

**Mote Marine Laboratory, Inc.**

Financial Statements,  
Supplemental Information,  
Contract Compliance and  
Independent Auditor's Report  
September 30, 2017



**Kerkering, Barberio & Co.**  
Certified Public Accountants

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## **Independent Auditor's Report**

The Board of Trustees  
Mote Marine Laboratory, Inc.  
Sarasota, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mote Marine Laboratory, Inc. (Laboratory), a nonprofit organization, which comprise the statement of financial position as of September 30, 2017, and the related statement of activities and cash flows, and statement of functional expenses 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 of 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 auditor's 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 reasonable 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 the Mote Marine Laboratory, Inc. as of September 30, 2017, and the changes in 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of Mote Marine Laboratory, Inc. as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Laboratory's 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 basic 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 State of America. In our 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 March 7, 2018 on our consideration of Mote Marine Laboratory, Inc.'s internal control over financial reporting and 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 the effectiveness of Mote Marine Laboratory, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mote Marine Laboratory, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida  
March 7, 2018

# Mote Marine Laboratory, Inc.

## Statement of Financial Position

September 30, 2017

### Assets

Cash and cash equivalents	\$ 8,020,622
Accounts receivable	2,059,062
Pledges receivable	1,591,173
Due from Mote Marine Foundation, Inc.	279,918
Inventory	121,242
Prepaid expenses and other assets	120,080
Donated assets held for sale	37,110
Patents, net	95,696
Investment in deferred compensation plan	602,734
Land	7,498,190
Property and equipment, net	19,627,418
Construction in progress	36,460
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>16,208,829</u>
Total Assets	<u>\$ 56,298,534</u>

### Liabilities and Net Assets

#### Liabilities:

Accounts payable	\$ 566,649
Accrued payroll	895,938
Memberships relating to future periods	732,854
Funds advanced on research programs	7,053,345
Deferred compensation payable	602,734
Lines of credit	3,846,601
Notes payable	<u>7,316,306</u>
Total liabilities	<u>21,014,427</u>

#### Net Assets:

Unrestricted	14,026,483
Temporarily restricted	10,638,374
Permanently restricted	<u>10,619,250</u>
Total net assets	<u>35,284,107</u>

Total Liabilities and Net Assets	<u>\$ 56,298,534</u>
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See accompanying notes to the financial statements.

## Mote Marine Laboratory, Inc.

### Statement of Activities

Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support, Revenue and Reclassifications				
Program revenue:				
Research revenue:				
Federal	\$ 1,377,567	\$ -	\$ -	\$ 1,377,567
State	2,471,601	-	-	2,471,601
Other	4,383,213	-	-	4,383,213
Aquarium:				
Admission fees	3,701,751	-	-	3,701,751
Gift shop	1,035,227	-	-	1,035,227
Other	516,607	-	-	516,607
Memberships	960,630	-	-	960,630
Education	869,956	-	-	869,956
Protect Our Reefs-License Plate	948,473	-	-	948,473
Other programs	772,270	-	-	772,270
Contributions:				
Construction	-	2,135,000	-	2,135,000
Aquarium	-	79,364	-	79,364
Other programs	1,810,660	366,395	-	2,177,055
Non-cash contributions	526,461	-	-	526,461
Grants from Mote Marine Foundation, Inc.	935,582	-	-	935,582
Investment income	5,594	1,097	-	6,691
Unrealized gain on investments, net	-	1,731	-	1,731
Realized gain on investments, net	1,869	-	-	1,869
Realized gain on disposal of assets	1,700	-	-	1,700
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	-	920,299	114,321	1,034,620
Net assets released from restrictions	1,745,002	(1,745,002)	-	-
Total support, revenue and reclassifications	<u>22,064,163</u>	<u>1,758,884</u>	<u>114,321</u>	<u>23,937,368</u>
Expenses:				
Program services:				
Research	10,516,108	-	-	10,516,108
Education	1,174,488	-	-	1,174,488
Aquarium	4,259,257	-	-	4,259,257
Protect Our Reefs-License Plate	939,575	-	-	939,575
MAP facility operations	889,657	-	-	889,657
Other	845,332	-	-	845,332
Supporting services:				
Administrative and general	2,480,302	-	-	2,480,302
Fundraising	1,686,780	-	-	1,686,780
Total expenses	<u>22,791,499</u>	<u>-</u>	<u>-</u>	<u>22,791,499</u>
Change in net assets	<u>(727,336)</u>	<u>1,758,884</u>	<u>114,321</u>	<u>1,145,869</u>
Net assets at beginning of year	<u>14,753,819</u>	<u>8,879,490</u>	<u>10,504,929</u>	<u>34,138,238</u>
Net assets at end of year	<u>\$ 14,026,483</u>	<u>\$ 10,638,374</u>	<u>\$ 10,619,250</u>	<u>\$ 35,284,107</u>

See accompanying notes to the financial statements.

# Mote Marine Laboratory, Inc.

## Statement of Cash Flows

Year Ended September 30, 2017

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,145,869
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,686,361
Realized gain on disposal of assets	(1,700)
Unrealized / realized gain on investments, net	(3,600)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	(1,034,620)
Non-cash contributions	(690,640)
Change in operating assets	
Accounts receivable	(159,256)
Due from Mote Marine Foundation, Inc.	(286,829)
Pledges receivable	954,752
Inventory	(20,504)
Prepaid expenses and other assets	(33,130)
Change in operating liabilities:	
Accounts payable	(128,568)
Accrued payroll	80,333
Memberships relating to future periods	1,367
Funds advanced on research programs	278,990
Total adjustments	<u>1,642,956</u>
Net cash provided by operating activities	<u>2,788,825</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	(6,879,249)
Proceeds from sale of property and equipment	11,250
Patent costs	(5,786)
Proceeds from donated assets held for sale	690,490
Net cash used in investing activities	<u>(6,183,295)</u>
Cash Flows from Financing Activities:	
Net change in lines of credit	(102,000)
Proceeds from notes payable	3,801,956
Repayments of notes payable	(280,032)
Net cash provided by financing activities	<u>3,419,924</u>
Net change in cash and cash equivalents	25,454
Cash and cash equivalents, beginning of year	<u>7,995,168</u>
Cash and cash equivalents, end of year	<u>\$ 8,020,622</u>
Supplemental Disclosure of Non-Cash:	
Investing and Financing Activity:	
Cash paid for interest	<u>\$ 190,122</u>

See accompanying notes to the financial statements.

## Mote Marine Laboratory, Inc.

### Statement of Functional Expenses

Year Ended September 30, 2017

	<b>Program Services</b>				
	<b>Research</b>	<b>Education</b>	<b>Aquarium</b>	<b>Protect our Reefs License Plate</b>	<b>MAP Facility Operations</b>
Salaries and benefits	\$ 5,199,036	\$ 680,553	\$ 2,241,502	\$ 315,159	\$ 132,094
Contracted services	909,014	218,497	124,669	135,251	9,903
Depreciation	-	-	267,889	-	382,917
Repairs and maintenance	247,703	15,578	526,946	54,365	68,640
Travel, meals and seminars	319,044	112,600	27,310	13,816	35.00
Research supplies	533,910	1,568	-	17,357	30,981
Merchandise	-	-	428,115	-	-
Office expense	99,769	21,696	212,898	27,695	3,286
Electricity	23,077	-	210,531	25,182	157,730
Insurance	14,559	-	41,268	50,897	43,914
Telephone	30,753	5,397	17,137	10,501	5,429
Promotion and advertising	114,268	43,572	41,985	42,829	-
Expendable supplies	-	14,206	18,824	-	-
Printing and publication	14,989	4,625	3,641	10,492	-
Vessel	2,817	380.00	-	48	-
Vehicle	5,630	190	1,327	150	-
Interest	107,550	-	4,691	8,255	-
Accounting and legal	-	-	-	-	76,903
Equipment rental	5,928	1,674	11,796	5,826	2,089
Library	45.00	-	-	-	-
Licenses and fees	10,475	3,521	11,361	2,699	37,639
Rent	34,079	9,625	-	23,200	-
Miscellaneous	-	-	-	-	-
	7,672,646	1,133,682	4,191,890	743,722	951,560
Overhead allocation	2,642,702	13,403	3,209.00	187,211	(62,175)
Rental use charges allocation:					
Vessel, vehicle and equipment	200,760	27,403	64,158	8,642	272
<b>Total Expenses</b>	<b>\$ 10,516,108</b>	<b>\$ 1,174,488</b>	<b>\$ 4,259,257</b>	<b>\$ 939,575</b>	<b>\$ 889,657</b>

Percent of Total



		<b>Supporting Services</b>			<b>Total</b>
<b>Other</b>	<b>Total</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total</b>	<b>Functional Expenses</b>
\$ 390,629	\$ 8,958,973	\$ 2,081,240	\$ 843,930	\$ 2,925,170	\$ 11,884,143
169,521	1,566,855	130,358	263,216	393,574	1,960,429
-	650,806	2,020,861	-	2,020,861	2,671,667
64,597	977,829	373,494	13,910	387,404	1,365,233
60,531	533,336	57,240	197,832	255,072	788,408
29,141	612,957	-	-	-	612,957
-	428,115	-	-	-	428,115
24,037	389,381	81,689	93,236	174,925	564,306
41,019	457,539	228,176	-	228,176	685,715
37,224	187,862	206,040	-	206,040	393,902
5,683	74,900	32,317	3,026	35,343	110,243
3,312	245,966	4,745	126,590	131,335	377,301
-	33,030	3,121.00	412	3,533	36,563
1,760	35,507	4,453	72,301	76,754	112,261
34,534	37,779	-	-	-	37,779
19,317	26,614	18,392	-	18,392	45,006
32,473	152,969	37,153	-	37,153	190,122
20,383	97,286	41,358	-	41,358	138,644
4,208	31,521	35,887	31,729	67,616	99,137
-	45	32,480	-	32,480	32,525
1,147	66,842	24,501	19,724	44,225	111,067
29,088	95,992	-	-	-	95,992
25,000	25,000	14,679.00	10,305.00	24,984.00	49,984
<u>993,604</u>	<u>15,687,104</u>	<u>5,428,184</u>	<u>1,676,211</u>	<u>7,104,395</u>	<u>22,791,499</u>
(1,401)	2,782,949	(2,782,949)	-	(2,782,949)	-
(146,871)	154,364	(164,933)	10,569	(154,364)	-
<u>\$ 845,332</u>	<u>\$ 18,624,417</u>	<u>\$ 2,480,302</u>	<u>\$ 1,686,780</u>	<u>\$ 4,167,082</u>	<u>\$ 22,791,499</u>
	<u>82%</u>	<u>11%</u>	<u>7%</u>		<u>100%</u>

See accompanying notes to the financial statements.

# Mote Marine Laboratory, Inc.

## Notes to Financial Statements

September 30, 2017

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### **1. Organization**

Mote Marine Laboratory, Inc. (Laboratory), a nonprofit corporation, operates and maintains a marine and environmental sciences laboratory for the encouragement and development of the study of marine sciences and the advancement of the general knowledge of kindred subjects through education, training, scientific research, exchange of scientific information and dissemination of information to the public. The Laboratory began operations in 1955.

### **2. Summary of Significant Accounting Policies**

#### **Financial Statements**

The financial statements and notes are representations of the Laboratory's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### **Basis of Accounting**

The Laboratory prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of Estimates and Assumptions**

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 certain 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. Accordingly, actual results could differ from those estimates and assumptions.

#### **Internal Borrowings**

From time to time, the Laboratory borrows temporarily restricted assets for operating purposes. These borrowings are repaid as other resources become available. There were no borrowings outstanding for the year ended September 30, 2017.

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts due from program fees and grants receivable. A significant portion of grants receivable are research grants.

Substantially all research grants are cost reimbursement grants. Research grants receivable consists of billed and unbilled costs incurred on research contracts. Due to the nature of the grants, management considers them to be collectible and no allowance has been established. These amounts are included in accounts receivable on the statement of financial position.

Based on the Laboratory's collection history, management believes no allowance for uncollectible amounts is necessary.

#### **Inventory**

Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value).

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**2. Summary of Significant Accounting Policies (Continued)**

**Donated Assets**

Donated assets are recorded at fair market value at the date of gift. Donated property and vessels, which are not classified by management for use by the Laboratory, are recorded as assets held for sale. The carrying value of such assets is adjusted to the lower of fair market value or the recorded value at the date of gift in order to more closely reflect the net realizable value.

**Bequest Receivable**

Bequests are recorded as support when the amount to be received can be reasonably estimated as provided by the executor of the estate.

**Pledges Receivable**

Pledges are recorded as support when the donor's commitment has been received.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or fair market value at the date of gift, if donated.

Depreciation is provided over the estimated useful lives of the assets using the straight-line half-year method. Estimated useful lives are as follows:

	<b>Years</b>
Vehicles	3
Vessels	5
Buildings and improvements	5 - 40
Furniture, fixtures and exhibits	5 - 10
Laboratory equipment	5 - 20
Trailers	5 - 10

The Laboratory capitalizes all fixed asset purchases or donations with an estimated useful life of greater than one year and a cost or fair market value of \$1,000 or greater.

**Revenue Recognition**

Revenue associated with research grants or contracts is generally recognized as related costs are incurred. Membership revenue is recognized ratably throughout the membership year.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor stipulations that limit the use of donated assets are treated as temporarily restricted net assets. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of cash restricted for the purpose of acquiring or constructing long-lived assets are recorded as temporarily restricted net assets until the long-lived assets are acquired or constructed at which time the net assets are released from the restriction and reclassified as unrestricted net assets. Any conditional gifts for which the conditions are not met at year-end are recorded as refundable advances.

**Patents**

Patents are stated at the cost to acquire. Amortization is provided for using the straight-line method over the estimated useful life of ten years.

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**2. Summary of Significant Accounting Policies (Continued)**

**Donated Services**

A substantial number of volunteers have made significant contributions of their time to the operations of the Laboratory. The amount of volunteer hours contributed to the Laboratory during the year ended September 30, 2017 were 220,437 hours. The estimated value of these donated services has not been recorded in the accompanying financial statements because it does not meet the criteria for recognition under generally accepted accounting principles. However, management estimates the fair value of these services contributed to the Laboratory during the year ended September 30, 2017 amounted to approximately \$5,321,349. These estimates are based on an article published in the NonProfit Times that estimates volunteer time to be worth \$24.14 per hour in 2017, according to the Independent Sector, a Washington D.C. based coalition of nonprofits and foundations.

**Advertising and Promotion**

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense for the year ended September 30, 2017 totaled \$377,301.

**Income Tax Status**

The Laboratory is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under the Income Taxes topic of the FASB Accounting Standards Codification, the Laboratory has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Laboratory.

The Laboratory files income tax returns in the U.S. federal jurisdiction and the State of Florida. The tax periods open to examination by the major taxing jurisdictions to which the Laboratory is subject include fiscal years ended December 31, 2014 through September 30, 2017.

**Financial Instruments Not Measured at Fair Value**

Certain of the Laboratory's financial instruments are not measured at fair value on a recurring basis but nevertheless certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accounts receivable, due from Mote Marine Foundation, Inc., prepaid expenses and other assets, accounts payable, accrued payroll, memberships relating to future periods, deferred compensation payable and funds advanced on research programs.

**Overhead Allocation**

Overhead is allocated to research programs at a rate established with the cognizant federal agency, The Department of Commerce and National Oceanic and Atmospheric Administration. Certain research contracts limit the amount of reimbursement for overhead expenses to a rate specified in the individual contracts.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that benefited.

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**2. Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

Cash on hand and highly liquid investments with a maturity of three months or less at date of acquisition are considered to be cash and cash equivalents. Cash restricted for the endowment and included as cash and cash equivalents in the financial statements amounted to \$626,397 as of September 30, 2017.

**Beneficial Interest in the Net Assets of Mote Marine Foundation, Inc.**

The Laboratory follows the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification. The *Not-for-Profit Entities* Topic establishes standards for transactions in which a donor makes a contribution to a not-for-profit organization (the recipient) that agrees to transfer those assets to another entity (the beneficiary). The statement requires that, if the specified beneficiary is financially interrelated to the recipient organization, the beneficiary must recognize its interest in the net assets of the recipient organization. As presented in the financial statements, the Laboratory is financially interrelated to Mote Marine Foundation, Inc. and therefore, is required to report its beneficial interest in the net assets of Mote Marine Foundation, Inc.

**3. Pledges Receivable**

At September 30, 2017, the Laboratory held written unconditional pledges receivable in the amounts of \$1,591,173. The pledges have been restricted by the donors for future projects. Management considers all pledges receivable to be fully collectible as of September 30, 2017, therefore no allowance has been established uncollectible pledges against these assets.

Receipt of pledges receivable is scheduled as follows:

2018	\$	889,692
2019		340,731
2020		284,350
2021		66,400
2022		10,000
	\$	<u>1,591,173</u>

During the year ended September 30, 2017, the Laboratory had no uncollectible pledges due to unforeseen circumstances.

**4. Accounts Receivable**

Accounts receivable consists of the following at September 30, 2017:

Costs billed on research grants and other contracts	\$	1,041,088
Unbilled costs incurred on research grants		1,017,974
	\$	<u>2,059,062</u>

During the year ended September 30, 2017, the Laboratory had no write-offs of uncollectible accounts receivable.

**5. Investments**

The Laboratory had realized gains on the sales of investments in the amount of \$1,869 for the year ended September 30, 2017.

Additionally, assets held at a community foundation during the year ended September 30, 2017 incurred restricted unrealized gains of \$1,731.

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

**6. Property and Equipment**

Property and equipment consists of the following as of September 30, 2017:

Vehicles	\$ 764,414
Vessels	1,926,797
Buildings and improvements	41,884,186
Furniture, fixtures and exhibits	7,876,040
Laboratory equipment	7,630,098
Trailers	97,470
	60,179,005
Less accumulated depreciation	40,551,587
	\$ 19,627,418

Depreciation expense was \$2,671,667 for the year ended September 30, 2017.

At September 30, 2017, construction in progress consisted of expenditures of \$36,460 for the connector building west wing addition.

In accordance with contract provisions, the Laboratory has segregated and identified property and equipment that has been purchased or improved with funds received from government agencies. Title to these assets acquired with government agency funds vests with the Laboratory as long as the Laboratory has a contract with the agency. Upon contract termination, title to these assets reverts to the agencies. At September 30, 2017, property and equipment purchased or improved with funds received from government agencies, net of accumulated depreciation, totaled \$217,073

**7. Inventory**

Inventory consisted of the following at September 30, 2017:

Gift shop merchandise, stated at cost	\$ <u>121,242</u>
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**8. Patents**

During the year ended September 30, 2017, the Laboratory incurred costs to maintain certain patents. The costs capitalized and the related amortization provided for is as follows:

Patents	\$ 138,328
Less: accumulated amortization	42,632
	\$ 95,696

No significant residual value is estimated for these patents. Amortization expense for the year ended September 30, 2017 totaled \$14,694. The following table represents the total estimated amortization of patents for the five succeeding years and thereafter ending September 30, 2017:

Year	Estimated Amortization Expense
2018	\$ 7,429
2019	5,765
2020	5,755
2021	5,072
2022	4,142
Thereafter	7,286

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**9. Notes Payable**

Notes payable consists of the following as of September 30, 2017:

Note payable in semiannual installments of \$12,500 principal plus accrued interest, at LIBOR plus 2.5% with a 2.85% floor, due in full October 10, 2019, secured by Mote Marine Foundation, Inc.'s investments. Interest rate at September 30, 2017 was 3.735%	\$ 55,050
Note payable in 180 monthly installments, maturing on August 5, 2028 including interest based on overnight LIBOR plus 2.18%, secured with personal property and pledges and guaranteed by Mote Marine Foundation, Inc. with a \$1,500,000 limitation. Interest rate at September 30, 2017 was 2.60%.	2,724,756
Note payable in 60 monthly installments of \$624, interest at 2.39% due 2021, secured by vehicle.	29,087
Note payable in 60 monthly installments of \$665, interest at 2.39% due 2021, secured by vehicle.	31,008
Note payable in 60 monthly installments of \$413, interest at 2.39% due 2021, secured by vehicle.	19,226
Note payable in 60 monthly installments of \$402, interest at 3% due 2018, secured by vehicle.	2,393
Note payable in 60 monthly installments of \$612, interest at 3.15% due 2019, secured by vehicle.	14,786
Note payable, interest only at 0.5% payable annually, commencing 1 year from the date of issuance of Certificate of Occupancy. 5 years from Loan Repayment commencement date a Principal reduction payment of \$1 million and a principal reduction payment of \$200,000 thereafter, with all principal to be due and payable in full 10 years from the Loan Repayment commencement date.	4,440,000
	7,316,306
Less current portion	264,008
Non-current portion	\$ 7,052,298

Aggregate maturities of long-term debt at September 30 are as follows:

2018	\$ 264,008
2019	262,297
2020	236,275
2021	231,067
2022	1,212,647
Thereafter	5,110,012
	\$ 7,316,306

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**10. Lines of Credit**

Pursuant to loan agreements with two banks, the Laboratory has a revolving line of credit of \$1,500,000 with each bank. One loan agreement expires on June 14, 2018 and the other is open-ended subject to renewal provisions. Interest on one line of credit is charged at the bank's prime rate less a margin of 1.25% with a 3% floor and is payable monthly. At September 30, 2017, borrowings outstanding under this line of credit and secured by pledges and accounts receivable of the Laboratory amounted to \$1,217,101.

Interest on the second revolving line of credit is charged at one month LIBOR plus 1.90% per annum, payable monthly. At September 30, 2017, borrowings outstanding under this line of credit and secured by assets of Mote Marine Foundation, Inc. held by the bank amounted to \$269,500.

The Laboratory also has an available line of credit of \$3,014,000 from Mote Scientific Foundation. The loan agreement expires on September 30, 2018. Interest is charged at *The Wall Street Journal's* Prime Rate less a margin of 1.25% and is payable quarterly. At September 30, 2017, borrowings outstanding and secured by a lien on a certain estate in real property amounted to \$2,175,000.

The Laboratory also has a line of credit of \$185,000 from Sarasota-Manatee Airport Authority. The loan represents advanced funding for the improvements to the Airport Aquarium and has no expiration date or interest rate and will be repaid with any funds raised associated with the Airport Aquarium. At September 30, 2017, borrowings outstanding totaled \$185,000.

The multiple lines of credit outstanding at September 30, 2017 totaled \$3,846,601.

Interest expense incurred under these lines of credit totaled \$98,782 for the year ended September 30, 2017.

Certain loan agreements described above and in Note 9 require that the Laboratory meet certain debt covenant compliance requirements. As of September 30, 2017, the Laboratory was in full compliance with all requirements.

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30, 2017:

Future projects	\$ 1,124,321
Construction loan	3,285,837
Library expenses	26,587
Beneficial interest in net assets of Mote Marine Foundation, Inc.	6,201,629
	<u>\$ 10,638,374</u>

**12. Net Assets Released from Restrictions**

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes at September 30, 2017 are as follows:

Aquarium expenses	\$ 79,626
Library expenses	1,619
Other	460,411
Construction	1,203,346
	<u>\$ 1,745,002</u>



**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**13. Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to the investment of the original gift in perpetuity, the income from which is expendable to support the Laboratory. Permanently restricted net assets consist of the following as of September 30, 2017:

Cultural endowment	\$ 600,000
Keys endowment	12,050
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	10,007,200
	<u>\$ 10,619,250</u>

**14. Retirement Plan**

The Laboratory provides a 403(b) retirement plan. The Laboratory matches employee contributions based on an employee's length of service and gross salary. Retirement plan expense was \$528,132 for the year ended September 30, 2017.

**15. Matching Requirements on Governmental Grants**

The Laboratory is awarded grants from federal agencies which require matching contributions by the Laboratory. The matching requirements were met or exceeded on completed federal grants during 2017.

**16. Rental Use Charges**

Periodically, certain programs require utilization of vessels, vehicles and equipment provided by the Laboratory. Each program is charged rent, based on use, at a pre-established rental fee that reflects the cost of operating the asset.

**17. Financial Instruments with Off-Balance Sheet Risk**

The Laboratory maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At any given time, the Laboratory may have cash and investment balances exceeding the insured amount. The Laboratory has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and investments.

**18. Related Party Transactions**

The Mote Marine Foundation, Inc. (Foundation), a financially interrelated organization, provides support to the Laboratory in the form of grants. For the year ended September 30, 2017, the Laboratory received grants from the Foundation in the amount of \$935,582.

Mote Marine Foundation, Inc. is dependent on Laboratory personnel for administration and certain aspects of fund raising.

From time to time, the Laboratory will provide grants, receive donations and pay certain expenses on behalf of the Foundation. As of September 30, 2017, the Foundation owed the Laboratory \$279,918.

Certain trustee members are affiliated with organizations that transact with the Laboratory. Trustee members are required to complete conflict of interest disclosure statements and abstain from voting on related issues.

During the year ended September 30, 2017, a trustee donated the use of an aircraft for travel accommodations for employees and trustees. The value of this donation as of September 30, 2017 is estimated to be \$18,804.

From time to time, the trustees make pledges and contributions to the Laboratory.

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

**19. Leased Facility**

The Laboratory has a leasehold agreement with a municipality for real property on which the Laboratory has constructed its facilities. The agreement requires the Laboratory to pay the municipality one dollar per year until the agreement expires in the year 2050. The fair market value of the leasehold agreement is not determinable and therefore has not been recorded in the accompanying financial statements.

**20. Endowments**

The Laboratory's endowment consisted of funds established for several purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. It is typical to establish all endowment funds in Mote Marine Foundation, Inc.

**Interpretation of Relevant Law**

The Board of Trustees of the endowment 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 Laboratory classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

**Endowment Net Asset Composition**

As of September 30, 2017, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 9,268	\$ 612,050	\$ 621,318

**Changes in Endowment Net Assets**

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2016	-	\$ 7,142	\$ 612,050	\$ 619,192
Endowment investment return:	-		-	
Investment income	-	675	-	675
Realized and unrealized gains	-	1,731	-	1,731
Total endowment investment return	-	2,406	-	2,406
Appropriation of endowment for expenditures	-	(280)	-	(280)
Endowment net assets, September 30, 2017	\$ -	\$ 9,268	\$ 612,050	\$ 621,318

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

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**20. Endowments (Continued)**

**Return Objectives and Risk Parameters**

The Laboratory has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Laboratory must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets of to match or exceed the rate of return determined from the sum of the annual distribution percentage, inflation measured by the CPI, and real growth of 1%.

The Cultural Endowment Program has a primary investment constraint to preserve principal along with restrictions on investment instruments so the Laboratory uses an alternative approved investment policy for this program.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Laboratory relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Laboratory targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Laboratory has a policy of appropriating for distribution each year 5% percent of its endowment funds average fair value over the period of 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Laboratory considered the long-term expected return on its endowment. Accordingly, over the long term, the Laboratory expects the current spending policy to allow its endowment to grow at an average of 1% percent annually. This is consistent with the Laboratory's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The established policy for the Cultural Endowment Program distributes 100% of current income for use in operating costs for cultural activities expecting no further growth in this endowment.

**21. Fair Value of Financial Assets and Liabilities**

The Laboratory adopted the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The Laboratory has adopted Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires the Laboratory to present fair value measurements separately for each class of assets and liabilities held as of September 30, 2017.

The following table presents information about the Laboratory's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of September 30, 2017, and indicate the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

**Mote Marine Laboratory, Inc.**  
Notes to Financial Statements (Continued)  
September 30, 2017

**21. Fair Value of Financial Assets and Liabilities (Continued)**

Level 1 - quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities. This level includes common and preferred stock, cash and money market funds, mutual funds, corporate bonds and bond funds, and government obligations.

Level 2 - inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Laboratory's assumptions based on the best information available in the circumstance.

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a recurring basis as of September 30, 2017:

Description	Total	Level 1	Level 2	Level 3
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 15,602,672	\$ 13,157,740	\$ 2,162,026	\$ 282,906

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a non-recurring basis as of September 30, 2017:

Description	Total	Level 1	Level 2	Level 3
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 606,157	\$ -	\$ -	\$ 606,157
Pledges receivable	1,591,173	-	-	1,591,173
Ending balance	\$ 2,197,330	\$ -	\$ -	\$ 2,197,330

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended September 30, 2017:

	Total
Beginning balance	\$ 1,011,433
Change in value of the beneficial interest in net assets of Mote Marine Foundation, Inc.	(728,527)
Ending balance	\$ 282,906

**22. Subsequent Events**

The Laboratory has evaluated all events subsequent to the balance sheet date to September 30, 2017 and through the date these financial statements were available to be issued March 7, 2018, and have determined that there are no subsequent events that require disclosure.

## **Supplemental Information**

**Mote Marine Laboratory, Inc.**  
Schedule of Expenditures of Federal Awards and  
State Financial Assistance  
Year Ended September 30, 2017

Grantor	Match	CFDA# or CSFA#	Pass-through Entity Identification or Grant Number	Total Expenditures	
<b>Federal Contracts and Grants</b>					
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
Department of Commerce					
National Oceanic and Atmospheric Administration (NOAA)					
Integrated Ocean Observing System (IOOS)					
Passed through Texas A&M University		11.012	NA16NOS0120018	36,908	36,908
Sea Grant Support					
Passed through University of Florida	Y	11.417	NA14OAR4170108	79,926	
Passed through University of Florida	Y	11.417	NA16OAR4170257	110,985	190,911
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		11.427	NA16NMF4270225	313	313
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes					
Passed through Research Foundation CUNY		11.432	NA14NES4320003	14,853	14,853
Marine Fisheries Initiative		11.433	NA15NMF4330152	41,923	41,923
Marine Mammal Data Program					
	Y	11.439	NA12NMF4390138	2,887	
	Y	11.439	NA14NMF4390207	8,266	
	Y	11.439	NA15NMF4390044	20,588	
	Y	11.439	NA16NMF4390135	60,730	92,471
Unallied Management Projects					
		11.454	NA15NMF4540102	10,777	
		11.454	NA16NMF4540083	114,461	
		11.454	NA16NMF4540085	72,974	
	Y	11.454	NA16NMF4540289	35,528	233,740
Unallied Science Program					
		11.472	NA16NMF4720283	68,621	
	Y	11.472	NA15NMF4720018	102,395	171,016
Center for Sponsored Coastal Ocean Research- Coastal Ocean Program					
Passed through Florida Fish & Wildlife Conservation Commission		11.478	NA11NOS4780058	21,095	21,095
Coral Reef Conservation Program	Y	11.482	NA16NOS4820058	30,497	30,497
Environmental Protection Agency					
Office of Water					
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act		66.436	00D03812	4,691	
	Y	66.436	00D51817	101,049	105,740
National Science Foundation					
Geosciences					
		47.050	1452538	90,711	
		47.050	1460800	119,337	
		47.050	OCE-1712240	189	210,237
National Aeronautics and Space Administration					
Science					
Passed through Texas A&M University		43.001	NMX15AN76G	69,971	69,971

**Mote Marine Laboratory, Inc.**  
Schedule of Expenditures of Federal Awards and  
State Financial Assistance (Continued)  
Year Ended September 30, 2017

Grantor	Match	CFDA# or CSFA#	Grant Number	Total Expenditures	
<b>Federal Contracts and Grants (Continued)</b>					
Department of the Interior					
Fish and Wildlife Service					
State Wildlife Grants					
Passed through Florida Fish & Wildlife Conservation Commission		15.634	FL-T-F-16AD00528	4,885	
Passed through The Nature Conservancy		15.634	FL-T-F-15AF00517	4,460	9,345
Wildlife Without Borders - Mexico		15.641	F15AP00279	38,310	38,310
National Park Service					
Natural Resource Stewardship		15.944	PI3AC01104	12,143	12,143
Department of Treasury					
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States		21.015	FLRACEP-20167-01	8,279	8,279
Department of State					
General Department of State Assistance		19.700	SIS-70017G33038	27,738	27,738
<b>Total Federal Contracts and Grants</b>				<b>\$ 1,315,490</b>	
<b>State and Local Contracts and Grants</b>					
State of Florida					
Florida Fish & Wildlife Conservation Commission					
Cooperative Red Tide Research Program - Reduction of Harmful Impacts from Red Tide		77.010	15003	799,389	799,389
Marine Fisheries Assessment		77.023	13029	44,887	
		77.023	16024	221,027	265,914
Department of Highway Safety & Motor Vehicles					
Protect Our Reefs License Plate Project		76.069	POR	948,473	948,473
Florida Department of Economic Opportunity					
Division of Community Development		40.038	HL062	235,108	235,108
<b>Total State Contracts and Grants</b>				<b>\$ 2,248,884</b>	
<b>Total Federal and State Contracts and Grants</b>				<b>\$ 3,564,374</b>	

**Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal and state granting activity of Mote Marine Laboratory, Inc., and is presented on the Generally Accepted Accounting Principles basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Indirect Cost Election**

Mote Marine Laboratory, Inc. has not elected to use the 10% de minimis cost rate as covered in 2 CFR section 200.414 and has a federally negotiated rate with their cognizant agency.

**Mote Marine Laboratory, Inc.**  
Schedule of Expenditures of Federal Awards and  
State Financial Assistance (Continued)  
Year Ended September 30, 2017

Of the federal expenditures presented in the schedule, Mote Marine Laboratory, Inc. provided federal awards to subrecipients as follows:

Program Number	Subrecipient / Program Title	CFDA# or CSFA#	Amount	2017
185-651	University of South Florida National Oceanic and Atmospheric Administration - Sea Grant Support	11.417	\$ 57,482	\$ 4,194
110-606	The Florida International University National Oceanic and Atmospheric Administration - Marine Fisheries Initiative	11.433	148,540	11,839
188-395	New England Aquarium Unallied Management Projects	11.454	218,711	104,074
170-468	Saltwater Inc. (SI) Unallied Management Projects Total Unallied Management Projects	11.454	<u>31,000</u> <u>249,711</u>	<u>8,589</u> <u>112,663</u>
188-406	New England Aquarium Unallied Science Program	11.472	117,268	66,121
175-343	University of Georgia Research Foundation Unallied Science Program Total Unallied Science Program	11.472	<u>136,994</u> <u>254,262</u>	<u>47,191</u> <u>113,312</u>
170-536	Israel Oceanographic and Limnological Research (IOLR), Israel General Department of State Assistance	19.700	36,685	9,171
170-536	Ministry of Agriculture and Rural Development (MARD), Israel General Department of State Assistance	19.700	6,670	1,668
170-536	Institut National des Science et Technologies de la Mer (INSTM), Tunisia General Department of State Assistance Total General Department of State Assistance	19.700	<u>61,123</u> <u>104,478</u>	<u>13,333</u> <u>24,172</u>
Total Federal Funding / Disbursements to Subrecipients:			<u>\$ 814,473</u>	<u>\$ 266,180</u>

Of the state expenditures presented in the schedule, Mote Marine Laboratory, Inc. provided state awards to subrecipients as follows:

POR 2013 7	University of Miami DHSMV- Protect Our Reefs	76.069	\$ 24,650	\$ (503)
POR 2013 10	Florida Institute of Technology DHSMV- Protect Our Reefs	76.069	9,500	2,346
POR 2014 6	Smithsonian Institution DHSMV- Protect Our Reefs	76.069	9,836	4,918
POR 2014 12	University of Miami DHSMV- Protect Our Reefs	76.069	8,284	3,499
POR 2015 3	University of Miami DHSMV- Protect Our Reefs	76.069	14,725	7,362
POR 2015 4	Eckerd College DHSMV- Protect Our Reefs	76.069	14,955	7,020
POR 2015 9	Marine Resources Development Foundation DHSMV- Protect Our Reefs	76.069	4,690	2,345
POR 2015 10	Jacksonville University DHSMV- Protect Our Reefs	76.069	14,962	1,637
POR 2015 11	Nova Southeastern University DHSMV- Protect Our Reefs	76.069	5,260	2,575
POR 2015 15	University of Miami DHSMV- Protect Our Reefs	76.069	10,000	4,266
POR 2015 21	Reef Relief DHSMV- Protect Our Reefs	76.069	15,000	7,500
POR 2015 22	Reef Environmental Education Foundation DHSMV- Protect Our Reefs	76.069	11,050	5,525
POR 2016 1	Florida Fish and Wildlife Conservation Commission DHSMV- Protect Our Reefs	76.069	15,000	7,500
POR 2016 7	Smithsonian Marine Station at Fort Pierce DHSMV- Protect Our Reefs	76.069	10,206	5,103
POR 2016 10	University of North Florida DHSMV- Protect Our Reefs	76.069	13,297	6,649
POR 2016 14	Reef Relief DHSMV- Protect Our Reefs	76.069	15,000	7,500
POR 2016 15	University of Miami, RSMAS DHSMV- Protect Our Reefs	76.069	24,800	12,400
POR 2016 16	University of Miami, RSMAS DHSMV- Protect Our Reefs	76.069	10,447	5,224



**Mote Marine Laboratory, Inc.**  
 Schedule of Expenditures of Federal Awards and  
 State Financial Assistance (Continued)  
 Year Ended September 30, 2017

Of the state expenditures presented in the schedule, Mote Marine Laboratory, Inc. provided state awards to subrecipients as follows (continued):

<u>Program Number</u>	<u>Subrecipient / Program Title</u>	<u>CFDA# or CSFA#</u>	<u>Amount</u>	<u>2017</u>
POR 2016 17	University of Miami, RSMAS DHSMV- Protect Our Reefs	76.069	10,122	5,061
POR 2016 18	Jacksonville University DHSMV- Protect Our Reefs	76.069	14,573	7,286
POR 2016 21	Smithsonian Marine Station at Fort Pierce DHSMV- Protect Our Reefs	76.069	17,910	8,955
POR 2016 23	Nova Southeastern University DHSMV- Protect Our Reefs	76.069	13,429	6,714
Total State Funding / Disbursements to Subrecipients:			\$ <u>287,696</u>	\$ <u>122,899</u>

## **Contract Compliance**



Kerkering, Barberio & Co.  
Certified Public Accountants

## **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**

### **Independent Auditor's Report**

The Board of Trustees  
Mote Marine Laboratory, Inc.  
Sarasota, Florida

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 and Chapter 10.650, *Rules of the Auditor General*, the financial statements of Mote Marine Laboratory Inc. (Laboratory), which comprise the statement of financial position as of September 30, 2017, and the related statement 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 March 7, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Laboratory'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 the Laboratory's internal control. Accordingly, we do not express an opinion on the effectiveness of the Laboratory'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 the Laboratory's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kerbering Barkins & Co." The signature is written in a cursive, flowing style.

Sarasota, Florida  
March 7, 2018



Kerkering, Barberio & Co.  
Certified Public Accountants

## **Report on Compliance for Each Major Federal Program and State Project; and Report on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida**

### **Independent Auditor's Report**

The Board of Trustees  
Mote Marine Laboratory, Inc.  
Sarasota, Florida

#### **Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited Mote Marine Laboratory, Inc.'s (Laboratory) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services Statements Projects Compliance Supplement that could have a direct and material effect on each of the Laboratory's major federal programs and state financial assistance projects for the year ended September 30, 2017. The Laboratory's major federal programs and state financial assistance 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 federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Laboratory's major federal programs and state financial assistance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards, and the Uniform Guidance 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 federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Laboratory'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 federal program and state financial assistance project. However, our audit does not provide a legal determination of the Laboratory's compliance.

### **Opinion on Each Major Federal Program and State Financial Assistance Project**

In our opinion, the Laboratory 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 federal programs and state financial assistance projects for the year ended September 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the Laboratory 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 the Laboratory's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 the Laboratory'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 or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Sarasota, Florida  
March 7, 2018

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**Mote Marine Laboratory, Inc.**  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2017

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

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes             no
- Significant deficiency(ies) identified?             yes             none reported

Noncompliance material to financial statements noted?                     yes             no

**Federal and State Awards**

Internal control over major programs and projects:

- Material weakness(es) identified?                     yes             no
- Significant deficiency(ies) identified?             yes             none reported

Type of auditors' report issued on compliance for major programs and projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) and the provisions of the Florida Single Audit Act in accordance with Chapter 10.650 of the Rules of the Auditor General                     yes             no

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**Mote Marine Laboratory, Inc.**

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2017

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**Section I - Summary of Auditor's Results (Continued)**

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Identification of major programs and projects:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
	<b>Research and Development Cluster:</b>
11.012	Integrated Ocean Observing System (IOOS)
11.417	Sea Grant Support
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes
11.433	Marine Fisheries Initiative
11.439	Marine Mammal Data Program
11.454	Unallied Management Projects
11.472	Unallied Science Program
11.478	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program
11.482	Coral Reef Conservation Program
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act
47.050	Geosciences
43.001	Science
15.634	State Wildlife Grants
15.641	Wildlife Without Borders - Mexico
15.944	National Resource Stewardship
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States
19.700	General Department of State Assistance



**Mote Marine Laboratory, Inc.**  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2017

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**Section I - Summary of Auditor's Results (Continued)**

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**CSFA Numbers**

76.069

77.023

**Name of State Projects**

Protect Our Reefs License Plate Project

Marine Fisheries Assessment

Dollar threshold used to distinguish between type A and type B Federal programs: \$ 750,000

Dollar threshold used to distinguish between type A and type B State projects: \$ 300,000

Auditee qualified as low-risk auditee?       yes       no

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**Section II - Financial Statement Findings**

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None

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**Section III - Federal and State Award Findings and Questioned Costs**

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None

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**Section IV - Summary Schedule of Prior Audit Findings and Questioned Costs**

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No prior audit findings or questioned costs to be addressed

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**Section V - Other**

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No management letter is required because there were no findings to be reported in a management letter as required by Section 215.97 (9)(f) and 215.97 (10)(d) of the Florida Statutes, Auditor General Rule 10.654 (1)(e) or 10.656 (3)(e).