Clearwater Marine Aquarium, Inc.
and Affiliate

Combined Financial Statements

For the Three Month Period Ended
December 31, 2023

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 statement of financial position as of December 31, 2023 and the related combined statements of activities, functional expenses, and cash flows for the three month period then ended, 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 December 31, 2023, and the changes in net assets and its cash flows for the three month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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

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.

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 May 31, 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
May 31, 2024

CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Current Assets		
Cash and cash equivalents	$	1,281,715
Restricted cash		3,373,912
Short term investments		151,431
Accounts receivable		611,827
Grants receivable		1,196,268
Current portion of contributions receivable		141,002
Inventory, net		273,003
Other current assets		1,066,398
Total current assets		8,095,556
Property and Equipment, Net		90,803,039
Other Assets		
Film costs, net		337,500
Contributions receivable, net		301,795
Board designated funds		1,411,023
Externally controlled endowments		2,951,272
Total Assets	$	103,900,185

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	$	3,701,859
Deferred revenue		953,639
Current portion of notes payable		1,131,810
Total current liabilities		5,787,308
Long-Term Liabilities		
Notes payable, net		21,551,789
Total Liabilities		27,339,097
Net Assets		
Without donor restrictions:		
Operating		4,676,172
Property and equipment		68,119,440
Board designated for investment and growth		13,172
Total net assets without donor restrictions		72,808,784
With donor restrictions		3,752,304
Total net assets		76,561,088
Total Liabilities and Net Assets	$	103,900,185

See accompanying notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Admissions and member fees	$ 1,888,735	$ -	$ 1,888,735
Educational program fees	370,335	-	370,335
Gift shop sales, net of cost of goods sold of $36,670	176,750	-	176,750
Food service income, net of cost of goods sold of $366,202	(83,858)	-	(83,858)
Sea turtle nesting fees	49,434	-	49,434
Grant income	2,365,990	-	2,365,990
Contributions	260,316	-	260,316
Contributed nonfinancial assets	32,795	-	32,795
Interest and dividend income	74,975	-	74,975
Net assets released from restrictions	64,448	(64,448)	-
Total revenue and support	5,199,920	(64,448)	5,135,472
Operating Expenses			
Animal care	1,765,168	-	1,765,168
Research and education	3,642,582	-	3,642,582
Management and general	823,471	-	823,471
Fundraising	424,222	-	424,222
Total operating expenses	6,655,443	-	6,655,443
Changes in Net Assets Before Other Changes	(1,455,523)	(64,448)	(1,519,971)
Other Changes - Revenue (Expense)			
Miscellaneous revenue	104,409	-	104,409
Change in third-party endowments	-	275,069	275,069
Total other changes - revenue (expense)	104,409	275,069	379,478
Change in Net Assets	(1,351,114)	210,621	(1,140,493)
Net Assets, Beginning of Year	74,159,898	3,541,683	77,701,581
Net Assets, End of Year	$ 72,808,784	$ 3,752,304	$ 76,561,088

See accompanying notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2023

	Animal Care	Research and Education	Total Program Services	Management and General	Fundraising	Total
Salaries and related expenses						
Salaries and wages	$ 632,121	$ 1,211,010	$ 1,843,131	$ 246,194	$ 128,642	$ 2,217,967
Retirement	-	9,541	9,541	38,449	9,483	57,473
Other employee benefits	36,059	63,140	99,199	185,236	3,320	287,755
Payroll taxes	44,751	85,966	130,717	17,038	9,069	156,824
Total salaries and related expenses	712,931	1,369,657	2,082,588	486,917	150,514	2,720,019
Other operating expenses						
Advertising	-	407,367	407,367	-	408	407,775
Computer services	30,853	108,193	139,046	30,503	2,355	171,904
Depreciation and amortization	365,315	487,409	852,724	15,950	-	868,674
Insurance	156,888	80,265	237,153	7,255	521	244,929
Interest expense	5	428,273	428,278	8,404	-	436,682
Merchant processing fees	-	63,956	63,956	-	-	63,956
Office expenses	3,959	4,579	8,538	819	118	9,475
Postage and shipping	1,861	10,790	12,651	69	34	12,754
Professional fees:						
Legal	-	-	-	4,337	-	4,337
Accounting	-	-	-	157,400	-	157,400
Other	21,070	208,444	229,514	53,721	245,841	529,076
Repairs and maintenance	109,258	51,022	160,280	3,481	307	164,068
Royalties	-	29,129	29,129	-	-	29,129
Supplies	154,647	101,896	256,543	2,168	16,796	275,507
Telephone	5,901	6,688	12,589	530	314	13,433
Travel and entertainment	21,203	42,722	63,925	12,342	2,848	79,115
Occupancy and utilities	173,658	80,694	254,352	8,281	731	263,364
Miscellaneous	-	148,691	148,691	29,121	3,375	181,187
Personnel enhancement	7,619	12,807	20,426	2,173	60	22,659
Total other operating expenses	1,052,237	2,272,925	3,325,162	336,554	273,708	3,935,424
Total expenses	$ 1,765,168	$ 3,642,582	$ 5,407,750	$ 823,471	$ 424,222	$ 6,655,443

See accompanying notes to combined financial statements

CLEARWATER MARINE AQUARIUM, INC. AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:		
Change in net assets	$	(1,140,493)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		756,174
Film cost amortization		112,500
Bad debt expense		26,438
Grants restricted for long-term purposes		(995,403)
Amortization of debt issuance costs		14,582
Appreciation in externally controlled endowments		(275,069)
Changes in assets and liabilities:		
Accounts receivable		(341,586)
Contributions receivable		28,388
Grants receivable		(132,181)
Inventory		128,202
Other current assets		(338,022)
Accounts payable and accrued expenses		1,838,970
Deferred revenue		65,395
Net cash used in operating activities		(252,105)
Cash Flows from Investing Activities:		
Purchases of property and equipment		(1,822,276)
Net cash used in investing activities		(1,822,276)
Cash Flows from Financing Activities:		
Payments on notes payable		(282,736)
Grants restricted for long-term purposes		995,403
Net cash provided by financing activities		712,667
Net Decrease in Cash and Cash Equivalents		(1,361,714)
Cash and Cash Equivalents at Beginning of Year		7,428,364
Cash and Cash Equivalents at End of Year	$	6,066,650
Total Cash Consisted of the Following at December 31, 2023:		
Cash and cash equivalents	$	1,281,715
Restricted cash		3,373,912
Board designated fund		1,411,023
	$	6,066,650
Supplemental Cash Flow Information:		
Cash paid for interest	$	407,467

See accompanying notes to combined financial statements

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.

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 December 31, 2023, 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 three month period ended December 31, 2023, 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 at December 31, 2023.

Accounts and Grants Receivable and Expected Credit Losses

Accounts receivable represent amounts owed from various third parties. Grants receivable represent amounts due from various government and local agencies for purposes specified by each grant. Receivables are stated at the amount management expects to collect from the outstanding balances. Management periodically assesses the collectability of its receivables by reviewing each outstanding balance, as well as bad debt write-offs experienced in the past, and current and developing general economic conditions, and provides for expected credit losses. Determination of delinquent receivables is based upon the contractual terms of the transaction. The Organization provides for expected credit losses through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the relevant receivable. Based on management’s analysis of possible credit losses, an allowance for expected credit losses was not deemed necessary at December 31, 2023. Bad debt expense was approximately $14,900 for the three month period ended December 31, 2023.

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 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 December 31, 2023. Bad debt expense was approximately $11,500 for the three month period ended December 31, 2023.

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 determined no reserve was necessary as of December 31, 2023.

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:

	Years
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 statement of financial position. The certificate of deposit held at December 31, 2023 have a maturity date of April 2024 and interest rate of 4%. Total certificates of deposit included in short term investments was $151,431 at December 31, 2023.

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.

During 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 January 2024 through March 2024. The Bills are carried at fair market value in the accompanying combined statements of financial position and total $1,386,717 at December 31, 2023. Board designated funds consist of the Bills and money market funds totaling $1,411,023 as of December 31, 2023.

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 $407,775 for the three month period ended December 31, 2023.

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 three month period ended December 31, 2023, the Organization determined that the film costs were not impaired (**NOTE G**).

Adoption of New Accounting Standards

Effective October 1, 2023, the Organization adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Organization’s financial statements but did change how the allowance for credit losses is determined.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at December 31, 2023:

Financial Assets:		
Cash and cash equivalents	$	1,281,715
Short term investments		151,431
Accounts receivable		611,827
Grants receivable		1,196,268
Total available financial assets	$	3,241,241
Less financial assets unavailable for general expenditures within one year due to:		
Donor restricted contributions		358,235
Net financial assets available to meet cash needs for general expenditures within one year	$	2,883,006

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 $1,411,023 at December 31, 2023 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.

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2023:

Gross contributions receivable	$	572,002
Less: Allowance for uncollectible contributions receivable		(50,000)
Less: Unamortized discount		(79,205)
Contributions receivable, net	$	442,797
Amounts due in:		
Less than one year	$	191,002
One to five years		381,000
	$	572,002

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 December 31, 2023:

Land and improvements	$	5,603,855
Building and improvements		91,592,484
Furniture, fixtures, and equipment		5,896,604
Vehicles and boats		1,820,021
Construction in progress		3,946,247
		108,859,211
Less accumulated depreciation		(18,056,172)
	$	90,803,039

Depreciation expense was $756,174 for the three month period ended December 31, 2023. 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.

NOTE F - SHORT TERM INVESTMENTS

The Organization's short term investments consist of the following at December 31, 2023:

	Cost		Market	
Money market funds	$	24,306	$	24,306
Certificate of deposit		151,431		151,431
Treasury bills		1,356,905		1,386,717
Total	$	1,532,642	$	1,562,454

The following schedule summarizes the short term investment and Board designated fund balances as of December 31, 2023:

Short Term Investments:		
Certificate of deposit	$	151,431
Board Designated Funds:		
Money market funds	$	24,306
Treasury bills		1,386,717
	$	1,411,023

NOTE G - FILM COSTS

Film costs of $5,537,664 relating to *Dolphin Tale 2* were capitalized in 2014. During 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 $112,500 for the three month period ended December 31, 2023. Accumulated amortization amounted to $4,667,531 as of December 31, 2023. The Organization expects to amortize the remaining *Dolphin Tale 2* costs of $337,500 during the year ended December 31, 2024.

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 December 31, 2023, the fair value of this endowment was $35,510.

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 $10,465 as of December 31, 2023.

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 December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Externally controlled endowments	$ -	$ 2,951,272	$ 2,951,272

NOTE H - EXTERNALLY CONTROLLED ENDOWMENTS - CONTINUED

Changes in endowment net assets for the three month period ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ -	$ 2,676,203	$ 2,676,203
Change in value of endowment fund	-	290,431	290,431
Contributions	-	3,753	3,753
Distributions	-	(19,115)	(19,115)
Net change in endowment assets	-	275,069	275,069
Total funds	$ -	$ 2,951,272	$ 2,951,272

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. The interest rate is the bank's secured overnight financing rate plus 3.25% with a minimum rate of 3.25% (8.58% at December 31, 2023). The line-of-credit matures on March 26, 2024. There was no outstanding balance on the line-of-credit at December 31, 2023. The line is collateralized by all business assets of the Organization excluding real estate. The line-of-credit was not renewed when it matured in March of 2024.

NOTE J - LONG-TERM DEBT

Long-term debt at December 31, 2023 consists of the following:

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.	$ 503,673
Series 2018 bonds payable. Interest is payable monthly on principal amounts outstanding at .79% of one-month LIBOR plus 2.0875% (6.44% at December 31, 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 March 2024 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.	13,348,224
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% (7.86% at December 31, 2023) through March 2024, with a single payment of all remaining unpaid principal and accrued interest due March 26, 2024. Secured by a mortgage on real property. This loan was modified subsequent to year-end as described in the paragraph below.	480,179
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% (7.86% at December 31, 2023) through March 2024 with a single payment of all remaining unpaid principal and accrued interest due March 26, 2024. Secured by a mortgage on real property. This loan was modified subsequent to year-end as described in the paragraph below.	8,381,197
Total long-term debt	22,713,273
Less unamortized debt issuance costs	29,674
Long-term debt, less unamortized debt issuance costs	22,683,599
Less current portion	1,131,810
Long-term debt, net	$ 21,551,789

Loan Modifications

In April 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 .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.

NOTE J - LONG-TERM DEBT - CONTINUED

Future maturities of the notes payable for each of the five years subsequent to December 31, 2023 and thereafter, are as follows:

Year Ending December 31,	Principal Payment Due
2024	$ 1,131,810
2025	21,122,617
2026	23,881
2027	24,916
2028	25,996
Thereafter	384,053
	$ 22,713,273

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. 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. As part of the April 2024 loan modifications, the Organization entered into a forbearance agreement which suspended certain financial covenant requirements through April 2025.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2023:

Temporary restrictions:	
Contributions receivable, net	$ 442,797
Donor restricted contributions	358,235
Total net assets with temporary restrictions	801,032
Permanent restrictions - endowments:	
Thomas Cooper	2,047,048
Edna Klauser	868,714
Winter Endowment	35,510
Total net assets with permanent restrictions	2,951,272
Total net assets with donor restrictions	$ 3,752,304

Net assets of $64,448 were released from restrictions during the three month period ended December 31, 2023 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 three month period ended December 31, 2023, the Organization received contributed nonfinancial assets estimated as follows:

	Animal Care	Research and Education	Total
X-rays services	$ 27,795	$ -	$ 27,795
Vehicles/Boats	-	5,000	5,000
	$ 27,795	$ 5,000	$ 32,795

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 $29,129 for the three month period ended December 31, 2023.

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 $44,000 to the Plan for the three month period ended December 31, 2023.

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.

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

<u>Treasury Notes</u> **-** 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.

<u>Externally controlled endowments</u>- 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.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The fair values of assets measured on a recurring basis at December 31, 2023 are as follows:

	Assets Measured at Fair Value at December 31, 2023	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 24,306	$ 24,306	$ -	$ -
Treasury notes	1,386,717	-	1,386,717	-
Externally controlled endowments	2,951,272	-	-	2,951,272
	$ 4,362,295	$ 24,306	$ 1,386,717	$ 2,951,272

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

Balance at October 1, 2023	$ 2,676,203
Contributions	3,753
Distributions	(19,115)
Change in fair value of third-party endowments	290,431
Balance at December 31, 2023	$ 2,951,272

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 December 31, 2023, the Organization has recorded a payable for estimated claims incurred but not paid. The accrual totaled approximately $93,000 and is included within accounts payable and accrued expenses in the accompanying statement of financial position. At December 31, 2023, 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 is included in other current assets in the accompanying combined statement 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 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 May 31, 2024, the date the combined financial statements were available to be issued. In April 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
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2023

Florida State Agency / Program Title / Florida State Project Title	CSFA Number	Contract Number	Expenditures	Subrecipients
State of Florida				
Florida Fish and Wildlife Convservation Commission				
Clearwater Marine Aquarium Manatee Rehabilitation Exhibit	77.058	GAA1934E	$ 1,531,887	$ -
Total Expenditures of State Financial Assistance			$ 1,531,887	$ -

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 combined statement of financial position as of December 31, 2023, and the related combined statements of activities, functional expenses, and cash flows for the three month period then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 31, 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 or significant deficiencies 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
May 31, 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 three month period ended December 31, 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 three month period ended December 31, 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 those 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

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
May 31, 2024

CLEARWATER MARINE AQUARIUM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECT
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2023

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 $ 459,566

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.