



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

DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022, 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.

affinity CPA P.A.

Tampa, Florida
April 15, 2023

TAMPA BAY WATCH, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,288,904	\$ 2,465,119
Investments (Notes 4 and 5)	977,844	892,089
Unconditional promises to give, net (Note 6)	172,669	296,867
Inventory	76,919	55,593
Prepaid expenses	109,834	86,449
Note receivable (Note 7)	-	33,755
Right-of-use asset - finance lease	6,663	-
Construction in progress	15,553	17,000
Property and equipment, net of accumulated depreciation (Note 8)	3,111,884	3,243,158
Gifted property (Note 9)	375,103	390,625
	\$ 7,135,373	\$ 7,480,655
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 66,146	\$ 42,178
Accrued payroll	140,631	109,874
Finance lease liability	6,749	-
Deposits	85,762	85,943
	299,288	237,995
Total liabilities		
Net assets		
Without donor restrictions	4,909,915	5,547,490
With donor restrictions (Note 12)	1,926,170	1,695,170
	6,836,085	7,242,660
Total net assets		
Commitments and contingencies (Note 16 and 17)		
	\$ 7,135,373	\$ 7,480,655
Total liabilities and net assets		

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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total December 31,	
			2022	2021
PUBLIC SUPPORT AND OTHER REVENUES				
Public support				
Grants and contributions	\$ 773,117	\$ 1,016,531	\$ 1,789,648	\$ 1,832,321
Special events, net of direct costs of \$72,116 and \$57,774 in 2022 and 2021, respectively	232,053	-	232,053	156,837
Membership dues	165,261	-	165,261	170,045
In-kind contributions (Note 15)	135,744	-	135,744	123,950
	<u>1,306,175</u>	<u>1,016,531</u>	<u>2,322,706</u>	<u>2,283,153</u>
Total public support				
Other revenues				
Camps and educational programs	267,845	-	267,845	138,593
Community center use	263,300	-	263,300	166,200
Discovery Center admissions	152,378	-	152,378	209,793
Product sales	136,527	-	136,527	162,128
Other, net	3,278	-	3,278	9,379
	<u>823,328</u>	<u>-</u>	<u>823,328</u>	<u>686,093</u>
Total other revenues				
Net assets released from restrictions	785,531	(785,531)	-	-
	<u>2,915,034</u>	<u>231,000</u>	<u>3,146,034</u>	<u>2,969,246</u>
Total public support and other revenues				
EXPENSES				
Program services				
Marine restoration and education	2,615,151	-	2,615,151	2,200,862
Support services				
Management and general	378,184	-	378,184	266,784
Fundraising	400,787	-	400,787	305,972
	<u>778,971</u>	<u>-</u>	<u>778,971</u>	<u>572,756</u>
Total supporting services				
Total expenses	<u>3,394,122</u>	<u>-</u>	<u>3,394,122</u>	<u>2,773,618</u>
Change in net assets before other changes	(479,088)	231,000	(248,088)	195,628
OTHER CHANGES				
Return on investments, net of expenses (Note 4)	(158,038)	-	(158,038)	100,972
Gain (Loss) on sale of assets	(1,500)	-	(1,500)	8,337
Interest income	1,245	-	1,245	-
Interest expense	(194)	-	(194)	-
	<u>(158,487)</u>	<u>-</u>	<u>(158,487)</u>	<u>109,309</u>
Total other changes				
Change in net assets	<u>(637,575)</u>	<u>231,000</u>	<u>(406,575)</u>	<u>304,937</u>
Net assets, beginning of year	5,547,490	1,695,170	7,242,660	6,937,723
Net assets, end of year	<u>\$ 4,909,915</u>	<u>\$ 1,926,170</u>	<u>\$ 6,836,085</u>	<u>\$ 7,242,660</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Grants and contributions	\$ 895,411	\$ 936,910	\$ 1,832,321
Membership dues	170,045	-	170,045
Special events, net of direct costs of \$57,774	156,837	-	156,837
In-kind contributions (Note 15)	123,950	-	123,950
	<u>1,346,243</u>	<u>936,910</u>	<u>2,283,153</u>
Other revenues			
Discovery Center admissions	209,793	-	209,793
Community center use	166,200	-	166,200
Product sales	162,128	-	162,128
Camps and educational programs	138,593	-	138,593
Other, net	9,379	-	9,379
	<u>686,093</u>	<u>-</u>	<u>686,093</u>
Net assets released from restrictions	<u>1,011,314</u>	<u>(1,011,314)</u>	<u>-</u>
Total public support and other revenues	<u>3,043,650</u>	<u>(74,404)</u>	<u>2,969,246</u>
EXPENSES			
Program services			
Marine restoration and education	<u>2,200,862</u>	<u>-</u>	<u>2,200,862</u>
Support services			
Management and general	266,784	-	266,784
Fundraising	305,972	-	305,972
	<u>572,756</u>	<u>-</u>	<u>572,756</u>
Total supporting services	<u>572,756</u>	<u>-</u>	<u>572,756</u>
Total expenses	<u>2,773,618</u>	<u>-</u>	<u>2,773,618</u>
Change in net assets before other changes	<u>270,032</u>	<u>(74,404)</u>	<u>195,628</u>
OTHER CHANGES			
Return on investments, net of expenses (Note 4)	100,972	-	100,972
Gain on sale of assets	8,337	-	8,337
	<u>109,309</u>	<u>-</u>	<u>109,309</u>
Change in net assets	<u>379,341</u>	<u>(74,404)</u>	<u>304,937</u>
Net assets, beginning of year	<u>5,168,149</u>	<u>1,769,574</u>	<u>6,937,723</u>
Net assets, end of year	<u>\$ 5,547,490</u>	<u>\$ 1,695,170</u>	<u>\$ 7,242,660</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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Program Services	Supporting Services			Total Expenses	
	Marine Restoration and Education	Management and General	Fundraising	Total Supporting Services	December 31,	
					2022	2021
Personnel expenses	\$ 1,446,848	\$ 215,072	\$ 293,280	\$ 508,352	\$ 1,955,200	\$ 1,504,036
Other expenses						
Office	210,119	9,444	16,526	25,970	236,089	209,752
Insurance	181,168	8,143	14,249	22,392	203,560	198,228
Professional	85,070	37,420	27,098	64,518	149,588	90,854
Marine restoration and education	107,923	-	-	-	107,923	109,926
Special event expenses	-	-	72,116	72,116	72,116	57,774
Cost of product sales	63,845	-	-	-	63,845	84,852
Vehicle and boat	45,556	-	-	-	45,556	34,636
Utilities	37,141	1,669	2,921	4,590	41,731	68,218
Travel	24,994	3,715	5,066	8,781	33,775	27,611
Postage and printing	29,287	1,317	2,303	3,620	32,907	35,388
Income tax	-	17,206	-	17,206	17,206	-
Advertising	-	1,355	-	1,355	1,355	2,843
Other	6,315	53,093	18,473	71,566	77,881	41,719
Total expenses before other non-cash items	2,238,266	348,434	452,032	800,466	3,038,732	2,465,837
Depreciation	265,363	11,925	20,871	32,796	298,159	254,033
In-kind rent - Discovery Center	96,000	-	-	-	96,000	96,000
Bad debt	-	16,800	-	16,800	16,800	-
Amortization on in-kind rent	15,522	-	-	-	15,522	15,522
Amortization on finance lease	-	1,025	-	1,025	1,025	-
Total expenses by function	2,615,151	378,184	472,903	851,087	3,466,238	2,831,392
Less expenses included with revenue on the Statement of Activities						
Special event expenses	-	-	(72,116)	(72,116)	(72,116)	(57,774)
Total expenses	\$ 2,615,151	\$ 378,184	\$ 400,787	\$ 778,971	\$ 3,394,122	\$ 2,773,618

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

	Program Services		Supporting Services		Total
	Marine Restoration and Education	Management and General	Fundraising	Total Supporting Services	
Personnel expenses	\$ 1,112,987	\$ 165,444	\$ 225,605	\$ 391,049	\$ 1,504,036
Other expenses					
Insurance	186,679	8,390	14,683	23,073	209,752
Office	176,423	7,929	13,876	21,805	198,228
Marine restoration and education	109,926	-	-	-	109,926
In-kind rent - Discovery Center	96,000	-	-	-	96,000
Professional	40,136	29,568	21,150	50,718	90,854
Cost of product sales	84,852	-	-	-	84,852
Utilities	60,714	2,729	4,775	7,504	68,218
Special event expenses	-	-	57,774	57,774	57,774
Postage and printing	31,495	1,416	2,477	3,893	35,388
Vehicle and boat	34,636	-	-	-	34,636
Travel	20,432	3,037	4,142	7,179	27,611
Advertising	-	2,843	-	2,843	2,843
Other	4,970	35,267	1,482	36,749	41,719
	1,959,250	256,623	345,964	602,587	2,561,837
Total expenses before other non-cash items					
Depreciation	226,090	10,161	17,782	27,943	254,033
Amortization on in-kind rent	15,522	-	-	-	15,522
	2,200,862	266,784	363,746	630,530	2,831,392
Total expenses by function					
Less expenses included with revenue on the Statement of Activities					
Special event expenses	-	-	(57,774)	(57,774)	(57,774)
Total expenses	\$ 2,200,862	\$ 266,784	\$ 305,972	\$ 572,756	\$ 2,773,618

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, 2022 AND 2021

	December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (406,575)	\$ 304,937
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	298,159	254,033
Forgiveness of debt (Note 11)	-	(220,237)
In-kind rent amortization	15,522	15,522
Right-of-use asset amortization	1,025	-
In-kind contributions of property and equipment	-	(17,900)
(Gain) Loss on investments	158,038	(100,972)
(Gain) Loss on sale of equipment	1,500	(8,337)
Accrued interest note receivable (Note 7)	-	(3,513)
Increase (Decrease) in assets:		
Unconditional promises to give	124,198	428,160
Inventory	(21,326)	(18,230)
Prepaid expenses	(23,385)	(45,577)
Increase (Decrease) in liabilities:		
Accounts payable	23,968	9,919
Accrued payroll	30,757	332
Deposits	(181)	30,432
Net cash provided by operating activities	201,700	628,569
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, net of sales	(243,793)	(139,862)
Purchase of property and equipment, net of changes in construction in progress	(167,438)	(290,087)
Proceeds from the sale of property and equipment	500	18,544
Net cash used in investing activities	(410,731)	(411,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of principal on note receivable (Note 7)	33,755	-
Proceeds from issuance of long-term debt (Note 11)	-	220,237
Principal payments on finance lease liability	(939)	-
Cash provided by financing activities	32,816	220,237
Net change in cash and cash equivalents	(176,215)	437,401
Cash and cash equivalents, beginning of year	2,465,119	2,027,718
Cash and cash equivalents, end of year	\$ 2,288,904	\$ 2,465,119
SUPPLEMENTAL DISCLOSURES ON NONCASH INVESTING ACTIVITIES:		
In-kind contributions (at fair value)	\$ 135,744	\$ 123,950
SUPPLEMENTAL DISCLOSURES ON NONCASH FINANCING ACTIVITIES:		
Entering into finance lease	\$ 7,688	\$ -
Conversion of PPP loan into a grant (Note 11)	\$ -	\$ 220,237
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, 2022 AND 2021

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.

Support and Revenue Recognition

The Organization first determines if a transaction represents an exchange transaction and if so, accounts for the transaction in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract

TAMPA BAY WATCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
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- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Gifts and contributions are recorded at their fair market value on the date of receipt.

The Organization reports contributions with donor restrictions as increases in net assets with donor 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.

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 12/31/2022 and 2021, 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.

Camps and educational programs, community center use, and Discovery Center admission ticket sales are recognized at a point in time when the event occurs. The Organization has determined that a point in time recognition is appropriate since there are no other performance obligations related to these revenues.

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.

TAMPA BAY WATCH, INC.
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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.

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.

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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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leases because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as maintenance costs, in calculating the right-of-use (the "ROU") assets and lease liabilities for its office copy machines. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

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Leases result in the recognition of ROU assets and lease liabilities on the Statements of Financial Position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the secured-debt yields the Organization would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the Statements of Financial Position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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 2021 financial statements have been reclassified to conform to the 2022 presentation.

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Advertising Costs

Advertising costs are expensed as incurred and totaled approximately \$1,000 and \$3,000 for the years ended December 31, 2022 and 2021, 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 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 requirements in ASC 840, *Leases*, and most industry-specific guidance.

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.

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.

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 April 15, 2023, the date the financial statements were available for issue.

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NOTE 3 AVAILABILITY AND LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,288,904	\$ 2,465,119
Unconditional promises to give, net	172,669	296,867
Note receivable	-	33,755
Investments	<u>977,844</u>	<u>892,089</u>
	<u>3,439,417</u>	<u>3,687,830</u>
Less amounts not available for use within one year		
Net assets with donor restrictions	371,503	506,195
Long-term portion of note receivable	<u>15,300</u>	<u>26,253</u>
	<u>386,803</u>	<u>532,448</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 3,052,614</u>	<u>\$ 3,155,382</u>

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>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Mutual funds and exchange-traded products		
Equity funds	\$ 604,003	\$ 653,022
Fixed income funds	275,964	239,067
Treasury Bill	<u>97,877</u>	<u>-</u>
	<u>\$ 977,844</u>	<u>\$ 892,089</u>

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

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net realized/unrealized gain (loss)	\$ (191,283)	\$ 68,870
Interest and dividend income	41,198	39,580
Investment expenses	<u>(7,953)</u>	<u>(7,478)</u>
	<u>\$ (158,038)</u>	<u>\$ 100,972</u>

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NOTE 5 FAIR VALUE MEASUREMENTS

The Organization's investments measured at fair value on a recurring basis as follows as of December 31, 2022:

	Quoted Prices of Identical Products in Active Markets (Level 1)
Mutual funds and exchange-traded products	\$ 977,844

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

	Quoted Prices of Identical Products in Active Markets (Level 1)
Mutual funds and exchange-traded products	\$ 892,089

There were no significant transfers between levels.

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,	
	2022	2021
Less than one year	\$ 160,747	\$ 165,775
One to five years	15,300	133,500
Less unamortized discount	(3,378)	(2,408)
	\$ 172,669	\$ 296,867

As of December 31, 2022, and 2021, management considered all receivables to be collectible. As such, no provision for uncollectible accounts was recorded.

NOTE 7 NOTE RECEIVABLE

As of December 31, 2021, the note receivable consisted 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.

The note was paid off, in full, in December 2022.

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NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Lives	December 31,	
		2022	2021
Buildings and leasehold improvements	10 - 39 years	\$ 4,209,087	\$ 4,203,004
Boats and equipment	5-7 years	647,387	647,164
Office furniture and equipment	5 years	433,979	324,196
Vehicles	5 years	128,215	77,419
		<u>\$ 5,418,668</u>	<u>\$ 5,251,783</u>
Less: accumulated depreciation		<u>(2,306,784)</u>	<u>(2,008,625)</u>
Total property and equipment, net		<u>\$ 3,111,884</u>	<u>\$ 3,243,158</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was approximately \$298,000 and \$254,000 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 below:

Balance at December 31, 2020	\$ 406,147
Recognition of rent expense	<u>(15,522)</u>
Balance at December 31, 2021	390,625
Recognition of rent expense	<u>(15,522)</u>
Balance at December 31, 2022	<u>\$ 375,103</u>

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.

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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 approximately \$96,000 for each of the years ended December 31, 2022 and 2021.

NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN

In February 2021, the Organization received loan proceeds from a financial institution in the amount of approximately \$220,000 under the Paycheck Protection Program (the “PPP”). This program was established under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). In accordance with the PPP funding agreement, the Organization’s loan would be forgiven and converted into a grant 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 loan as a conditional contribution. The Organization met those conditions in the during the year ended December 31, 2021. As a result of the loan’s forgiveness, the Organization recorded approximately \$220,000 of grant revenue during the year ended December 31, 2021 on the Statement of Activities.

NOTE 12 NET ASSETS

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

	December 31,	
	2022	2021
Subject to purpose and passage of time:		
Marine restoration	\$ 675,461	\$ 600,333
Education	576,253	454,764
Property used in operations	375,103	390,625
Discovery Center	223,267	188,587
Other	76,086	60,861
	\$ 1,926,170	\$ 1,695,170

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 by managing the cash and investment deposit concentration risk by placing cash with creditworthy institutions, management believes it is not exposed to any significant risk.

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Unconditional promises to give

As of December 31, 2022, and 2021, approximately 58% and 67% of the unconditional promises to give, respectively, 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.

NOTE 14 RELATED PARTY TRANSACTIONS

Contributions recorded for the years ended December 31, 2022 and 2021 include donations from several board members.

NOTE 15 CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS)

Contributed nonfinancial assets (in-kind contributions) included in the Statements of Activities are as follows for each of the years ended December 31:

	December 31, 2022			
	Program	Management and General	Fundraising	Total
Discovery Center lease	\$ 96,000	\$ -	\$ -	\$ 96,000
Donated van	25,544	-	-	25,544
Special events venues and catering	-	-	14,200	14,200
	<u>\$ 121,544</u>	<u>\$ -</u>	<u>\$ 14,200</u>	<u>\$ 135,744</u>
	December 31, 2021			
	Program	Management and General	Fundraising	Total
Discovery Center lease	\$ 96,000	\$ -	\$ -	\$ 96,000
Donated boats and other vehicles	17,900	-	-	17,900
Special events venues and catering	-	-	10,050	10,050
	<u>\$ 113,900</u>	<u>\$ -</u>	<u>\$ 10,050</u>	<u>\$ 123,950</u>

All donated services and assets were utilized by the Organization's programs and supporting services. The Discovery Center lease donation is valued at the estimated fair value rental fee that would be charged, based on comparable commercial rental facilities, in the surrounding area. The donated vehicles are valued at the estimated wholesale prices that would be charged for selling similar vehicles in the United States, and the special events venues and catering donations are valued at the retail prices that the venues typically charge to customers. Other than the Discovery Center being used for its intended purpose as stated in the grant documents, there were no donor-imposed restrictions associated with the donated assets.

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NOTE 16 COMMITMENTS

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

NOTE 17 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.