,310</b>	<b>\$ 3,289,218</b>	<b>\$ 83,227,528</b>

See accompanying notes to combined financial statements



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)**

	Animal Care	Research and Education	Total Program Services	Management and General	Fundraising	Total 2023	Total 2022
<b>Salaries and related expenses</b>							
Salaries and wages	\$ 2,546,126	\$ 5,336,636	\$ 7,882,762	\$ 996,747	\$ 564,039	\$ 9,443,548	\$ 10,343,370
Retirement	-	33,808	33,808	136,250	33,604	203,662	160,248
Other employee benefits	172,048	301,254	473,302	883,807	15,839	1,372,948	1,004,528
Payroll taxes	186,264	362,465	548,729	70,965	38,213	657,907	721,883
<b>Total salaries and related expenses</b>	<u>2,904,438</u>	<u>6,034,163</u>	<u>8,938,601</u>	<u>2,087,769</u>	<u>651,695</u>	<u>11,678,065</u>	<u>12,230,029</u>
<b>Other operating expenses</b>							
Advertising	-	1,931,213	1,931,213	4,812	1,915	1,937,940	2,441,009
Computer services	83,290	293,321	376,611	82,345	6,358	465,314	409,442
Depreciation and amortization	1,465,997	1,955,882	3,421,879	64,009	-	3,485,888	3,465,582
Insurance	481,054	246,112	727,166	22,244	1,596	751,006	678,715
Interest expense	17	1,510,234	1,510,251	29,299	-	1,539,550	888,370
Merchant processing fees	-	364,776	364,776	-	-	364,776	436,860
Office expenses	85,100	84,416	169,516	31,645	2,528	203,689	59,470
Postage and shipping	11,412	66,174	77,586	1,942	206	79,734	122,899
Professional fees:							
Legal	-	-	-	141,409	-	141,409	132,938
Accounting	-	-	-	81,950	-	81,950	89,700
Other	65,736	794,471	860,207	167,600	766,984	1,794,791	1,421,136
Repairs and maintenance	736,865	371,707	1,108,572	23,480	2,072	1,134,124	713,048
Royalties	-	197,651	197,651	-	-	197,651	262,457
Supplies	686,609	494,384	1,180,993	9,626	74,573	1,265,192	1,465,422
Telephone	22,342	27,288	49,630	2,007	1,189	52,826	34,333
Travel and entertainment	102,222	290,643	392,865	59,503	13,731	466,099	190,524
Occupancy and utilities	777,556	380,899	1,158,455	37,078	3,272	1,198,805	1,023,825
Miscellaneous	-	246,150	246,150	42,128	4,556	292,834	277,452
Personnel enhancement	83,648	144,200	227,848	23,851	661	252,360	371,754
Capital campaign expenses	-	-	-	-	-	-	913
<b>Total other operating expenses</b>	<u>4,601,848</u>	<u>9,399,521</u>	<u>14,001,369</u>	<u>824,928</u>	<u>879,641</u>	<u>15,705,938</u>	<u>14,485,849</u>
<b>Total expenses</b>	<u>\$ 7,506,286</u>	<u>\$ 15,433,684</u>	<u>\$ 22,939,970</u>	<u>\$ 2,912,697</u>	<u>\$ 1,531,336</u>	<u>\$ 27,384,003</u>	<u>\$ 26,715,878</u>

See accompanying notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE  
COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (5,525,947)	\$ (2,618,456)
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	3,035,890	3,015,582
Film cost amortization	450,000	450,000
Bad debt expense	6,440	38,500
Inventory reserve	-	545,000
Grants restricted for long-term purposes	(1,054,964)	-
Amortization of debt issuance costs	48,317	63,399
(Appreciation) / Depreciation in externally controlled endowments	(203,772)	866,085
Gain on forgiveness of note payable - PPP	-	(1,606,026)
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(88,140)	24,314
Contributions receivable	(314,981)	2,016,440
Grants receivable	(1,024,915)	(22,728)
Inventory	605,840	(491,140)
Other current assets	(102,627)	(207,384)
Accounts payable and accrued expenses	(307,715)	(661,959)
Deferred compensation	-	(95,003)
Deferred revenue	598,926	(273,317)
<b>Net cash (used in) provided by operating activities</b>	<b>(3,877,648)</b>	<b>1,043,307</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of endowments	-	(30,000)
Purchases of property and equipment	(2,823,346)	(1,312,702)
<b>Net cash used in investing activities</b>	<b>(2,823,346)</b>	<b>(1,342,702)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments on notes payable	(1,230,415)	(2,779,510)
Grants restricted for long-term purposes	1,054,964	-
Cash paid for deferred loan costs	-	(24,275)
<b>Net cash used in financing activities</b>	<b>(175,451)</b>	<b>(2,803,785)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(6,876,445)</b>	<b>(3,103,180)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>14,304,809</b>	<b>17,407,989</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,428,364</b>	<b>\$ 14,304,809</b>
<b>Total Cash Consisted of the Following at September 30:</b>		
Cash and cash equivalents	\$ 976,408	\$ 1,415,178
Restricted cash	3,368,169	2,397,738
Board designated fund	3,083,787	10,491,893
	<b>\$ 7,428,364</b>	<b>\$ 14,304,809</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	<b>\$ 1,450,843</b>	<b>\$ 797,882</b>

See accompanying notes to combined financial statements

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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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 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 (U.S. 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 combined 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 U.S. 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, provision for obsolete inventory, 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, 2023 AND 2022**

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

**Fair Value Measurement**

The combined financial statements are prepared in accordance with U.S. GAAP standards, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the combined financial statements or on a recurring basis (at least annually). 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, 2023 and 2022, cash consists of monies held in checking accounts, savings accounts, money market funds, and petty cash. The Organization considers all highly liquid investments with an initial maturity of three months or less as cash and cash equivalents.

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, 2023 and 2022, 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 as well as a reserve account required by a bank loan. The reserve requirement was \$3,000,000 and \$2,000,000 at September 30, 2023 and 2022, respectively.

**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, 2023 and 2022.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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. During 2022, management determined that inventory was impaired and as a result established an inventory reserve totaling approximately \$545,000 at September 30, 2022. The impaired inventory was sold during 2023. Management determined no reserve was necessary as of September 30, 2023.

**Contributions Receivable**

Contributions 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 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 \$50,000 at September 30, 2023 and 2022, respectively. Bad debt expense was approximately \$7,000 and \$39,000 for the years ended September 30, 2023 and 2022, 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:

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

**Short Term Investments**

The Organization's short term investments include money market funds and certificates of deposit with maturities of less than one year. The certificates of deposit are purchased through a financial institution purchased in such amounts as to maximize federal deposit insurance coverage, and are held to maturity. Accordingly, certificates of deposit are carried at original cost in the accompanying combined statements of financial position. Certificates of deposit held at September 30, 2023 have a maturity date of April 2024 and interest rate of 4%. Total certificates of deposit included in short term investments was \$151,417 and \$151,364 at September 30, 2023 and 2022, respectively.

**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.

At September 30, 2022, the Board designated fund consisted of money market funds totaling \$10,491,893. During the year ended September 30, 2023, the Organization used money market funds to purchase United States Treasury Bills (Bills) with remaining maturities of less than one year. The purchased Bills have a zero coupon rate with maturity dates ranging from November 2023 through February 2024. The Bills are carried at fair market value in the accompanying combined statements of financial position and total \$3,069,335 at September 30, 2023. Board designated funds consist of the Bills and money market funds totaling \$3,083,787 as of September 30, 2023.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 combined 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.

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.

**Contributed Nonfinancial Assets**

Contributed nonfinancial assets include donated services, materials and equipment which are recorded at the respective fair value of the goods and services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, however, the combined financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

**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 \$1,937,940 and \$2,441,009 for the years ended September 30, 2023 and 2022, respectively.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 J**). Amortization of the deferred loan costs is charged to interest expense within the combined statements of activities.

**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, 2023 and 2022, the Organization determined that the film costs were not impaired (**NOTE G**).

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

**Summarized Comparative 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended September 30, 2022, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the 2022 combined financial statements have been reclassified for presentation purposes. These reclassifications had no impact on the ending net assets at September 30, 2022.

**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>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 976,408	\$ 1,415,178
Short term investments	151,417	152,081
Accounts receivable	285,179	197,039
Grants receivable	<u>1,064,087</u>	<u>39,172</u>
Total available financial assets	\$ 2,477,091	\$ 1,803,470
Less financial assets unavailable for general expenditures within one year due to:		
Donor restricted contributions	<u>382,795</u>	<u>642,643</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,094,296</u>	<u>\$ 1,160,827</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 also has \$3,083,787 and \$10,491,893 at September 30, 2023 and 2022, respectively, in Board designated funds available for use in meeting financial obligations in the event of an unanticipated liquidity need. Management has developed plans to address liquidity concerns and increase liquidity available for operations. These plans include the Rising Tides capital campaign that was publicly announced in February 2024 with budgeted inflows of \$32 million which the Organization will use to fund ongoing activities. Additionally, the Organization is working to modify its financing arrangements to secure more favorable terms and maturities. Based on these plans, management believes that the Organization will be able to increase liquidity and allow for increased abilities to serve and fulfill its mission.



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

Contributions receivable consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Gross contributions receivable	\$ 614,892	\$ 231,232
Less: Allowance for uncollectible contributions receivable	(50,000)	(50,000)
Less: Unamortized discount	<u>(82,207)</u>	<u>(7,088)</u>
Contributions receivable, net	<u>\$ 482,685</u>	<u>\$ 174,144</u>
Amounts due in:		
Less than one year	\$ 233,892	\$ 162,250
One to five years	<u>381,000</u>	<u>68,982</u>
	<u>\$ 614,892</u>	<u>\$ 231,232</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 1.28% to 4.97%.

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 5,603,855	\$ 5,603,855
Building and improvements	91,592,484	90,401,019
Furniture, fixtures, and equipment	5,816,865	5,386,406
Vehicles and boats	1,811,611	1,596,576
Construction in progress	<u>2,212,121</u>	<u>1,225,069</u>
	107,036,936	104,212,925
Less accumulated depreciation	<u>(17,299,999)</u>	<u>(14,264,111)</u>
	<u>\$ 89,736,937</u>	<u>\$ 89,948,814</u>

Depreciation expense was \$3,035,890 and \$3,015,582 for the years ended September 30, 2023 and 2022, 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. AND AFFILIATE**  
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**NOTE F - SHORT TERM INVESTMENTS**

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

	<b>2023</b>		<b>2022</b>	
	Cost	Market	Cost	Market
Money market funds	\$ 14,452	\$ 14,452	\$ 10,492,610	\$ 10,492,610
Certificate of deposit	151,417	151,417	151,364	151,364
Treasury bills	3,040,565	3,069,335	-	-
<b>Total</b>	<b>\$ 3,206,434</b>	<b>\$ 3,235,204</b>	<b>\$ 10,643,974</b>	<b>\$ 10,643,974</b>

The following schedule summarizes the short term investment and Board designated fund balances as of September 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
<b>Short Term Investments:</b>		
Money market funds	\$ -	\$ 717
Certificate of deposit	151,417	151,364
	<u>\$ 151,417</u>	<u>\$ 152,081</u>
<b>Board Designated Funds:</b>		
Money market funds	\$ 14,452	\$ 10,491,893
Treasury bills	3,069,335	-
	<u>\$ 3,083,787</u>	<u>\$ 10,491,893</u>

**NOTE G - FILM COSTS**

Film costs of \$5,537,664 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. Amortization expense was \$450,000 for the years ended September 30, 2023 and 2022, respectively. Accumulated amortization amounted to \$4,555,031 and \$4,105,031 as of September 30, 2023 and 2022, respectively. The Organization expects to amortize the remaining *Dolphin Tale 2* costs of \$450,000 during the year ended September 30, 2024.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE H - EXTERNALLY CONTROLLED ENDOWMENTS**

In 2022, the Organization invested \$30,000 with the Community Foundation of Tampa Bay (CFTB) which is classified as net assets with donor restrictions. Unrealized gains and losses from the investment are included in the combined statement of activities within change in third-party endowments. Since the funds were transferred to the CFTB by the Organization and the Organization is named the beneficiary, these funds are included in the accompanying combined statements of financial position. As of September 30, 2023 and 2022, the fair value of this endowment was \$29,520 and \$27,111, respectively.

In addition to this initial investment the CFTB matched \$10,000 for the benefit of the Organization. The CFTB has variance power over these funds and thus these funds are not considered an asset of the Organization. The balance of these funds was \$9,772 and \$8,975 as of September 30, 2023 and 2022, respectively.

The Organization's other third-party endowments consist of two additional 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 U.S. 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, 2023 and 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Summary of Endowment Assets at September 30, 2023:</b>			
Externally controlled endowments	\$ -	\$ 2,676,203	\$ 2,676,203
<b>Summary of Endowment Assets at September 30, 2022:</b>			
Externally controlled endowments	\$ -	\$ 2,472,431	\$ 2,472,431

**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, 2023 and 2022:

	<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, 2023:</b>			
Endowment net assets, beginning	\$ -	\$ 2,472,431	\$ 2,472,431
Change in value of endowment fund	-	280,609	280,609
Contributions	-	-	-
Distributions	-	(76,837)	(76,837)
Net change in endowment assets	<u>-</u>	<u>203,772</u>	<u>203,772</u>
Total funds	<u>\$ -</u>	<u>\$ 2,676,203</u>	<u>\$ 2,676,203</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, 2022:</b>			
Endowment net assets, beginning	\$ -	\$ 3,308,516	\$ 3,308,516
Change in value of endowment fund	-	(767,915)	(767,915)
Contributions	-	30,000	30,000
Distributions	-	(98,170)	(98,170)
Net change in endowment assets	<u>-</u>	<u>(836,085)</u>	<u>(836,085)</u>
Total funds	<u>\$ -</u>	<u>\$ 2,472,431</u>	<u>\$ 2,472,431</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 - LINE-OF-CREDIT**

The Organization has a \$1.5 million line-of-credit with a bank which was modified in September 2022. The interest rate is the bank's secured overnight financing rate plus 3.25% with a minimum rate of 3.25% (8.58% at September 30, 2023). The line-of-credit matures on March 26, 2024. There was no outstanding balance on the line-of-credit at September 30, 2023 and 2022. The line is collateralized by all business assets of the Organization excluding real estate. This line-of-credit was not renewed when it matured in March of 2024.

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

Long-term debt at September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Note payable to financial institution; monthly payments of \$412, including interest at 7.99%; collateralized by a vehicle; matured December 2022.	\$ -	\$ 338
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.	508,940	529,396
Series 2018 bonds payable. Interest is payable monthly on principal amounts outstanding at .79% of one-month LIBOR plus 2.0875% (6.44%) at September 30, 2023). 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 April 30, 2025 at which time all remaining principal and interest will be due and payable. Bond is secured by all assets of the Organization. This loan was modified subsequent to year-end as described in the paragraph below.	13,497,624	14,095,224
Note payable to bank with monthly payments of \$5,163, plus interest at the greater of the bank's secured overnight rate plus 2.50% or 2.50% (7.83% at September 30, 2023) through April 2025, with a single payment of all remaining unpaid principal and accrued interest due April 30, 2025. Secured by a mortgage on real property. This loan was modified subsequent to year-end as described in the paragraph below.	495,669	557,627
Note payable to bank with monthly payments of \$37,526, plus interest at the greater of the bank's secured overnight rate plus 2.50% or 2.50% (7.83% at September 30, 2023) through April 2025 with a single payment of all remaining unpaid principal and accrued interest due April 30, 2025. Secured by a mortgage on real property. This loan was modified subsequent to year-end as described in the paragraph below.	<u>8,493,776</u>	<u>9,043,841</u>
Total long-term debt	22,996,009	24,226,426
Less unamortized debt issuance costs	<u>44,256</u>	<u>92,575</u>
Long-term debt, less unamortized debt issuance costs	22,951,753	24,133,851
Less current portion	<u>1,130,673</u>	<u>1,131,011</u>
Long-term debt, net	<u>\$ 21,821,080</u>	<u>\$ 23,002,840</u>

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

**Loan Modifications**

In March 2024, the Organization's lender modified three of the loans as noted in the above table. The interest rate on the two notes payable was modified to be the bank's secured overnight financing rate plus 3.94% with a minimum effective rate of 3.94%. The interest rate on the series 2018 bonds was not changed. Repayment terms remain as fixed principal plus accrued interest for each obligation. The maturity date on all three notes was changed from March 2024 to April 30, 2025.

Future maturities of the notes payable for each of the five years subsequent to September 30, 2023 and thereafter, are as follows:

<u>Year Ending September 30,</u>	<u>Principal Payment Due</u>
2024	\$ 1,130,673
2025	21,399,845
2026	23,629
2027	24,653
2028	25,721
Thereafter	<u>391,488</u>
	<u>\$ 22,996,009</u>

During the year ended September 30, 2018, the Organization 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") had a borrowing limit of \$14,941,824. Advances were 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 April 30, 2025. 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. 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 current reserve requirement is \$3 million. The Organization was not compliance with certain of its financial covenants at September 30, 2023 and has obtained the necessary waivers from the lender.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE K - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>2023</b>	<b>2022</b>
Temporary restrictions:		
Contributions receivable, net	\$ 482,685	\$ 174,144
Donor restricted contributions	382,795	642,643
Total net assets with temporary restrictions	865,480	816,787
Permanent restrictions - endowments:		
Thomas Cooper	1,877,925	1,751,455
Edna Klauser	768,759	693,864
Winter Endowment	29,519	27,112
Total net assets with permanent restrictions	2,676,203	2,472,431
Total net assets with donor restrictions	\$ 3,541,683	\$ 3,289,218

Net assets of \$444,617 and \$3,074,135 were released from restrictions during the years ended September 30, 2023 and 2022, respectively, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors.

**NOTE L - CONTRIBUTED NONFINANCIAL ASSETS**

The Organization receives contributed nonfinancial assets of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes contributed nonfinancial asset revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

For the years ended September 30, 2023 and 2022, the Organization received contributed nonfinancial assets estimated as follows:

	<b>Animal Care</b>	<b>Research and Education</b>	<b>Fundraising</b>	<b>Total</b>
X-rays services	\$ 100,032	\$ -	\$ -	\$ 100,032
Event Hospitality	-	-	40,000	40,000
Vehicles/Boats	-	38,500	-	38,500
	\$ 100,032	\$ 38,500	\$ 40,000	\$ 178,532

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
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**NOTE L - CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED**

	<u>Animal Care</u>	<u>Research and Education</u>	<u>Fundraising</u>	<u>Total</u>
X-rays services	\$ 101,915	\$ -	\$ -	\$ 101,915
Event Hospitality	-	-	40,000	40,000
Vehicles/Boats	-	24,750	-	24,750
	<u>\$ 101,915</u>	<u>\$ 24,750</u>	<u>\$ 40,000</u>	<u>\$ 166,665</u>

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. Donated services are valued based on current rates for similar event services. Donated goods are valued at the wholesale prices that would be received for selling similar products.

**NOTE M - 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 \$197,651 and \$262,457 for the years ended September 30, 2023 and 2022, respectively.

**NOTE N - 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 \$148,000 and \$132,000 to the Plan for the years ended September 30, 2023 and 2022, respectively.



**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE O - 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.

Money Market Funds - The carrying amounts reported in the combined statements of financial position approximate the fair value due to the short maturities of those investments.

Treasury Notes - Valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, are classified within Level 2.

Externally controlled endowments- 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. Management has determined that these items should be reported at Level 3 because the fair values for these assets have unobservable inputs.

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 2023 and 2022.

The fair values of assets measured on a recurring basis at September 30, 2023 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at September 30, 2023</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>
Money market funds	\$ 14,452	\$ 14,452	\$ -	\$ -
Treasury notes	3,069,335	-	3,069,335	-
Externally controlled endowments	2,676,203	-	-	2,676,203
	<u>\$ 5,759,990</u>	<u>\$ 14,452</u>	<u>\$ 3,069,335</u>	<u>\$ 2,676,203</u>

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

The fair values of assets measured on a recurring basis at September 30, 2022 are as follows:

	<b>Fair Value Measurements at Reporting Date Using</b>			
<b>Assets Measured at Fair Value at September 30, 2022</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Money market funds	\$ 10,492,610	\$ 10,492,610	\$ -	\$ -
Externally controlled endowments	2,472,431	-	-	2,472,431
	<b>\$ 12,965,041</b>	<b>\$ 10,492,610</b>	<b>\$ -</b>	<b>\$ 2,472,431</b>

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

	<b>2023</b>	<b>2022</b>
Balance at beginning of year	\$ 2,472,431	\$ 3,308,516
Contributions	-	30,000
Distributions	(76,837)	(98,170)
Change in fair value of third-party endowments	280,609	(767,915)
Balance at end of year	<b>\$ 2,676,203</b>	<b>\$ 2,472,431</b>

**NOTE P - 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, 2023 and 2022, the Organization has recorded a payable for estimated claims incurred but not paid. The accrual totaled approximately \$173,000 and \$203,000, respectively and is included within accounts payable and accrued expenses in the accompanying statements of financial position. At September 30, 2023 and 2022, 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 \$110,000 and \$94,000, respectively, and is included in other current assets in the accompanying combined 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.

**CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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**NOTE Q - COMMITMENTS AND CONTINGENCIES**

The Organization is exposed to various unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization's financial position or the results of its operations.

**NOTE R - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 25, 2024, the date the combined financial statements were available to be issued. In March 2024, the Organization's lender modified certain notes payable which, among other things, extended their maturity dates to April 30, 2025 (**NOTE J**).

**SUPPLEMENTARY INFORMATION**

**CLEARWATER MARINE AQUARIUM, INC.  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 YEAR ENDED SEPTEMBER 30, 2023**

<u>Florida State Agency / Program Title / Florida State Project Title</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Subrecipients</u>
<b>State of Florida</b>				
Florida Fish and Wildlife Conservation Commission Clearwater Marine Aquarium Manatee Rehabilitation Exhibit	77.058	GAA1934E	<u>\$ 1,054,964</u>	<u>\$ -</u>
<b>Total Expenditures of State Financial Assistance</b>			<u><u>\$ 1,054,964</u></u>	<u><u>\$ -</u></u>

**CLEARWATER MARINE AQUARIUM, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2023**

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**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) includes the State of Florida project activity of Clearwater Marine Aquarium, Inc. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and the requirements of Chapter 10.650, *Rules of the Auditor General, State of Florida*. Because the Schedule presents only a selected portion of the operations of Clearwater Marine Aquarium, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Clearwater Marine Aquarium, Inc.

**CONTINGENCIES**

Expenditures incurred by the Organization are subject to audit and possible disallowance by the State of Florida. Management believes that if audited, any adjustments for disallowed expenses would be immaterial in amount.



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

To the Board of Directors  
Clearwater Marine Aquarium, Inc.

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 combined financial statements of Clearwater Marine Aquarium, Inc. and affiliate (the Organization), which comprise the statement of combined financial position as of September 30, 2023, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 25, 2024.

**Report on 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 entity's combined 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined 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*.

**CONTINUED**

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

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PDR CPAs + Advisors*

Oldsmar, Florida  
April 25, 2024





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY CHAPTER 10.650,  
RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA**

To the Board of Directors  
Clearwater Marine Aquarium, Inc.

**Report on Compliance for Each Major State Project**

***Opinion on Each Major State Project***

We have audited Clearwater Marine Aquarium, Inc.'s and Affiliate (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on the Organization's major state project for the year ended September 30, 2023. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major state project for the year ended September 30, 2023.

***Basis for Opinion on Each Major State Project***

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 Chapter 10.650, *Rules of the Auditor General, State of Florida*. Our responsibilities under standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's state project.

**CONTINUED**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY CHAPTER 10.650,  
RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA –  
CONTINUED**

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and chapter 10.650, *Rules of the Auditor General, State of Florida* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General, State of Florida*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Chapter 10.650 *Rules of the Auditor General, State of Florida*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Report on 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 state project on a timely basis. A material weakness *in internal control over compliance* is a deficiency, or a 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 state project 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 state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**CONTINUED**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY CHAPTER 10.650,  
RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA –  
CONTINUED**

***Report on Internal Control over Compliance - Continued***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Chapter 10.650 *Rules of the Auditor General, State of Florida*. Accordingly, this report is not suitable for any other purpose.

*PDR CPAs + Advisors*

Oldsmar, Florida  
April 25, 2024

**CLEARWATER MARINE AQUARIUM, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 STATE PROJECT  
 YEAR ENDED SEPTEMBER 30, 2023**

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**Part I - Summary of Auditor's Results**

**Financial Statements Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      yes   X   no

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

Noncompliance material to financial statements noted?      yes   X   no

**State Project Section**

Internal control over major state programs:

Material weakness(es) identified?      yes   X   no

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

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

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 of the Uniform Guidance?      yes   X   no

Identification of Major State Projects:

CSFA Number	Name of Project
77.058	Clearwater Marine Aquarium Manatee Rehabilitation Exhibit

Dollar threshold used to determine Type A programs:

State programs \$ 316,489

**CLEARWATER MARINE AQUARIUM, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE PROJECT  
YEAR ENDED SEPTEMBER 30, 2023**

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**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 - State Project 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 state project, as required to be reported by Chapter 10.650, *Rules of the Auditor General, State of Florida*.

There were no reportable findings.

**Part IV - 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 state project.

**Other Issues**

No management letter is required because there were no findings required to be reported in the management letter.