



**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2021 AND 2020

TAMPA BAY WATCH, INC.

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tampa Bay Watch, Inc.
St. Petersburg, Florida

Opinion

We have audited the accompanying financial statements of Tampa Bay Watch, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tampa Bay Watch, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Tampa Bay Watch, Inc. and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Tampa Bay Watch, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tampa Bay Watch, Inc.'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.

Tampa, Florida
July 19, 2022

TAMPA BAY WATCH, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,465,119	\$ 2,027,718
Investments (Notes 4 and 5)	892,089	651,255
Unconditional promises to give, net (Note 6)	296,867	725,027
Inventory	55,593	37,363
Prepaid expenses	103,449	57,872
Note receivable (Note 7)	33,755	30,242
Property and equipment, net of accumulated depreciation (Note 8)	3,243,158	3,199,411
Gifted property (Note 9)	390,625	406,147
Total assets	\$ 7,480,655	\$ 7,135,035
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 42,178	\$ 32,259
Accrued payroll	109,874	109,542
Deposits	85,943	55,511
Total liabilities	237,995	197,312
Net assets		
Without donor restrictions	5,547,490	5,168,149
With donor restrictions (Note 12)	1,695,170	1,769,574
Total net assets	7,242,660	6,937,723
Commitments and contingencies (Note 15 and 16)	_____	_____
Total liabilities and net assets	\$ 7,480,655	\$ 7,135,035

See independent auditor's report and accompanying notes to the financial statements.

TAMPA BAY WATCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total December 31,</u>	
			<u>2021</u>	<u>2020</u>
PUBLIC SUPPORT, OTHER REVENUES AND GAINS				
Public support				
Grants and contributions	\$ 895,411	\$ 936,910	\$ 1,832,321	\$ 2,333,019
Membership dues	170,045	-	170,045	179,097
Special events, net of direct costs of \$47,724 and \$19,722 in 2021 and 2020, respectively	166,887	-	166,887	62,700
In-kind contributions	113,900	-	113,900	49,975
Total public support	<u>1,346,243</u>	<u>936,910</u>	<u>2,283,153</u>	<u>2,624,791</u>
Other revenues and gains				
Discovery Center admissions	209,793	-	209,793	140,039
Community center use	166,200	-	166,200	102,700
Product sales	162,128	-	162,128	57,045
Camps and educational programs	138,593	-	138,593	50,134
Investment return, net	100,972	-	100,972	79,264
Gain on sale of assets	8,337	-	8,337	19,269
Other, net	9,379	-	9,379	3,777
Total other revenues and gains	<u>795,402</u>	<u>-</u>	<u>795,402</u>	<u>452,228</u>
Net assets released from restrictions	<u>1,011,314</u>	<u>(1,011,314)</u>	<u>-</u>	<u>-</u>
Total public support, other revenues and gains	<u>3,152,959</u>	<u>(74,404)</u>	<u>3,078,555</u>	<u>3,077,019</u>
EXPENSES				
Program services				
Marine restoration and education	2,200,862	-	2,200,862	1,663,093
Supporting services				
Management and general	266,784	-	266,784	210,431
Fundraising	305,972	-	305,972	200,648
Total supporting services	<u>572,756</u>	<u>-</u>	<u>572,756</u>	<u>411,079</u>
Total expenses	<u>2,773,618</u>	<u>-</u>	<u>2,773,618</u>	<u>2,074,172</u>
Change in net assets	<u>379,341</u>	<u>(74,404)</u>	<u>304,937</u>	<u>1,002,847</u>
Net assets, beginning of year	<u>5,168,149</u>	<u>1,769,574</u>	<u>6,937,723</u>	<u>5,934,876</u>
Net assets, end of year	<u>\$ 5,547,490</u>	<u>\$ 1,695,170</u>	<u>\$ 7,242,660</u>	<u>\$ 6,937,723</u>

See independent auditor's report and accompanying notes to the financial statements.

**TAMPA BAY WATCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES & GAINS			
Public support			
Grants and contributions	\$ 1,084,922	\$ 1,248,097	\$ 2,333,019
Membership dues	179,097	-	179,097
Special events, net of direct costs of \$79,948	62,700	-	62,700
In-kind contributions	49,975	-	49,975
	<u>1,376,694</u>	<u>1,248,097</u>	<u>2,624,791</u>
Other revenues and gains			
Discovery Center admissions	140,039	-	140,039
Community center use	102,700	-	102,700
Investment return, net	79,264	-	79,264
Camps and educational programs	50,134	-	50,134
Product sales	57,045	-	57,045
Gain on sale of assets	19,269	-	19,269
Other, net	3,777	-	3,777
	<u>452,228</u>	<u>-</u>	<u>452,228</u>
Net assets released from restrictions	<u>2,153,622</u>	<u>(2,153,622)</u>	<u>-</u>
Total public support and other revenues & gains	<u>3,982,544</u>	<u>(905,525)</u>	<u>3,077,019</u>
EXPENSES			
Program services			
Marine restoration and education	1,663,093	-	1,663,093
Supporting services			
Management and general	210,431	-	210,431
Fundraising	200,648	-	200,648
	<u>411,079</u>	<u>-</u>	<u>411,079</u>
Total expenses	<u>2,074,172</u>	<u>-</u>	<u>2,074,172</u>
Change in net assets	<u>1,908,372</u>	<u>(905,525)</u>	<u>1,002,847</u>
Net assets, beginning of year	<u>3,259,777</u>	<u>2,675,099</u>	<u>5,934,876</u>
Net assets, end of year	<u>\$ 5,168,149</u>	<u>\$ 1,769,574</u>	<u>\$ 6,937,723</u>

See independent auditor's report and accompanying notes to the financial statements.

TAMPA BAY WATCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program Services	Supporting Services			Total Expenses	
	Marine Restoration and Education	Management and General	Fundraising	Total Supporting Services	December 31,	
					2021	2020
Personnel expenses	\$ 1,112,987	\$ 165,444	\$ 225,605	\$ 391,049	\$ 1,504,036	\$ 1,248,152
Other expenses						
Office	186,679	8,390	14,683	23,073	209,752	128,456
Insurance	176,423	7,929	13,876	21,805	198,228	148,496
Marine restoration and education	109,926	-	-	-	109,926	85,632
In-kind rent - Discovery Center	96,000	-	-	-	96,000	48,000
Professional	40,136	29,568	21,150	50,718	90,854	56,525
Cost of product sales	84,852	-	-	-	84,852	33,878
Utilities	60,714	2,729	4,775	7,504	68,218	45,864
Special event expenses	-	-	47,724	47,724	47,724	19,722
Postage and printing	31,495	1,416	2,477	3,893	35,388	26,164
Vehicle and boat	34,636	-	-	-	34,636	15,879
Travel	20,432	3,037	4,142	7,179	27,611	16,553
Advertising	-	2,843	-	2,843	2,843	4,176
Other	4,970	35,267	1,482	36,749	41,719	30,875
Total expenses before other non-cash items	1,959,250	256,623	335,914	592,537	2,551,787	1,908,372
Depreciation	226,090	10,161	17,782	27,943	254,033	170,000
Amortization on in-kind rent	15,522	-	-	-	15,522	15,522
Total expenses by function	2,200,862	266,784	353,696	620,480	2,821,342	2,093,894
Less expenses included with revenue on the Statement of Activities						
Special event expenses	-	-	(47,724)	(47,724)	(47,724)	(19,722)
Total expenses	\$ 2,200,862	\$ 266,784	\$ 305,972	\$ 572,756	\$ 2,773,618	\$ 2,074,172

See independent auditor's report and accompanying notes to the financial statements.

TAMPA BAY WATCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	Marine Restoration and Education	Management and General	Fundraising	Total Supporting Services	
Personnel expenses	\$ 973,559	\$ 124,815	\$ 149,778	\$ 274,593	\$ 1,248,152
Other expenses					
Insurance	133,646	7,425	7,425	14,850	148,496
Office	105,334	15,415	7,707	23,122	128,456
Marine restoration and education	85,632	-	-	-	85,632
Professional	47,057	9,468	-	9,468	56,525
In-kind rent - Discovery Center	43,200	2,400	2,400	4,800	48,000
Utilities	37,608	5,504	2,752	8,256	45,864
Cost of product sales	33,878	-	-	-	33,878
Postage and printing	18,315	-	7,849	7,849	26,164
Special event expenses	-	-	19,722	19,722	19,722
Travel	15,394	1,159	-	1,159	16,553
Vehicle and boat	14,291	1,588	-	1,588	15,879
Advertising	-	2,088	2,088	4,176	4,176
Other	3,051	18,306	9,518	27,824	30,875
Total expenses before other non-cash items	1,510,965	188,168	209,239	397,407	1,908,372
Depreciation	139,400	20,400	10,200	30,600	170,000
Amortization on in-kind rent	12,728	1,863	931	2,794	15,522
Total expenses by function	1,663,093	210,431	220,370	430,801	2,093,894
Less expenses included with revenue on the Statement of Activities					
Special event expenses	-	-	(19,722)	(19,722)	(19,722)
Total expenses	<u>\$ 1,663,093</u>	<u>\$ 210,431</u>	<u>\$ 200,648</u>	<u>\$ 411,079</u>	<u>\$ 2,074,172</u>

See independent auditor's report and accompanying notes to the financial statements.

TAMPA BAY WATCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 304,937	\$ 1,002,847
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	254,033	170,000
Forgiveness of debt (Note 11)	(220,237)	(214,635)
In-kind rent amortization	15,522	15,522
In-kind contributions of property and equipment	(17,900)	-
Investment return, net	(100,972)	(79,264)
Gain on sale of equipment	(8,337)	(19,269)
Accrued interest note receivable (Note 7)	(3,513)	-
Increase (Decrease) in assets:		
Unconditional promises to give	428,160	(99,525)
Prepaid expenses	(45,577)	(10,312)
Inventory	(18,230)	(37,363)
Increase (Decrease) in liabilities:		
Accounts payable	9,919	(295,433)
Accrued payroll	332	(8,054)
Deposits	30,432	3,661
Net cash provided by operating activities	628,569	428,175
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments, net of purchases	(139,862)	41,574
Purchase of property and equipment	(290,087)	(486,755)
Proceeds from the sale of property and equipment	18,544	39,500
Net cash used in investing activities	(411,405)	(405,681)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt (Note 11)	220,237	214,635
Collection of principal on note receivable (Note 7)	-	608
Cash provided by financing activities	220,237	215,243
Net change in cash and cash equivalents	437,401	237,737
Cash and cash equivalents, beginning of year	2,027,718	1,789,981
Cash and cash equivalents, end of year	\$ 2,465,119	\$ 2,027,718
SUPPLEMENTAL DISCLOSURES ON NONCASH INVESTING ACTIVITIES:		
Conversion of Discovery Center construction in progress into leasehold improvements	\$ -	\$ 947,593
In-kind contributions (at fair value)	\$ 113,900	\$ 49,975
SUPPLEMENTAL DISCLOSURES ON NONCASH FINANCING ACTIVITIES:		
Conversion of PPP loan into a grant (Note 11)	\$ 220,237	\$ 214,635
Accrued interest resulting from non-payment of note receivable (Note 7)	\$ 3,513	\$ -

See independent auditor's report and accompanying notes to the financial statements.

TAMPA BAY WATCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 NATURE OF ORGANIZATION

Tampa Bay Watch, Inc. (“Tampa Bay Watch” or the “Organization”) was organized in 1993 as a tax-exempt, nonprofit organization dedicated exclusively for the purpose of protection and restoration of the marine and wetland environments of the Tampa Bay estuary through scientific and educational programs. Funding is provided through federal, state, and local government grants, as well as by local fundraising activities and membership dues.

In June 2020, the Organization opened an education center on the St. Pete Pier (the “Discovery Center”). The Discovery Center presents information about Tampa Bay’s unique ecosystem. The indoor exhibit gallery features an estuary habitat that showcases a variety of species found in local waters. Visitors can also experience interactive displays, video presentations, a touch tank and docent-led tours. Adjacent to the exhibit gallery is a state-of-the-art classroom that accommodates school field trips and programs for students of all ages. The Discovery Center is not strictly an indoor experience. It also includes a “wet classroom” which offers larger outdoor demonstrations and lectures. It is bordered by walkways and railings, and includes an amphitheater-style observation deck.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization has adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 958, *Not-for-Profit Entities* (“ASC 958”). Under ASC 958, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. As such, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and, if applicable, with donor restrictions.

Revenue Recognition

Gifts and contributions are recorded at their fair market value on the date of receipt. The Organization reports contributions restricted by donors as increases in net assets *without* donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

TAMPA BAY WATCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs, or other barriers.

Support arising from donated, or in-kind, goods, property, and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. For the years ended December 31, 2021 and 2020, volunteers provided services to assist the Organization's and fundraising functions for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under GAAP.

Ticket sales are recognized at a point in time when the tickets are purchased. The Organization has determined that a point in time recognition is appropriate since there are no other performance obligations related to these assets.

The Organization sold merchandise. These sales are recorded as revenue at the time the merchandise transferred to the customer, a single performance obligation.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Investments

The Organization invests in mutual funds and exchange-traded products. The investments in securities are stated at fair value. Realized and unrealized gains and losses and interest income are reflected in the Statements of Activities, net of the administrative costs directly associated with managing the investments. Fair value is determined by market quotations.

Donated investments are recorded at fair value at the time of receipt.

Inventory

Inventory is stated at lower of cost or net realizable value, based on a count performed at the year end. The on-hand inventory is counted and valued using the merchandise menu in the system.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. The Organization has a policy of capitalizing expenditures for property and equipment with costs above a predetermined threshold. Depreciation is provided using the straight-line method over the estimated useful lives of assets which range from 5 to 39 years.

Leasehold improvements are included with property and equipment. The amortization of the leasehold improvements, likewise, is included with depreciation expense.

TAMPA BAY WATCH, INC.
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DECEMBER 31, 2021 AND 2020

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data are also included. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

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

The method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of difference methodologies or assumptions to determine

TAMPA BAY WATCH, INC.
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the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Leases

In accordance with FASB ASC 840, *Leases*, the Organization recognizes reductions in rental expenses and rental revenues in lease arrangements for which it is the lessee and lessor, respectively, on a straight-line basis over the term of the lease.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statements of Functional Expenses. Natural expenses directly attributable to a specific functional area of the Organization are reported as direct expenses to its respective functional area. Certain categories of expenses, however, are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office, insurance, utilities, postage and printing, and depreciation, are allocated on a square footage basis; personnel expenses and travel are allocated based on time and effort spent by employees.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately \$3,000 and \$4,000 for the years ended December 31, 2021 and 2020, respectively.

Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) and, accordingly, no provision for income taxes has been made in the financial statements. Management has evaluated the Organization's tax position and concluded that no uncertain tax positions have been taken that would require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the FASB ASC. With few exceptions, the Organization is subject to income tax examinations for up to three years after tax returns are filed.

Recent Accounting Pronouncements Not Yet Adopted

1. In 2016, Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02") was issued. The amendments in ASU 2016-02 affect any entity that enters into leasing contracts. This ASU supersedes the revenue recognition requirements in ASC 840, *Leases*, and most industry-specific guidance.

TAMPA BAY WATCH, INC.
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DECEMBER 31, 2021 AND 2020

The core principle of the guidance is to increase transparency and comparability among organizations by recognizing rights and obligations of leasing activities as assets and lease liabilities on the balance sheet. Under this ASU, lease assets and lease liabilities should be recognized for those leases previously classified as operating leases.

ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization will adopt this new standard effective for the fiscal year ending December 31, 2022 and shall disclose qualitative and quantitative information.

2. In 2020, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, was issued. This ASU is intended to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The standard will be effective for the Organization for fiscal year ending December 31, 2022.

Going Concern Evaluation

On an annual basis, as required by FASB ASC 205, the Organization performs an evaluation to determine whether there are conditions or events (known or reasonably knowable), considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Subsequent Events

In accordance with FASB ASC 855, the Organization evaluated subsequent events through July 19, 2022, the date the financial statements were available for issue.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as at December 31:

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	\$ 2,465,119	\$ 2,027,718
Unconditional promises to give, net	296,867	725,027
Note receivable	33,755	30,242
Investments	892,089	651,255
	3,687,830	3,434,242
Less amounts not available for use within one year		
Net assets with donor restrictions	506,195	679,993
Long-term portion of note receivable	26,253	28,415
	532,448	708,408
Financial assets available to meet expenditures over the next 12 months	\$ 3,155,382	\$ 2,725,834

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As part of the Organization's liquidity management plan, it invests cash in excess of daily requirements in money market funds. The Organization's cash position is monitored by executive management to ensure sufficient funds are available to meet daily requirements. Daily requirements are based on the budget, contracts, payroll, and invoice schedules.

NOTE 4 INVESTMENTS

Major categories of investments as of December 31 are summarized below:

	<u>2021</u>	<u>2020</u>
Mutual funds and exchange-traded products		
Equity funds	\$ 653,022	\$ 457,989
Fixed income funds	<u>239,067</u>	<u>193,266</u>
	<u>\$ 892,089</u>	<u>\$ 651,255</u>

Investment returns are as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Net realized/unrealized gain	\$ 68,870	\$ 61,896
Interest and dividend income	39,580	22,516
Investment expenses	<u>(7,478)</u>	<u>(5,148)</u>
	<u>\$ 100,972</u>	<u>\$ 79,264</u>

NOTE 5 FAIR VALUE MEASUREMENTS

The Organization's investments measured at fair value on a recurring basis as follows as of December 31, 2021:

<u>December 31, 2021</u>	<u>Quoted Prices of Identical Products in Active Markets (Level 1)</u>
Mutual funds and exchange-traded products	<u>\$ 892,089</u>

The Organization's investments measured at fair value on a recurring basis as follows as of December 31, 2020:

<u>December 31, 2020</u>	<u>Quoted Prices of Identical Products in Active Markets (Level 1)</u>
Mutual funds and exchange-traded products	<u>\$ 651,255</u>

There were no significant transfers between levels.

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NOTE 6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows discounted at rates ranging from 0.82% to 1.87%, depending on the date of the promise.

Promises to give are scheduled to be received in the following periods at December 31:

	December 31,	
	2021	2020
Less than one year	\$ 165,775	\$ 435,659
One to five years	133,500	301,000
Less unamortized discount	<u>(2,408)</u>	<u>(11,632)</u>
	<u>\$ 296,867</u>	<u>\$ 725,027</u>

As of December 31, 2021 and 2020, management considered all receivables to be collectible. As such, no provision for uncollectible accounts was recorded.

NOTE 7 NOTE RECEIVABLE

Note receivable consists of the remaining balance outstanding on a 7.25% note receivable, including unpaid accrued interest, donated to the Organization in April 2011. Monthly payments on the note receivable consist of principal and interest of approximately \$330 and continue until maturity of the note in April of 2032.

As of December 31, 2021 and 2020, management considered the entire note receivable balance to be collectible. As such, no provision for uncollectible accounts was recorded.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Lives	December 31,	
		2021	2020
Buildings and leasehold improvements	10 - 39 years	\$ 4,203,004	\$ 4,156,894
Boats and equipment	5-7 years	647,164	455,447
Office furniture and equipment	5 years	324,196	277,837
Vehicles	5 years	<u>77,419</u>	<u>91,315</u>
		\$ 5,251,783	\$ 4,981,493
Less: accumulated depreciation		<u>(2,008,625)</u>	<u>(1,782,082)</u>
Total property and equipment, net		<u>\$ 3,243,158</u>	<u>\$ 3,199,411</u>

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Depreciation expense for the year ended December 31, 2021 and 2020 was approximately \$254,000 and \$170,000 respectively.

NOTE 9 GIFTED PROPERTY

The land on which the Organization's facilities are situated was contributed by the State of Florida under a zero value, 46-year lease agreement expiring in 2047, for the construction of an administration building. In-kind rent expense for each of the years ended December 31, 2021 and 2020 was approximately \$16,000. In the event that the Organization ceases to use the property for its original intent as stated in the lease, the land and building would revert back to the donor. Gifted leasehold interest represents the present value of the aggregate fair rental value of the land lease, which approximates the fair value of the land at lease inception.

The fair value of the land lease and recognition of rent expense is summarized as follows:

Balance at December 31, 2019	\$ 421,699	
Recognition of rent expense	(15,522)	
Balance at December 31, 2020	406,147	
Recognition of rent expense	(15,522)	
Balance at December 31, 2021	\$ 390,625	

NOTE 10 DISCOVERY CENTER ON ST. PETE PIER

In May 2018, the Organization entered into a lease agreement with the City of St. Petersburg to operate the Discovery Center. The lease was amended in 2019 to extend the lease term to 10 years. The lease agreement requires the Organization to construct and operate the Discovery Center. The lease requires an aggregate rent of \$10 for the lease term, and additional rent in the form of annual CAM charges in the amount of approximately \$10,000, subject to an annual increase of up to 3.00%, to be paid in even monthly amounts during the lease term. The term of the lease commenced in 2020, upon completion of construction.

Management has determined that the leased facility is a conditional contribution. The in-kind fair market value of this leased facility is estimated to be \$96,000 and \$48,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 PAYCHECK PROTECTION PROGRAM LOANS

In February 2021 and April 2020, the Organization received loan proceeds from financial institutions in the amounts of approximately \$220,000 and \$215,000, respectively, under the Paycheck Protection Program (the "PPP"). This program was established under Division A, Title I of the Coronavirus Aid, Relief, and Economic

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Security Act (the “CARES Act”). In accordance with the PPP funding agreement, the Organization’s loans would be forgiven and converted into grants once the Organization meets certain criteria related to its payroll, utility, and interest expenses over a specified measurement period.

Tampa Bay Watch’s management determined that the Organization should record the PPP loans as conditional contributions. For each of the loans, the Organization met those conditions in the during the year that the loan was received. As a result of the loans’ forgiveness, the Organization recorded approximately \$220,000 and \$215,000 of grant revenue during the years ended December 31, 2021 and 2020, respectively, on the Statements of Activities.

NOTE 12 NET ASSETS

Net assets with donor restrictions were as follows as of December 31:

	December 31,	
	2021	2020
Subject to purpose and passage of time:		
Marine restoration	\$ 600,333	\$ 83,720
Education	454,764	80,328
Property used in operations	390,625	406,147
Discovery Center	188,587	1,184,379
Other	60,861	15,000
	\$ 1,695,170	\$ 1,769,574

NOTE 13 FUNDING AND CREDIT CONCENTRATION

Cash and Investments

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of bank deposits. The Organization maintains cash and investment balances at several financial institutions. Cash and investment accounts are federally insured up to certain limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on these accounts.

Unconditional promises to give

As of December 31, 2021, approximately 67% of the unconditional promises to give was from one donor.

Funding

The Organization receives significant funding from federal, state, and local sources. The continuation of the Organization’s program services is significantly dependent upon the support of these entities.

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NOTE 14 RELATED PARTY TRANSACTIONS

Contributions recorded for the years ended December 31, 2021 and 2020 include donations from several board members.

NOTE 15 COMMITMENTS

The Organization entered into several contractual agreements, generally cancelable with 7 to 30 days written notice, with outside vendors and service providers.

NOTE 16 CONTINGENCIES

In March 2020, the World Health Organization declared a novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. These measures could negatively impact the Organization’s operations, vendors, and donors. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization’s operations or cash flows.

The Organization may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations.