Clearwater Marine Aquarium, Inc.

FINANCIAL STATEMENTS

For the Years Ended
September 30, 2017 and 2016



Clearwater Marine Aquarium, Inc.
Table of Contents
September 30, 2017 and 2016

TAB: REPORT

Independent Auditors' Report 1

TAB: FINANCIAL STATEMENTS

Statement of Financial Position 4

Statement of Activities 5

Statement of Cash Flows 6

Notes to Financial Statements 7

Schedule of Expenditures of State Financial Assistance 28

Notes to Schedule of Expenditures of State Financial Assistance 29

Schedule of Findings and Questioned Costs 30

Independent Auditors' Report on Compliance for Each Major State Project And on Internal Control Over Compliance Required by Chapter 10.650, Rules Of the Auditor General 32

Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards 34


REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Clearwater Marine Aquarium, Inc. ("the Aquarium") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clearwater Marine Aquarium, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

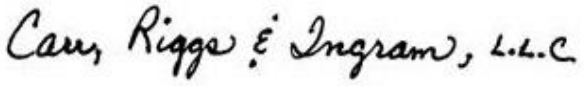
Our audits were conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In opinion, the information is fairly stated, in all material respects, in relation to the 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 January 23, 2018 on our consideration of Clearwater Marine Aquarium Inc.'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 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 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 Clearwater Marine Aquarium Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Aquarium's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2017. As discussed in Note 1 to the financial statements, reclassifications have been made to the 2016 presentation to be consistent with the 2017 presentation. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is not modified with respect to this matter.



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
January 23, 2018

FINANCIAL STATEMENTS

Clearwater Marine Aquarium, Inc.
Statement of Financial Position

September 30,	Unrestricted	Temporary Restricted	Permanently Restricted	Total 2017	2016 (Summarized)
Assets:					
Current assets:					
Cash and cash equivalents	$ 12,664,787	$ -	$ -	**$ 12,664,787**	$ 7,188,302
Accounts receivable	84,973	-	-	**84,973**	32,686
Grant receivable	53,337	-	-	**53,337**	240,828
Contribution receivable	-	153,800	-	**153,800**	51,500
Inventory	1,124,581	-	-	**1,124,581**	1,097,513
Other current assets	239,548	-	-	**239,548**	406,486
Total current assets	14,167,226	153,800	-	**14,321,026**	9,017,315
Property and equipment, net	30,604,364	-	-	**30,604,364**	21,686,626
Film costs, net	3,570,956	-	-	**3,570,956**	4,204,703
Long term contribution receivable	-	49,868	-	**49,868**	85,054
Externally controlled endowments	-	755,711	1,932,658	**2,688,369**	2,523,524
Total assets	$ 48,342,546	$ 959,379	$ 1,932,658	**$ 51,234,583**	$ 37,517,222
Liabilities and net assets:					
Current liabilities:					
Accounts payable and accrued expenses	$ 1,543,698	$ -	$ -	**$ 1,543,698**	$ 1,726,051
Deferred compensation	80,000	-	-	**80,000**	80,000
Deferred revenue	44,750	-	-	**44,750**	63,977
Current portion of notes payable	880,810	-	-	**880,810**	524,597
Total current liabilities	2,549,258	-	-	**2,549,258**	2,394,625
Long-term Liabilities (Note 11):					
Notes payable, less current portion	12,678,064	-	-	**12,678,064**	4,796,909
Less deferred loan costs	183,370	-	-	**183,370**	218,356
Long-term debt less deferred loan costs	12,494,694	-	-	**12,494,694**	4,578,553
Total liabilities	15,043,952	-	-	**15,043,952**	6,973,178
Net assets:					
Unrestricted	33,298,594	-	-	**33,298,594**	27,883,966
Temporarily restricted	-	959,379	-	**959,379**	727,420
Permanently restricted	-	-	1,932,658	**1,932,658**	1,932,658
Total net assets	33,298,594	959,379	1,932,658	**36,190,631**	30,544,044
Total liabilities and net assets	$ 48,342,546	$ 959,379	$ 1,932,658	**$ 51,234,583**	$ 37,517,222

The accompanying notes are an integral part of these financial statements.

Clearwater Marine Aquarium, Inc.
Statement of Activities

Year ending September 30,	2017				2016 (Summarized)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support:					
Admissions and member fees	$ 8,706,512	$ -	$ -	**$ 8,706,512**	$ 9,476,657
Animal encounter fees	1,840,868	-	-	**1,840,868**	1,809,873
Education program fees	1,365,305	-	-	**1,365,305**	1,643,170
Fundraising events, net of expenses of $136,248 and $63,230, respectively	171,970	-	-	**171,970**	105,862
Gift shop sales, net of cost of goods sold of $1,280,458 and $1,483,800, respectively	2,417,430	-	-	**2,417,430**	2,823,948
Food service income, net of cost of goods sold of $305,349 and $382,346, respectively	599,483	-	-	**599,483**	768,006
Sea turtle nesting fees	68,980	-	-	**68,980**	145,254
Grant income	3,034,576	-	-	**3,034,576**	736,881
Contributions	1,146,846	107,500	-	**1,254,346**	823,162
Non-cash contributions	549,336	-	-	**549,336**	1,376,380
Boat and vehicle donations, net of impairment losses and related expenses of $19,468 and $124,462, respectively	(11,794)	-	-	**(11,794)**	69,288
Licensing and merchandise royalties	-	-	-	**-**	82,134
Realized and unrealized gains (losses) on investments	322	-	-	**322**	(24,969)
Interest and dividend income	144,848	-	-	**144,848**	222,545
Total revenue and support	20,034,682	107,500	-	**20,142,182**	20,058,191
Net assets released from restrictions	40,386	(40,386)	-	**-**	-
Operating expenses:					
Animal care	4,195,413	-	-	**4,195,413**	3,997,232
Education	10,300,247	-	-	**10,300,247**	11,825,167
General and administrative	1,490,161	-	-	**1,490,161**	1,722,568
Fundraising	404,963	-	-	**404,963**	151,099
Total operating expenses	16,390,784	-	-	**16,390,784**	17,696,065
Non-operating income(expense):					
Osceola development expense	(151,301)	-	-	**(151,301)**	(37,108)
Aquarium expansion	(202,644)	-	-	**(202,644)**	(328,790)
Miscellaneous revenue	39,321	-	-	**39,321**	44,149
Gain(Loss) on disposal of assets	2,044,968	-	-	**2,044,968**	(511,681)
Appreciation in third party endowments	-	164,845	-	**164,845**	128,321
Total non-operating income(expense)	1,730,344	164,845	-	1,895,189	(705,109)
Increase in net assets	5,414,628	231,959	-	**5,646,587**	1,657,017
Net assets, beginning of year	27,883,966	727,420	1,932,658	**30,544,044**	28,887,027
Net assets, end of year	$ 33,298,594	$ 959,379	$ 1,932,658	**$ 36,190,631**	$ 30,544,044

The accompanying notes are an integral part of these financial statements.

Clearwater Marine Aquarium, Inc.
Statement of Cash Flows

Year ending September 30,	2017	2016 (Summarized)
Increase in net assets	**$ 5,646,587**	$ 1,657,017
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,305,528**	1,171,058
Film cost amortization	**615,007**	692,979
Bad debt expense	**6,000**	26,788
(Gain)/loss on disposals of fixed assets	**(2,074,988)**	490,441
(Gain)/loss on disposals of film costs	**18,740**	21,240
Donated boat and vehicle inventory	**(13,500)**	(173,000)
(Gain)/loss on sale of boats and vehicles	**2,775**	(20,000)
(Gain)/loss on sale of investments	**-**	18,742
Loss on inventory obsolescence	**-**	16,592
(Appreciation)/depreciation in externally controlled endowments	**(164,845)**	(128,321)
Changes in net assets and liabilities:		
Restricted cash	**-**	197,015
Accounts receivable	**(52,287)**	11,928
Contribution receivable	**(73,114)**	63,475
Grant receivable	**187,491**	(240,828)
Gift shop inventory	**(27,068)**	99,080
Boat and vehicle inventory, net	**-**	10,800
Other current assets	**156,239**	(74,907)
Accounts payable and accrued expenses	**(182,353)**	38,302
Deferred revenue	**(19,227)**	(9,956)
Deferred grant revenue	**-**	(193,683)
Net cash and cash equivalents provided by operating activities	**5,330,985**	3,674,762
Investing activities:		
Proceeds from sale of boats and vehicles	**21,425**	175,000
Sale of investments	**-**	7,056,869
Proceeds from sale of property and equipment	**4,250,000**	-
Purchases of property and equipment	**(12,359,063)**	(4,052,342)
Net cash and cash equivalents (used) provided by investing activities	**(8,087,638)**	3,179,527
Financing activities:		
Borrowings on notes payable	**10,119,343**	652,000
Payments on notes payable	**(1,881,975)**	(490,675)
Cash paid for deferred loan costs	**(4,230)**	(156,314)
Net cash and cash equivalents provided by financing activities	**8,233,138**	5,011
Net increase in cash	**5,476,485**	6,859,300
Cash and cash equivalents at beginning of year	**7,188,302**	329,002
Cash and cash equivalents at end of year	**$ 12,664,787**	$ 7,188,302
Supplemental disclosures of cash flows information:		
Cash paid for interest	**$ 38,247**	$ 36,452

The accompanying notes are an integral part of these financial statements.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Clearwater Marine Aquarium, Inc. (the "Aquarium") is a nonprofit corporation located in Clearwater, Florida. The Aquarium is dedicated to public education, research, animal assisted therapy, and the rescue, rehabilitation, and release of sick or injured animals. The Aquarium is also involved with a number of marine science research initiatives and environmental conservation.

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

Basis of Accounting

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Aquarium and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Aquarium and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions. Assets with donor restrictions that are met in the same year as they are received are reported as unrestricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations where the principal contribution must remain intact.

Revenue Recognition

In accordance with *Accounting Standard Codification* ("ASC") *958 – Not-For-Profit-Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time and/or use restrictions. Contributions that are restricted by the donor, as well as any related gains and investment income, are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

At September 30, 2017 and 2016, cash consists of monies held in checking accounts, savings accounts, money market funds, and petty cash. Cash contributions for a specific purpose are recorded as temporary restricted until spent.

Accounts Receivable

The Aquarium considers all accounts receivable to be substantially collectible. When collection is doubtful, an allowance for doubtful accounts is established for accounts receivable. Accounts 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, 2017 and 2016.

State Grants

The State of Florida appropriated funds in the amount of $2,000,000 in the fiscal year 2014-2015 and $2,000,000 General Appropriations Act on line 3146A. The Aquarium must provide specified deliverables and performance measurements related to the scope of work (Island Estates Improvements), for payments to be awarded. The first payment is a fixed price advance in the amount of 25% ($500,000). Subsequent payments are made based on the deliverables and performance measures being met. The Grant was extended and all funds were expended by February 15, 2017.

Additional funds were appropriated by the State of Florida in the amount of $2,000,000 in the fiscal year 2016-2017. Similar to the 2015 grant, the Aquarium must provide periodic deliverables relating to the scope of the work (concrete for parking garage) for payments to be awarded. The grant was expended in full by June 30, 2017.

On September 13, 2017 the Aquarium was granted $1,000,000 from the State of Florida, Department of Economic Opportunity. The award is to fund a part of the Capital Expansion Project. The agreement is a cost reimbursement agreement. In the event the Aquarium spends $750,000 or more than $750,000 in fiscal year 2017 – 2018, a Florida State Single Audit must be performed. As of September 30, 2017, there have been no expenditures relating to this grant.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of merchandise held for sale primarily by the Aquarium gift shop and is stated at the lower of average cost or market. As of September 30, 2017 and 2016, the Aquarium recognized $-0- and $16,592, respectively relating to inventory obsolescence which is included in cost of goods sold in the statement of activities. Management reviews inventory items for obsolescence and slow moving items and deemed no allowance is considered necessary as of September 30, 2017 and 2016.

Contribution Receivable

Contribution receivables are recorded as a receivable when a pledge is made from a viable source and is in written form. Contributions receivable are recorded as temporarily restricted until the pledge is received and/or the purpose is met. As of September 30, 2017 and 2016, management has established an allowance for uncollectible pledges, as of September 30, 2017 and 2016 in the amount of $16,000 and $16,000, respectively. Contributions receivable are evaluated on a regular basis and management establishes the allowance as necessary. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value) at a discount rate of 1.27% and 1.32% for the years ended September 30, 2017 and 2016. Total contributions receivable are valued at fair value (level 3) as of the end of the fiscal year in which they were contributed. During 2017 and 2016, the Aquarium wrote off $6,000 and $37,750 in contributions receivable, respectively.

Donated Boat and Vehicle Inventory

The value of boats and vehicles donated to the Aquarium are recorded as contributions at their estimated values at the date of receipt net of estimated selling costs. During the year, the boat and vehicle inventory is periodically assessed for declines in estimated values based on changes in market conditions and if necessary, an impairment loss is recorded to adjust the boat and vehicle inventory to net realizable value. The boat and vehicle inventory is included with other current assets in the Statement of Financial Position.

For the years ended September 30, 2017 and 2016, the Aquarium did not record impairment write-downs.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment with an acquisition cost or donated value of $750 or more and a useful life of more than one year are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair market value. Interest expense incurred on the bond obligation is capitalized and included in construction in progress in Note 6. Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Building and improvements	5 – 40 years
Furniture, fixtures and equipment	3 – 15 years
Boats and vehicles	5 – 10 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in equity securities with readily determinable fair values are measured at fair value based on quoted market prices. Gains and losses on market value adjustments and sales are recognized in the statements of activities. Investment fees of $-0- and $13,387, respectively as of September 30, 2017 and 2016, are included in the general and administrative expenses in the statements of activities

Donated Items

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

The Aquarium includes the fair market value of these services in the financials when they meet the criteria for recognition under *ASC 958, Not-for-Profit Entities*.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising is expensed as incurred or upon the date the advertising publications are first released. Advertising expense totaled $1,615,719 and $2,471,130 for the years ended September 30, 2017 and 2016, respectively. Included in advertising expense in 2017 and 2016 is donated advertising in the approximate amount of $126,510 and $858,357, respectively.

Deferred Loan Costs

The costs of obtaining the debt are capitalized and amortized over the life of the debt (See Note 10).

The total net deferred loan costs as of September 30, 2017 and 2016 are $183,370 and $218,356, respectively as disclosed in the Statement of Financial Position.

Income Taxes

The Aquarium 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 Aquarium follows the provisions of *FASB ASC 740 (Accounting Standards Codification No. 740, Accounting for Uncertainty in Income Taxes)*. The Aquarium has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits.

Film Costs

As of September 30, 2017, the Aquarium has capitalized film costs associated with three films: Two documentaries and a major motion picture. During fiscal year 2012 the Aquarium began efforts to launch a documentary surrounding one of its acclaimed dolphins. During both 2013 and 2014, the Aquarium incurred expenses meeting the definition of film costs to be capitalized under *ASC No. 926, Entertainment – Films.* During 2015, expenses have been incurred on a new concert DVD in process.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Film Costs (Continued)

Each month, the Aquarium expenses a flat percentage of sales related to the documentary. As part of its evaluation of the recoverability of film costs, management evaluates the expected total ultimate revenue over the life of the project and compares that amount to actual revenue earned to date to determine the actual amortization expense for the year. The calculated amortization is compared to the recorded amortization for reasonableness.

In addition, the estimated ultimate revenue is compared to remaining film costs, net to determine if an impairment charge is necessary. No impairment charges were deemed necessary for the years ending September 30, 2017 and 2016. See Note 3 for details over film costs.

As of September 30, 2014, the Aquarium had capitalized film costs associated with the major motion picture of $5,537,000. The movie was released in late September 2014. The Aquarium has prepared a projection of the expected increases in revenue relating to the release of the movie. Based on these revenue projections, the Aquarium has projected the annual amortization as a percentage of the total film cost that will be recognized (to match the revenue and expense). The Aquarium will reconsider the projections each year and adjust their estimates accordingly. See Note 3 for details over film costs.

Subsequent Events

Management of the Aquarium applies the provisions of ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the date of the Statement of Financial Position but before the financial statements are issued. See Note 22, *Subsequent Events*.

Reclassifications

Certain amounts for fiscal year 2016 have been reclassified to conform to their presentation in the 2017 financial statements with no impact on total net assets or changes in net assets. $197,000 was moved from grant income to contributions. $5,080 was moved from restricted cash to cash and cash equivalents. $11,200 was moved from boat and vehicle inventory to other current assets. $123,221 was moved from interest expense and split evenly between animal care and education on the Statement of Activity.

NOTE 2: CONTRIBUTION RECEIVABLE

Contributions receivable are expected to be collected in the following years as follows:

Expected receipt of contribution in:		Amount
2018	$	153,800
2017		42,280
2020		14,300
2021		8,800
2022		1,800
Gross contribution receivable		220,980
Less:		
Discount on contributions		(1,312)
Allowance for uncollectible contribution receivable		(16,000)
Net contributions receivable	$	203,668

Contributions receivable consist primarily of promises from individuals and corporations within the Tampa Bay area. Management has established the allowance account as its estimate of the uncollectible promises to give of approximately $16,000 and $16,000 at September 30, 2017 and 2016, respectively.

NOTE 3: FILM COSTS

Components of Film Costs		**2017**		**2016**
Released film costs - Dolphin Tale 2	**$**	**5,537,664**	$	5,537,664
Released film costs - documentary		**327,698**		327,698
CMA musical DVD costs		**2,500**		21,240
		5,867,862		5,886,602
Accumulated amortization of film costs		**(2,296,906)**		(1,681,899)
Film costs, net	**$**	**3,570,956**	$	4,204,703

The Aquarium has determined $2,500 to be recoverable from the musical DVD. In addition, a loss on disposal of assets of $17,000 was recognized in the current year relating to the estimated recoverable amount.

NOTE 3: FILM COSTS (Continued)

Film costs, of approximately $328,000, relating to *Winter's Documentary* were released in 2013. As of September 30, 2017 and 2016 accumulated amortization associated with *Winter's Documentary* totaled approximately $287,000 and $225,000, respectively. The Aquarium expects that 100% will be amortized relating to *Winter's Documentary* costs by September 2018.

Film costs, of $5,537,664, relating to *Dolphin Tale 2* were capitalized in the year ending September 30, 2014. As of September 30, 2017 and 2016 accumulated amortization associated with *Dolphin Tale 2* totaled approximately $2,010,000 and $1,456,000, respectively. The Aquarium expects that approximately 45.62% and 64.15% of *Dolphin Tale 2* costs will be amortized over the next 12 months and three years, respectively. The Aquarium expects to fully amortize the film by 2024. The estimates of expected amortization are based on *Dolphin Tale 2*'s release and the impact on attendance to the Aquarium.

The Aquarium evaluates the film cost to determine whether unamortized capitalized costs of any of the films have a fair value that is less than its carry value (see Note 1 Film Costs for policy).

NOTE 4: FAIR VALUE MEASUREMENT

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets.

Level 2 Inputs other than quoted prices within Level 1 those are observable for the asset, either directly or indirectly.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

Money Market: Valued at the net asset value (NAV) of shares held by the Aquarium at year end. There are no unfunded commitments and there are no significant restrictions on the Aquarium's ability to sell these investments.

Beneficial interest in third party endowment: The investments are managed by a third party unrelated to the Aquarium. The endowment assets are valued based on the third party pricing information without adjustment. The Aquarium does not develop nor are they provided with the quantitative inputs used to develop the fair market values. Management reviews and records the investment valuation monthly.

Life Insurance Contract: The fair value is measured using the cash surrender value of the policy as of year-end. The life insurance contract is valued based on the third party pricing information without adjustment. The Aquarium does not develop nor are they provided with the quantitative inputs used to develop the fair market value.

Due to the unavailability of the unobservable inputs, the Aquarium has not disclosed in tabular format the quantifiable inputs used to determine the fair value of this investment. Management reviews the fair value provided by the trustee at year end for reasonableness.

Boat and Vehicle Inventory: Comprised of donated boats and vehicles valued at their estimated fair value at the date of donation. In addition, the Aquarium evaluates the fair value of all boat and vehicle inventory based on current market rates.

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.

Changes in 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 2017 or 2016.

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

Changes in Fair Value Levels (Continued)

The following table sets forth by level, the fair value hierarchy, of investments at fair value:

	Assets at Fair Value			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
September 30, 2017				
Money Market	$ 12,408,152	-	$ -	$ 12,408,152
Beneficial interest in perpetual trusts	-	-	2,688,369	2,688,369
Boat and vehicle inventory, net	-	-	500	500
Life insurance contract	-	-	42,989	42,989
Total Investments at fair value	**$ 12,408,152**	**$ -**	**$ 2,731,858**	**$ 15,140,010**

	Assets at Fair Value			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
September 30, 2016				
Money Market	$ 7,080,424	$ -	$ -	$ 7,080,424
Beneficial interest in perpetual trusts	-	-	2,523,524	2,523,524
Boat and vehicle inventory, net	-	-	11,200	11,200
Life insurance contract	-	-	41,990	41,990
Total assets in the fair value hierarchy	**$ 7,080,424**	**$ -**	**$ 2,576,714**	**$ 9,657,138**

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

Changes in Fair Value Levels (Continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets:

Year ending September 30,	**2017**	2016
	Boat and vehicle inventory, net	
Beginning balance at fair value	**$ 11,200**	$ 4,000
Donated boats and vehicles	**-**	173,000
Less: Sales	**-**	(175,000)
Plus: Realized gains	**-**	20,000
Less: Expenses	**-**	(10,800)
Ending balance at fair value	**$ 11,200**	$ 11,200
	Beneficial interest in perpetual trusts	
Beginning balance at fair value	**$ 2,523,524**	$ 2,395,203
Unrealized gains/losses	**164,845**	128,321
Ending balance at fair value	**$ 2,688,369**	$ 2,523,524
	Life insurance contract	
Beginning balance at fair value	**$ 41,990**	$ 32,393
Change in surrender value	**999**	9,597
Ending balance at fair value	**$ 42,989**	$ 41,990

NOTE 5: CASH SURRENDER VALUE OF LIFE INSURANCE

The Aquarium and its CEO own, as co-owners, a universal life insurance policy on the life of the CEO with a death benefit of $500,000 as of September 30, 2017. The policy is structured to provide the Aquarium and its CEO an undivided interest in the funding policy in direct proportion to their premium share. As of September 30, 2017 and 2016 the Aquarium funded approximately $7,536 and $16,124, of the fiscal year premium, respectively. The Aquarium's share of the net cash surrender value as of September 30, 2017 and 2016 is $42,989 and $41,990, or 37% and 42% respectively.

The ownership factor on the contract of the Aquarium decreases each year and the CEO's ownership factor increases each year. As of September 30, 2017, the Aquarium owned approximately 37%, or $185,000, of the contract's death benefit. As of September 30, 2016 the Aquarium owned 42%, or $210,000, of the contract's death benefit.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

September 30,	**2017**	2016
Land and improvements	**$ 5,404,272**	$ 7,529,634
Buildings and improvements	**23,649,574**	12,259,920
Furniture, fixtures and equipment	**4,400,740**	3,011,397
Vehicles and boats	**1,143,179**	1,094,008
Construction in progress	**2,330,312**	2,928,941
	36,928,077	26,823,900
Less: Accumulated depreciation	**(6,323,713)**	(5,137,274)
Property and equipment, net	**$ 30,604,364**	$ 21,686,626

Depreciation expense as of September 30, 2017 and 2016 is $1,266,312 and $1,166,627, respectively.

NOTE 7: THIRD PARTY ENDOWMENTS

The Aquarium's third party endowments consist of two externally managed funds established for a variety of purposes. The endowments are both donor-restricted endowment funds. The funds are held by third-party trustees and therefore the Aquarium has no direct influence over the investment policy of either fund. The Aquarium classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Aquarium's policy is to appropriate interest and dividends received from these endowments for operations. Therefore, interest and dividends is reported as unrestricted on the Statements of Activities.

The Board of Directors of the Aquarium 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 Aquarium classifies as permanently restricted net assets (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.

All permanently restricted net assets consist of perpetual trusts held by third parties. For all endowment funds, the donors have stipulated that additional accumulation of funds above and beyond the permanent endowment are unrestricted as to purpose, however the Aquarium reports the accumulation of funds as temporarily restricted net assets until the funds are distributed by the trustees to the Aquarium and appropriated by the Board of Directors.

Endowment net asset composition by type of fund:

December 31, 2017	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Third party endowment funds	$ 755,711	$ 1,932,658	$ 2,688,369

December 31, 2016	Temporarily Restricted	Permanently Restricted	Total
Third party endowment funds	$ 590,866	$ 1,932,658	$ 2,523,524

NOTE 7: THIRD PARTY ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended:

December 31, 2017	Temporarily Restricted	Permanently Restricted	Total
Third party endowment, beginning of year	$ 590,867	$ 1,932,658	$ 2,523,525
Unrealized gain/loss	164,845	-	164,845
Third party endowment net assets, end of year	$ 755,712	$ 1,932,658	$ 2,688,370

December 31, 2016	Temporarily Restricted	Permanently Restricted	Total
Third party endowment, beginning of year	$ 462,545	$ 1,932,658	$ 2,395,203
Unrealized gain/loss	128,321	-	128,321
Third party endowment net assets, end of year	$ 590,866	$ 1,932,658	$ 2,523,524

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. For the years ended September 30, 2017 and 2016, the fair market value of the assets that support the revenue streams to the Aquarium appreciated by $164,844 and $128,321, respectively. Appreciation in the fair market value of the endowment trusts is included in the non-operating, temporarily restricted net assets.

NOTE 8: DEFERRED COMPENSATION PLAN

The Aquarium implemented an unfunded executive deferred compensation plan subject to Section 457(f) of the Internal Revenue Code in 2015. As of September 30, 2017 and 2016, the balance related to the deferred compensation plan was $80,000 and $80,000, respectively.

NOTE 9: LONG-TERM DEBT

On December 29, 2010, the Pinellas County Industrial Development Authority d/b/a Pinellas County Economic Development Authority (the "Issuer") issued a 20-year term bond in the principal amount up to $8,600,000, Series 2010, (the "Bond") to the Aquarium (the "Borrower"). The Bonds were issued pursuant to an agreement (the "Agreement") between the Issuer and a financial institution, (the "Bank"). During 2013, the Aquarium drew down approximately $5,075,000, which was the remaining principal eligible to be drawn on under the Bond.

The Bond shall be used to (i) refinance existing debt of the Borrower with the Bank, (ii) refinance the purchase of real property to be used as a parking lot, (iii) finance the construction of a parking garage, (iv) finance the construction of a parking lot and (v) finance construction and renovations related to the Borrower's main facility (collectively, the "Project").

The Agreement contains covenants that require the Aquarium to maintain compliance with laws, maintain its tax exempt status, report to the lender as required, and demonstrate key financial ratios, including a threshold of unrestricted net assets. The Bond is secured by all assets and real property belonging to the Aquarium as well as any property, plant and equipment purchased in the future. The interest rate shall be the sum of (i) 68% of One-Month LIBOR (1.23% and .53% at September 30, 2017 and 2016), as adjusted monthly with changes in One-Month LIBOR and (ii) 65% of the interest spread of 2.75% per annum (or 1.7875%). The interest rate shall be subject to adjustment in the event of decreases in the Bank's maximum statutory marginal tax rate, upon a determination of taxability or in the event the Bond is determined to not be bank qualified under Section 265(b)(3) of the Internal Revenue code.

Accrued interest shall be paid monthly in arrears on the 29th day of each month, beginning January 29, 2011. Beginning January 29, 2012, and continuing on the 29th day of each month thereafter, the Aquarium will pay monthly installments equal to $35,834. All principal and accrued and unpaid interest shall be unconditionally due and payable on the maturity date, December 29, 2031. Additionally, the Bond will be subject to mandatory redemption upon a Determination of Taxability or a Determination of Non-Bank Qualified Status.

On August 11, 2016, the Aquarium entered into a financing arrangement in which, beginning on September 11, 2016, and continuing on the 11th day of each month thereafter, the Aquarium will pay monthly accrued interest only. The interest rate shall be the sum of (i) One-Month LIBOR (1.23% at September 30, 2017) and (ii) fixed rate of 1.85%. Beginning on September 11, 2017, and continuing on the 11th day of each month thereafter, the Aquarium will pay monthly installments of interest and principal equal to $3,589. All principal and accrued and unpaid interest shall be due on the maturity date, August 11, 2021.

On September 1, 2016, the Aquarium entered into a financing arrangement that constitutes a $10.7 million construction line of credit. The interest rate shall be the sum of (i) One-Month LIBOR (1.23% at September 30, 2017) and (ii) fixed rate of 1.85%). Beginning October 5th, 2017, and continuing on the 5th day of each month thereafter, the Aquarium will pay monthly installments equal to $35,667. All principal and unpaid interest shall be due on the maturity date, September 5, 2021.

NOTE 9: LONG-TERM DEBT (Continued)

The Aquarium also has a $1.5 million line of credit with a bank. The interest rate is subject to change based on changes in One Month LIBOR. The rate shall be determined two business days prior to the commencement of the applicable Interest period plus 2.25%. The line of credit matures on April 3, 2018. There were no amounts drawn under the line of credit as of September 30, 2017 and 2016. The line is collateralized by certain receivables, inventory and equipment.

The following summarizes all long-term debt of the Aquarium as of September 30, 2017 and 2016:

Year ending September 30,	**2017**	2016
Twenty year term bond collateralized by all real property of the Aquarium. Principal is payable in monthly installments of $35,834 beginning on January 29, 2012. Interest is variable based on LIBOR rates. Bond matures on December 29, 2031.	**$ 2,935,165**	$ 3,365,173
Note payable collateralized by the income, rents, receivables, and profits of the underlying property. Principal installments of $7,583 is payable beginning on March 5, 2016. Interest is variable based on 1 month LIBOR + 2.25% and is payable monthly beginning on March 5, 2013. Note was paid off on April 21, 2017.	**-**	1,304,333
Note is collateralized by depository accounts and investment property of the Aquarium. Principal and interest installments of $3,589 is payable beginning on September 11, 2017. Interest is based on 1 month LIBOR + 1.850% with one balloon payment and all accrued interest due on date of maturity. Note matures on August 11, 2021.	**650,166**	652,000
Note is collateralized by the parking garage. Principal and interest installments of $35,667 is payable beginning on October 5, 2017. Interest is based on 1 month LIBOR + 1.850% with one balloon payment and all accrued interest due on date of maturity. Note matures on September 5, 2021.	**9,973,543**	-
Total of debt obligations	**13,558,874**	5,321,506
Less: current portion of notes payable	**(880,810)**	(524,597)
Notes payable, net of current portion	**$ 12,678,064**	$ 4,796,909

Year ending September 30,	Principal Payment Due
2019	$ 881,543
2020	882,300
2021	9,699,088
2022	430,008
2023	430,008
Thereafter	355,117
Total	$ 12,678,064

NOTE 10: DEFERRED LOAN COSTS

LONG-TERM DEBT OBLIGATION:	2017 Principal	2017 Debt Issuance Costs	2016 Principal	2016 Debt Issuance Costs
Capitalized interest relating to revenue bonds of $136,632, due December 2031 (less accumulated amortized costs of $79,022 and $74,590 as of September 30, 2017 and 2016, respectively)	**$ 2,935,165**	**$ 57,610**	$ 3,365,173	$ 62,042
$1,365,000 loan amount, interest based on 1 month LIBOR plus 2.25%, paid off on October 3, 2017.	**-**	**-**	1,304,333	-
$652,000 loan amount, interest based on 1 month LIBOR plus 1.850%, due August 11, 2021	**650,166**	**5,183**	652,000	3,136
$10,700,000 construction loan, interest based on 1 month LIBOR plus 1.850%, due September 2021	**9,973,543**	**120,577**	-	153,178
	$ 13,558,874	**$ 183,370**	**$ 5,321,506**	**$ 218,356**

The Aquarium has obtained certain costs associated with obtaining financing that is deferred and amortized over the life of the loan. These costs are netted against the respective liability on the statement of financial position and shown in conjunction with the current portion of debt. Associated interest expense for the years ended September 30, 2017 and 2016 related to these costs totaled approximately $40,000 and $4,400, respectively.

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

September 30,	**2017**	2016
Contribution receivable, net	**$ 203,668**	$ 136,554
Third party endowments (temporary restricted portion)	**755,711**	590,866
Total	**$ 959,379**	$ 727,420

NOTE 12: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

September 30,	**2017**	2016
Externally controlled third party endowments:		
Thomas Cooper	**$ 1,362,500**	$ 1,362,500
Edna Klauser	**570,158**	570,158
Total	**$ 1,932,658**	$ 1,932,658

NOTE 13: IN-KIND CONTRIBUTIONS

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Aquarium's programs principally in the areas of animal care, education, and daily operations. The value of this contributed time is not reflected in these financial statements as it does not meet the criteria for in-kind revenue and expense recognition. The total hours contributed during both 2017 and 2016 were approximately 99,000 and 116,000, respectively.

During the year, the Aquarium received in-kind contributions for services provided to the Aquarium. These contributions include public service announcements and x-rays performed on sea turtles and have been recorded as unrestricted contributions at their estimated fair market value at the time of donation.

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

For the year ended September 30,	**2017**	2016
FMV of time spent working on Winter's prosthetic tail	**$ 207,000**	$ 175,000
Other donated services	**342,336**	1,201,380
Total non-cash contributions	**$ 549,336**	$ 1,376,380

NOTE 14: RELATED PARTY TRANSACTIONS

A member of the Board of Directors is employed by a law firm which provides legal services to the Aquarium. Total fees paid to the law firm for the year ended September 30, 2017 and 2016 were $32,000 and $77,000, respectively.

A member of the Board of Directors provided contracting services for various facility additions and improvements during the fiscal year 2016. The total fair market value of services provided during the years ended September 30, 2017 and 2016, totaled $-0- and $18,000, respectively.

The Aquarium purchased merchandise from a company owned by one of the Aquarium's Board of Directors during fiscal year 2016. Total payments to this company during the years ended September 30, 2017 and 2016 totaled $-0- and $18,000, respectively.

The Aquarium also purchased transportation services for the benefit of its guests. The Executive Director of the Company is also a member of the Aquarium's Board of Directors. Expenses incurred associated with this function for the years ended September 30, 2017 and 2016 totaled $386,000 and $691,000, respectively.

NOTE 15: MERCHANDISING ROYALTIES

The Aquarium pays merchandising royalties on the sale of merchandise to the production company which produced the feature films (*Dolphin Tale* and *Dolphin Tale 2*). These royalties are included in the education expense line item on the Statement of Activities and totaled $461,783 and $535,635 for the years ended September 30, 2017 and 2016, respectively.

NOTE 16: DEFINED CONTRIBUTION BENEFIT PLAN

The Aquarium 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 Aquarium 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 Aquarium contributed $116,000 and $128,000 to the Plan during the years ended September 30, 2017 and 2016, respectively.

NOTE 17: CONCENTRATION RISK

The Aquarium maintains its cash balances with an accredited financial institution. During the year, deposits exceed the threshold guaranteed by the Federal Deposit Insurance Corporation.

NOTE 18: OPERATING LEASES

On September 12, 2011, the City of Clearwater and the Aquarium executed a business lease Agreement and License Agreement to access, renovate, and occupy the Harborview Center located at 320 Cleveland Street in downtown Clearwater, Florida.

The lease calls for rental payments over the 30 month lease totaling $58,867, which is equivalent to the capital expenditures incurred by the City of Clearwater to make initial repairs on the Harborview Center building. The rental payments are calculated at a $1 per visitor fee until the full amount is paid to the City of Clearwater, and thereafter the rent is $1 per lease year. Rent paid for additional space per the July 2012 lease agreement with the City of Clearwater as of September 30, 2017 and 2016 is $10,600 and $21,000, respectively. The Aquarium stopped leasing the first floor of the building as of March 6, 2017; however, the Aquarium has continued leasing the second floor.

The Aquarium executed an amendment to lease the second floor of the Harborview space (effective December 1, 2015) on a month to month basis with no defined expiration date other than each party must provide a six month notice to terminate the lease. On October 2, 2017 the City of Clearwater confirmed the approval of a shortened termination noticed from six months to 30 days beginning January 31, 2018.

On February 7, 2017, Pinellas County entered into a License Agreement with the Aquarium to use designated County property within Fred Howard Park in Tarpon Springs for a Marine Mammal Stranding Rehabilitation Facility. The Agreement is for ten years and may be renewed for two additional five-year terms. The Aquarium is responsible for all applicable permitting, buildout and running costs of the Facility. The Aquarium has started the project and the majority of work is expected to be completed in 2018.

NOTE 19: OSCEOLA DEVELOPMENT

For the years ended September 30, 2017 and 2016 the Aquarium incurred expenses of approximately $151,301 and $37,108 respectively, related to the original aquarium development plan. These related costs have been presented as non-operating activities in the Statements of Activities.

NOTE 20: AQUARIUM EXPANSION

The Clearwater Marine Aquarium's facility is capacity constrained and limits increased future growth. The facility operates as a marine hospital and education center whose capacity to care for dolphins are limited to the existing pools. To provide for optimal care for these marine animals, enhance guest capacity and improve the guest experience the Aquarium has begun a Capital Expansion Project designed to deliver these enhancements.

NOTE 20: AQUARIUM EXPANSION (Continued)

The project will facilitate high quality in both the design of the facility and care for non-releasable resident marine animals it houses as well as the visitor experience. The proposed improvements include a parking garage, new dolphin habitat, and over 74,500 square feet of guest space in new buildings as well as an elevated deck and ground floor viewing areas. These additions will provide for improved animal care, guest capacity for future growth, additional exhibits and enhancement of the organization's ability to educate the public on the preservation of marine life and environment. The first phase of the parking garage was completed in April 2017.

NOTE 21: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2017 through January 23, 2018, the date the financial statements were available to be issued.

On October 2, 2017, the Aquarium and the Pinellas County Tourist Development Council (TDC) entered into a contract granting the Aquarium $26,000,000. The grant will be used to fund the Capital Expansion Project. The funds will be received on a reimbursement basis over a 2-year period. The maximum amount that can be reimbursed each year is $13,000,000.

The Aquarium was awarded $5,000,000 from the City of Clearwater to fund the Capital Expansion Project. The grant will be received in two payments; $3,000,000 in fiscal year 2017-2018 upon receipt of a bank commitment letter for Project financing and $2,000,000 once the Aquarium provides evidence of $2,000,000 in private matching cash donations. The Aquarium received the $3,000,000 during the week of December 18, 2017.

In December 2017, the Aquarium obtained a commitment letter from BB&T for two loan facilities for the Capital Expansion Project. Taxable Loan A will consist of a taxable non-revolving line of credit for $13,000,000 and Taxable Loan B will be a taxable non-revolving line of credit of up to $14,941,824. Loan A shall be used as a bridge loan to fund construction of five new dolphin pools and related support systems, a new building (four floors) for ticketing, retail, food, education space, theater, event space and elevated deck and the renovation of the existing facility. This loan will be used to fund timing gaps related to TDC grant reimbursements mentioned above. Loan B will be used to fund the remaining construction of the Capital Expansion Project after Loan A has been paid in full. The Aquarium will also be able to borrow up to 75% of the first $3,000,000 of eligible pledges of $100,000 or greater.

The Aquarium has entered into an approximately $50 million contract with Creative Contractors, Inc. for the Aquarium expansion project as of January 16, 2018.

Clearwater Marine Aquarium, Inc.
Schedule of Expenditures of State Financial Assistance
Year ending September 30, 2017

State Agency	CSFA No.	Program	Contracts/ Grant No.	Expenditures
Florida Department of State and Secretary of State	45.014	Cultural Facilities Grant Program	15-9912	$ 956,802
Florida Department of State and Secretary of State	45.014	Cultural Facilities Grant Program	17-9922	2,000,000
				2,956,802
Florida Department of State and Secretary of State	45.061	General Program Support (Cultural and Museum Grants)	18.c.ps.170.088	47,240
Total of State Financial Assistance				$ 3,004,042

See accompanying Independent Auditor's Report
See accompanying Notes to the Schedule of Expenditures of State Financial Assistance.

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of Clearwater Marine Aquarium, Inc. under programs of the State of Florida for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirement of *Chapter 10.650, Rules of the Auditor General.* 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.

The schedule of expenditures of state financial assistance is prepared on the accrual basis.

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Clearwater Marine Aquarium, Inc.

2. No material weaknesses or significant deficiencies were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Clearwater Marine Aquarium, Inc. were disclosed.

4. No material weaknesses or significant deficiencies were disclosed during the audit of the major state award project.

5. The auditors' report on compliance for the major state award project for Clearwater Marine Aquarium, Inc. expresses an unmodified opinion.

6. There were no audit findings relative to the major state award project for Clearwater Marine Aquarium, Inc.

7. The project tested as a major state project was as follows:

CSFA#	Name of Program
State Projects	
Division of Cultural Affairs	
45.014	Cultural Facilities Grant Program

8. The threshold for distinguishing Types A and B programs was $300,000 for major state awards projects.

9. There are no items related to state awards required to be reported in the management letter.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major State Awards Project Audit

None

D. Other Issues

None

Prior Year Findings and Questioned Costs

No prior year findings or questioned costs

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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

To the Board of Directors
Clearwater Marine Aquarium, Inc.

Report on Compliance for Each Major State Project

We have audited Clearwater Marine Aquarium Inc.'s compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Clearwater Marine Aquarium, Inc.'s major state projects for the year ended September 30, 2017. Clearwater Marine Aquarium, Inc.'s major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and conditions of its State projects applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Clearwater Marine Aquarium, Inc.'s major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Clearwater Marine Aquarium, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Clearwater Marine Aquarium, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, Clearwater Marine Aquarium, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state project for the year ended September 30, 2017.

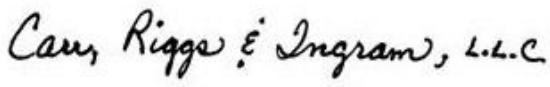
Report on Internal Control Over Compliance

Management of Clearwater Marine Aquarium, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clearwater Marine Aquarium, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clearwater Marine Aquarium, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
January 23, 2018

CARR RIGGS & INGRAM

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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 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 financial statements of Clearwater Marine Aquarium, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clearwater Marine Aquarium, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clearwater Marine Aquarium, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Clearwater Marine Aquarium, Inc.'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 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.

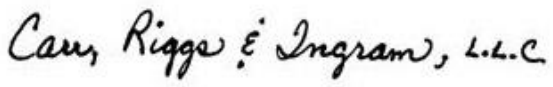
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
January 23, 2018