

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT,
CONSOLIDATING FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION,
AND CONTRACT COMPLIANCE

DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Mote Marine Laboratory, Inc. and Subsidiaries (Laboratory), a nonprofit organization, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows, the Mote Environmental Services, Inc. (MESI) changes in stockholders' equity and statements of functional expenses for the years 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the 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 consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating 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 consolidating 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.

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

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of the Laboratory as of December 31, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic consolidating financial statements of Mote Marine Laboratory, Inc. and Subsidiaries taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes, and is not a required part of the basic consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014 on our consideration of Mote Marine Laboratory, Inc. and Subsidiaries' 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 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. and Subsidiaries' internal control over financial reporting and compliance.



Sarasota, Florida
May 7, 2014

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012)

<u>Assets</u>	<u>Laboratory</u>	<u>MESI</u>	<u>Eliminations</u>
Cash and cash equivalents	\$ 4,035,736	\$ 500	\$
Accounts receivable	1,447,086	223,569	
Due from MESI	1,703,340		(1,703,340)
Due from Mote Marine Foundation, Inc.	8,964		
Bequest receivable	10,000		
Pledges receivable	169,375		
Inventory	182,840	2,695,960	
Prepaid expenses and other assets	162,290		
Donated assets held for sale	88,650		
Beneficial interest in life estate	56,700		
Patents, net	87,279		
Investment in MESI	1,283,069		(1,283,069)
Land	7,498,190		
Property and equipment, net	16,256,727	19,327	
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>15,694,854</u>		
Total Assets	\$ <u>48,685,100</u>	\$ <u>2,939,356</u>	\$ <u>(2,986,409)</u>
<u>Liabilities, Net Assets and Stockholders' Equity</u>			
Liabilities			
Accounts payable	\$ 389,164	\$ 19,054	\$
Accrued payroll	903,260		
Due to Mote Marine Laboratory, Inc.		1,703,340	(1,703,340)
Memberships relating to future periods	682,207		
Funds advanced on research programs	3,775,077		
Lines of credit	3,577,404		
Notes payable	<u>4,809,927</u>		
Total Liabilities	<u>14,137,039</u>	<u>1,722,394</u>	<u>(1,703,340)</u>
Minority Interest			<u>1,089,336</u>
Net Assets and Stockholders' Equity			
Unrestricted	17,649,301		(1,155,443)
Temporarily restricted	7,341,290		
Permanently restricted	9,557,470		
Total Net Assets	<u>34,548,061</u>	<u>-</u>	<u>(1,155,443)</u>
Stockholders' Equity			
Common stock and paid in capital-Mote Marine Laboratory, Inc.		2,628,170	(2,628,170)
Common stock and paid in capital-stockholder		1,999,998	(1,999,998)
Retained earnings		(3,411,206)	3,411,206
Total Stockholders' Equity	<u>-</u>	<u>1,216,962</u>	<u>(1,216,962)</u>
Total Net Assets and Stockholders' Equity	<u>34,548,061</u>	<u>1,216,962</u>	<u>(2,372,405)</u>
Total Liabilities, Net Assets and Stockholders' Equity	\$ <u>48,685,100</u>	\$ <u>2,939,356</u>	\$ <u>(2,986,409)</u>

	2013 Consolidated Total	2012 Consolidated Total
\$	4,036,236	\$ 2,594,258
	1,670,655	1,675,104
	-	-
	8,964	12,217
	10,000	70,000
	169,375	32,942
	2,878,800	3,095,999
	162,290	103,854
	88,650	107,200
	56,700	56,700
	87,279	65,902
	-	-
	7,498,190	7,498,190
	16,276,054	18,028,200
	<u>15,694,854</u>	<u>13,760,360</u>
\$	<u>48,638,047</u>	\$ <u>47,100,926</u>
\$	408,218	\$ 724,098
	903,260	842,871
	-	-
	682,207	656,200
	3,775,077	3,242,434
	3,577,404	4,768,406
	4,809,927	5,157,744
	<u>14,156,093</u>	<u>15,391,753</u>
	<u>1,089,336</u>	<u>1,244,410</u>
	16,493,858	15,753,504
	7,341,290	5,970,841
	9,557,470	8,740,418
	<u>33,392,618</u>	<u>30,464,763</u>
	-	-
	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>33,392,618</u>	<u>30,464,763</u>
\$	<u>48,638,047</u>	\$ <u>47,100,926</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013)

<u>Assets</u>	<u>Laboratory</u>	<u>MESI</u>	<u>Eliminations</u>
Cash and cash equivalents	\$ 2,593,758	\$ 500	\$
Accounts receivable	1,376,256	298,848	
Due from MESI	1,377,931		(1,377,931)
Due from Mote Marine Foundation, Inc.	12,217		
Bequest receivable	70,000		
Pledges receivable	32,942		
Inventory	220,415	2,875,584	
Prepaid expenses and other assets	103,854		
Donated assets held for sale	107,200		
Beneficial interest in life estate	56,700		
Patents, net	65,902		
Investment in MESI	1,708,794		(1,708,794)
Land	7,498,190		
Property and equipment, net	18,002,967	25,233	
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>13,760,360</u>		
Total Assets	\$ <u>46,987,486</u>	\$ <u>3,200,165</u>	\$ <u>(3,086,725)</u>
<u>Liabilities, Net Assets and Stockholders' Equity</u>			
Liabilities			
Accounts payable	\$ 699,625	\$ 24,473	\$
Accrued payroll	842,871		
Due to Mote Marine Laboratory, Inc.		1,377,931	(1,377,931)
Memberships relating to future periods	656,200		
Funds advanced on research programs	3,242,434		
Lines of credit	4,768,406		
Notes payable	<u>5,157,744</u>		
Total Liabilities	<u>15,367,280</u>	<u>1,402,404</u>	<u>(1,377,931)</u>
Minority Interest			<u>1,244,410</u>
Net Assets and Stockholders' Equity			
Unrestricted	16,908,947		(1,155,443)
Temporarily restricted	5,970,841		
Permanently restricted	8,740,418		
Total Net Assets	<u>31,620,206</u>	<u>-</u>	<u>(1,155,443)</u>
Stockholders' Equity			
Common stock and paid in capital-Mote Marine Laboratory, Inc.		2,628,170	(2,628,170)
Common stock and paid in capital-stockholder		1,999,998	(1,999,998)
Retained earnings		<u>(2,830,407)</u>	<u>2,830,407</u>
Total Stockholders' Equity	<u>-</u>	<u>1,797,761</u>	<u>(1,797,761)</u>
Total Net Assets and Stockholders' Equity	<u>31,620,206</u>	<u>1,797,761</u>	<u>(2,953,204)</u>
Total Liabilities, Net Assets and Stockholders' Equity	\$ <u>46,987,486</u>	\$ <u>3,200,165</u>	\$ <u>(3,086,725)</u>

	2012 Consolidated Total	2013 Consolidated Total
\$	2,594,258	\$ 4,036,236
	1,675,104	1,670,655
	-	-
	12,217	8,964
	70,000	10,000
	32,942	169,375
	3,095,999	2,878,800
	103,854	162,290
	107,200	88,650
	56,700	56,700
	65,902	87,279
	-	-
	7,498,190	7,498,190
	18,028,200	16,276,054
	<u>13,760,360</u>	<u>15,694,854</u>
\$	<u>47,100,926</u>	\$ <u>48,638,047</u>
\$	724,098	\$ 408,218
	842,871	903,260
	-	-
	656,200	682,207
	3,242,434	3,775,077
	4,768,406	3,577,404
	5,157,744	4,809,927
	<u>15,391,753</u>	<u>14,156,093</u>
	<u>1,244,410</u>	<u>1,089,336</u>
	15,753,504	16,493,858
	5,970,841	7,341,290
	8,740,418	9,557,470
	<u>30,464,763</u>	<u>33,392,618</u>
	-	-
	-	-
	-	-
	<u>30,464,763</u>	<u>33,392,618</u>
\$	<u>47,100,926</u>	\$ <u>48,638,047</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012)

	Laboratory			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Reclassifications				
Program revenue				
Research revenue				
Federal	\$ 1,515,857	\$	\$	\$ 1,515,857
State	2,094,221			2,094,221
Other	3,854,530			3,854,530
Management fee-MAP	930,609			930,609
Aquarium				
Admission fees	3,119,433			3,119,433
Gift shop	1,117,433			1,117,433
Other	414,164			414,164
Fish and caviar sales				-
Memberships	901,028			901,028
Education	668,450			668,450
Protect Our Reefs-License Plate	943,901			943,901
Other programs	472,044			472,044
Settlement	1,625,960			1,625,960
Contributions				
Construction		20,046		20,046
Aquarium		62,259		62,259
Other programs	1,821,842	381,114		2,202,956
Non-cash contributions	248,843			248,843
Grants from Mote Marine Foundation, Inc.	1,800,701			1,800,701
Investment income	38,238	4,636		42,874
Unrealized gain on investments, net		1,649		1,649
Realized gain (loss) on investments, net	(289)	(16,617)		(16,906)
Realized gain (loss) on disposal of assets	10,748			10,748
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.		1,117,442	817,052	1,934,494
Net assets released from restrictions	200,080	(200,080)		-
Total support, revenue and reclassifications	<u>21,777,793</u>	<u>1,370,449</u>	<u>817,052</u>	<u>23,965,294</u>
Expenses				
Cost and expenses				
Cost of products sold				-
Processing and packing				-
Selling, general and administrative				-
Interest				-
Other				-
Program services				
Research	9,067,175			9,067,175
Education	982,220			982,220
Aquarium	3,913,067			3,913,067
Protect Our Reefs-License Plate	947,805			947,805
MAP facility operations	1,298,990			1,298,990
Other	893,711			893,711
Supporting services				
Administrative and general	1,848,121			1,848,121
Fundraising	1,660,625			1,660,625
Total expenses	<u>20,611,714</u>	<u>-</u>	<u>-</u>	<u>20,611,714</u>
Increase (decrease) in net assets and net loss before equity losses in subsidiary and minority interest	1,166,079	1,370,449	817,052	3,353,580
Equity losses in subsidiary	(425,725)			(425,725)
Minority interest in MESI				-
Increase (decrease) in net assets and net loss	<u>740,354</u>	<u>1,370,449</u>	<u>817,052</u>	<u>2,927,855</u>
Net assets/retained earnings at beginning of year	<u>16,908,947</u>	<u>5,970,841</u>	<u>8,740,418</u>	<u>31,620,206</u>
Net assets/retained earnings at end of year	<u>\$ 17,649,301</u>	<u>\$ 7,341,290</u>	<u>\$ 9,557,470</u>	<u>\$ 34,548,061</u>

<u>MESI</u>	<u>Eliminations</u>	<u>2013 Consolidated Total</u>	<u>2012 Consolidated Total</u>
\$	\$	\$ 1,515,857	\$ 2,447,627
		2,094,221	1,768,753
		3,854,530	2,954,199
	(930,609)	-	-
		3,119,433	2,890,633
		1,117,433	1,211,966
		414,164	468,795
1,319,543	(9,282)	1,310,261	1,260,762
		901,028	838,570
		668,450	547,692
		943,901	907,261
2,805		474,849	490,151
		1,625,960	-
		20,046	-
		62,259	211,333
		2,202,956	2,014,015
		248,843	454,138
		1,800,701	569,189
	(35,752)	7,122	9,670
		1,649	1,264
		(16,906)	798
		10,748	(179,826)
		1,934,494	353,859
		-	-
<u>1,322,348</u>	<u>(975,643)</u>	<u>24,311,999</u>	<u>19,220,849</u>
1,395,963	(613,616)	782,347	451,662
275,059	(142,128)	132,931	116,140
192,063	(174,865)	17,198	17,967
35,752	(35,752)	-	-
4,310		4,310	56,378
	(938)	9,066,237	8,892,435
		982,220	656,272
		3,913,067	4,086,969
		947,805	920,303
		1,298,990	1,363,969
	(65)	893,646	882,300
	(8,279)	1,848,121	2,100,825
<u>1,903,147</u>	<u>(975,643)</u>	<u>1,652,346</u>	<u>1,600,770</u>
(580,799)		2,772,781	(1,925,141)
	425,725	-	-
	155,074	155,074	84,214
<u>(580,799)</u>	<u>580,799</u>	<u>2,927,855</u>	<u>(1,840,927)</u>
<u>(2,830,407)</u>	<u>1,674,964</u>	<u>30,464,763</u>	<u>32,305,690</u>
\$ <u>(3,411,206)</u>	\$ <u>2,255,763</u>	\$ <u>33,392,618</u>	\$ <u>30,464,763</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013)

	Laboratory			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Reclassifications				
Program revenue				
Research revenue				
Federal	\$ 2,447,627	\$	\$	\$ 2,447,627
State	1,768,753			1,768,753
Other	2,954,199			2,954,199
Management fee-MAP	913,465			913,465
Aquarium				
Admission fees	2,890,633			2,890,633
Gift shop	1,211,966			1,211,966
Other	468,795			468,795
Fish and caviar sales				-
Memberships	838,570			838,570
Education	547,692			547,692
Protect Our Reefs-License Plate	907,261			907,261
Other programs	486,595			486,595
Contributions				
Aquarium		211,333		211,333
Other programs	1,961,220	52,795		2,014,015
Non-cash contributions	454,138			454,138
Grants from Mote Marine Foundation, Inc.	569,189			569,189
Investment income	32,304			38,376
Unrealized gain (loss) on investments, net		6,072		1,264
Realized gain (loss) on investments, net	798	1,264		798
Realized gain (loss) on disposal of assets	(179,826)			(179,826)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.		315,426	38,433	353,859
Net assets released from restrictions	341,393	(341,393)		-
Total support, revenue and reclassifications	<u>18,614,772</u>	<u>245,497</u>	<u>38,433</u>	<u>18,898,702</u>
Expenses				
Cost and expenses				
Cost of products sold				-
Processing and packaging				-
Selling, general and administrative				-
Interest				-
Other				-
Program services				
Research	8,892,435			8,892,435
Education	656,272			656,272
Aquarium	4,086,969			4,086,969
Protect Our Reefs-License Plate	920,303			920,303
MAP facility operations	1,363,969			1,363,969
Other	883,860			883,860
Supporting services				
Administrative and general	2,100,955			2,100,955
Fundraising	1,603,671			1,603,671
Total expenses	<u>20,508,434</u>	<u>-</u>	<u>-</u>	<u>20,508,434</u>
Increase (decrease) in net assets and net loss before equity losses in subsidiary and minority interest	(1,893,662)	245,497	38,433	(1,609,732)
Equity losses in subsidiary	(231,195)			(231,195)
Minority interest in MESI				-
Increase (decrease) in net assets and net loss	<u>(2,124,857)</u>	<u>245,497</u>	<u>38,433</u>	<u>(1,840,927)</u>
Net assets/retained earnings at beginning of year	<u>19,033,804</u>	<u>5,725,344</u>	<u>8,701,985</u>	<u>33,461,133</u>
Net assets/retained earnings at end of year	<u>\$ 16,908,947</u>	<u>\$ 5,970,841</u>	<u>\$ 8,740,418</u>	<u>\$ 31,620,206</u>

<u>MESI</u>	<u>Eliminations</u>	<u>2012 Consolidated Total</u>	<u>2013 Consolidated Total</u>
\$	\$	\$ 2,447,627	\$ 1,515,857
		1,768,753	2,094,221
		2,954,199	3,854,530
	(913,465)	-	-
		2,890,633	3,119,433
		1,211,966	1,117,433
		468,795	414,164
1,265,353	(4,591)	1,260,762	1,310,261
		838,570	901,028
		547,692	668,450
		907,261	943,901
3,556		490,151	474,849
		211,333	62,259
		2,014,015	2,202,956
		454,138	248,843
		569,189	1,800,701
	(28,706)	9,670	7,122
		1,264	1,649
		798	(16,906)
		(179,826)	10,748
		353,859	1,934,494
		-	-
<u>1,268,909</u>	<u>(946,762)</u>	<u>19,220,849</u>	<u>22,665,993</u>
1,061,604	(609,942)	451,662	782,347
239,645	(123,505)	116,140	132,931
197,985	(180,018)	17,967	17,198
28,706	(28,706)	-	-
56,378		56,378	4,310
		8,892,435	9,066,237
		656,272	982,220
		4,086,969	3,913,067
		920,303	947,805
		1,363,969	1,298,990
	(1,560)	882,300	893,646
	(130)	2,100,825	1,848,121
	(2,901)	1,600,770	1,652,346
<u>1,584,318</u>	<u>(946,762)</u>	<u>21,145,990</u>	<u>21,539,218</u>
(315,409)		(1,925,141)	2,772,781
	231,195	-	-
	84,214	84,214	155,074
<u>(315,409)</u>	<u>315,409</u>	<u>(1,840,927)</u>	<u>2,927,855</u>
<u>(2,514,998)</u>	<u>1,359,555</u>	<u>32,305,690</u>	<u>30,464,763</u>
\$ <u>(2,830,407)</u>	\$ <u>1,674,964</u>	\$ <u>30,464,763</u>	\$ <u>33,392,618</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY - MESI

YEARS ENDED DECEMBER 31, 2013 AND 2012

	Common Stock and Paid In Capital	Retained Earnings	Total Stockholders' Equity
	<u> </u>	<u> </u>	<u> </u>
Balance - December 31, 2011	\$ 4,628,168	\$ (2,514,998)	\$ 2,113,170
Net loss	<u> </u>	<u>(315,409)</u>	<u>(315,409)</u>
Balance - December 31, 2012	4,628,168	(2,830,407)	1,797,761
Net loss	<u> </u>	<u>(580,799)</u>	<u>(580,799)</u>
Balance - December 31, 2013	\$ <u>4,628,168</u>	\$ <u>(3,411,206)</u>	\$ <u>1,216,962</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Operating Activities			
Increase (decrease) in net assets and net gain (loss)	\$ 2,927,855	\$ (580,799)	\$ 2,347,056
Adjustments to reconcile increase (decrease) in net assets and net gain (loss) to net cash provided by operating activities			
Depreciation and amortization	2,367,157	10,559	2,377,716
Pledge Write-off of uncollectible amount	(32,942)		(32,942)
Realized gain on disposal of assets	(10,748)		(10,748)
Unrealized / realized loss on investments, net	15,257		15,257
Equity losses in subsidiary	425,725		425,725
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	(1,934,494)		(1,934,494)
Non-cash contributions	(1,184,592)		(1,184,592)
(Increase) decrease in operating assets			
Accounts receivable	(70,830)	75,279	4,449
Due from MESI	(325,409)		(325,409)
Due from Mote Marine Foundation, Inc.	3,253		3,253
Bequest receivable	60,000		60,000
Pledges receivable	(103,491)		(103,491)
Inventory	37,575	179,624	217,199
Prepaid expenses and other assets	(58,436)		(58,436)
Increase (decrease) in operating liabilities			
Accounts payable	(310,461)	(5,419)	(315,880)
Accrued payroll	60,389		60,389
Due to Mote Marine Laboratory, Inc.		325,409	325,409
Memberships relating to future periods	26,007		26,007
Funds advanced on research programs	532,643		532,643
Total adjustments	<u>(503,397)</u>	<u>585,452</u>	<u>82,055</u>
Net cash provided by operating activities	<u>2,424,458</u>	<u>4,653</u>	<u>2,429,111</u>
Cash Flows from Investing Activities			
Purchases of property and equipment	(458,994)	(4,653)	(463,647)
Proceeds from sale of property and equipment	34,994		34,994
Patent costs	(24,220)		(24,220)
Proceeds from donated assets held for sale	1,044,583		1,044,583
Net cash used in investing activities	<u>596,363</u>	<u>(4,653)</u>	<u>591,710</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2013

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Financing Activities			
Net change in lines of credit	(1,191,001)		(1,191,001)
Repayments of notes payable	<u>(387,842)</u>		<u>(387,842)</u>
Net cash provided by financing activities	<u>(1,578,843)</u>	<u>-</u>	<u>(1,578,843)</u>
Net increase in cash and cash equivalents	1,441,978	-	1,441,978
Cash and cash equivalents, beginning of year	<u>2,593,758</u>	<u>500</u>	<u>2,594,258</u>
Cash and cash equivalents, end of year	<u>\$ 4,035,736</u>	<u>\$ 500</u>	<u>\$ 4,036,236</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activity			
Property and equipment purchased through financing	<u>\$ 40,025</u>	<u>-</u>	<u>\$ 40,025</u>
Cash paid for interest	<u>\$ 216,934</u>	<u>35,752.00</u>	<u>\$ 252,686</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Operating Activities			
Increase in net assets and net loss	\$ (1,840,927)	\$ (315,409)	\$ (2,156,336)
Adjustments to reconcile decrease in net assets and net loss to net cash used in operating activities			
Depreciation and amortization	2,432,862	10,094	2,442,956
Realized gain on disposal of assets	179,826		179,826
Unrealized / realized gain on investments, net	(798)		(798)
Loss on inventory to market value adjustment			-
Equity losses in subsidiary	231,195		231,195
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	(353,859)		(353,859)
Change in beneficial interest in life estate	(56,700)		(56,700)
Non-cash contributions	(292,137)		(292,137)
(Increase) decrease in operating assets			
Accounts receivable	558,067	(88,051)	470,016
Due from MESI	(475,221)		(475,221)
Due from Mote Marine Foundation, Inc.	8,869		8,869
Bequest receivable	(36,813)		(36,813)
Inventory	48,466	(67,496)	(19,030)
Prepaid expenses and other assets	2,961		2,961
Increase in operating liabilities			
Accounts payable	100,172	(14,359)	85,813
Accrued payroll	77,456		77,456
Due from Mote Marine Laboratory, Inc.		475,221	475,221
Memberships relating to future periods	(16,673)		(16,673)
Funds advanced on research programs	589,372		589,372
Total adjustments	<u>2,997,045</u>	<u>315,409</u>	<u>3,312,454</u>
Net cash used in operating activities	<u>1,156,118</u>	<u>-</u>	<u>1,156,118</u>
Cash Flows from Investing Activities			
Purchases of property and equipment	(958,658)		(958,658)
Proceeds from sale of property and equipment	110,229		110,229
Patent costs	(18,528)		(18,528)
Proceeds from donated assets held for sale	266,760		266,760
Net cash used in investing activities	<u>(600,197)</u>	<u>-</u>	<u>(600,197)</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Financing Activities			
Net change in lines of credit	250,000		250,000
Repayments of notes payable	<u>(357,898)</u>		<u>(357,898)</u>
Net cash provided by financing activities	<u>(107,898)</u>	<u>-</u>	<u>(107,898)</u>
Net decrease in cash and cash equivalents	- 448,023		448,023
Cash and cash equivalents, beginning of year	<u>2,145,735</u>	<u>500</u>	<u>2,146,235</u>
Cash and cash equivalents, end of year	<u>\$ 2,593,758</u>	<u>\$ 500</u>	<u>\$ 2,594,258</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activity			
Property and equipment purchased through financing	<u>\$ 134,679</u>	<u>\$ -</u>	<u>\$ 134,679</u>
Cash paid for interest	<u>\$ 231,926</u>	<u>\$ 28,706</u>	<u>\$ 260,632</u>

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES - LABORATORY
YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012)

	Program Services				
	Research	Education	Aquarium	Protect our Reefs License Plate	MAP Facility Operations
Salaries and benefits	\$ 4,554,648	\$ 687,804	\$ 1,624,406	\$ 299,977	\$ 552,869
Contracted services	501,500	92,366	207,217	242,832	
Depreciation and amortization			271,191		478,311
Repairs and maintenance	138,634	8,934	473,888	37,413	56,198
Travel, meals and seminars	626,081	62,083	32,141	12,619	4,694
Research supplies	556,461			11,363	81
Merchandise			580,622		
Office expense	51,807	27,771	155,370	8,793	1,480
Electricity	23,013		226,911	22,299	82,172
Insurance	7,607		41,268	43,269	42,072
Telephone	40,801	5,756	15,427	16,698	13,707
Promotion and advertising	17,583	14,702	129,195	39,154	
Expendable supplies		32,139	32,921		
Printing and publication	8,479	14,273	15,703	3,565	
Vessel	4,248				
Vehicle	69	3,566	1,278		1,675
Interest	104,255		5,750	11,967	
Accounting and legal					4,250
Equipment rental	3,521		6,340		383
Library	278				
Licenses and fees	5,455	3,062	4,438	16,307	13,637
Rent	24,579				
Miscellaneous	2,786			150	
	<u>6,671,805</u>	<u>952,456</u>	<u>3,824,066</u>	<u>766,406</u>	<u>1,251,529</u>
Overhead allocation	2,223,454			172,789	45,746
Rental use charges allocation:					
Vessel, vehicle and equipment	171,916	29,764	89,001	8,610	1,715
Total Expenses	<u>\$ 9,067,175</u>	<u>\$ 982,220</u>	<u>\$ 3,913,067</u>	<u>\$ 947,805</u>	<u>\$ 1,298,990</u>

Percent of Total

	Supporting Services				2013 Total Functional Expenses	2012 Total Functional Expenses
	Other	Total	Administrative and General	Fund Raising		
\$ 513,722	\$ 8,233,426	\$ 1,634,595	837,884	\$ 2,472,479	\$ 10,705,905	\$ 10,108,893
132,928	1,176,843	106,269	329,525	435,794	1,612,637	2,180,415
	749,502	1,617,655		1,617,655	2,367,157	2,431,321
77,935	793,002	335,748	6,464	342,212	1,135,214	1,175,858
60,877	798,494	34,648	137,528	172,176	970,670	577,196
1,707	569,612			-	569,612	483,858
	580,622			-	580,622	652,408
26,821	272,042	85,638	128,386	214,024	486,066	485,585
5,844	360,239	209,609		209,609	569,848	591,978
22,080	156,296	242,087	670	242,757	399,053	395,919
5,313	97,702	30,280	4,390	34,670	132,372	132,587
27,986	228,620	2,998	51,483	54,481	283,101	358,548
1,618	66,678	5,654	156	5,810	72,488	77,024
2,692	44,712	4,599	102,692	107,291	152,003	190,979
25,666	29,914	18,992		18,992	48,906	53,507
80	6,668	30,625		30,625	37,293	44,306
36,633	158,605	58,329		58,329	216,934	231,926
9,751	14,001	39,869	1,608	41,477	55,478	63,316
3,439	13,683	42,067	12,015	54,082	67,765	105,610
22,877	23,155	2,908		2,908	26,063	52,606
2,924	45,823	9,722	7,940	17,662	63,485	73,998
	24,579			-	24,579	17,199
140	3,076	473	30,914	31,387	34,463	23,397
981,033	14,447,295	4,512,765	1,651,655	6,164,420	20,611,714	20,508,434
(25,719)	2,416,270	(2,416,270)		(2,416,270)	-	-
(61,603)	239,403	(248,373)	8,970	(239,403)	-	-
\$ 893,711	\$ 17,102,968	\$ 1,848,122	\$ 1,660,625	\$ 3,508,747	\$ 20,611,715	\$ 20,508,434
	83%	9%	8%		100%	

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES - LABORATORY
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013)

	Program Services			Protect our Reefs License Plate	MAP Facility Operations
	Research	Education	Aquarium		
Salaries and benefits	\$ 4,600,780	\$ 453,485	\$ 1,551,794	\$ 297,977	\$ 553,268
Contracted services	865,798	55,284	249,988	229,731	2,910
Depreciation and amortization			292,576		492,678
Repairs and maintenance	154,243	5,345	464,935	25,111	71,144
Travel, meals and seminars	233,534	34,511	37,813	14,617	3,970
Research supplies	465,401		5,517	9,070	37
Merchandise			652,408		
Office expense	66,206	13,433	172,944	15,198	1,235
Electricity	24,642		241,575	24,015	96,485
Insurance	6,109	163	41,268	42,287	42,305
Telephone	40,105	3,196	11,711	17,372	16,616
Promotion and advertising	20,622	19,786	194,419	42,153	193
Expendable supplies		31,601	39,519		649
Printing and publication	4,179	9,092	21,449	4,176	
Vessel	2,158				
Vehicle	2,640	146	4,256		2,024
Interest	108,588		5,236	14,143	
Accounting and legal			343		12,003
Equipment rental	814		19,482		965
Library				49	
Licenses and fees	1,844	339	1,201	9,192	14,395
Rent	15,939				
Miscellaneous	1,899	1,231	1,537	1,632	
	<u>6,615,501</u>	<u>627,612</u>	<u>4,009,971</u>	<u>746,723</u>	<u>1,310,877</u>
Overhead allocation	2,128,239			169,398	52,706
Rental use charges allocation:					
Vessel, vehicle and equipment	148,695	28,660	76,998	4,182	386
Total Expenses	<u>\$ 8,892,435</u>	<u>\$ 656,272</u>	<u>\$ 4,086,969</u>	<u>\$ 920,303</u>	<u>\$ 1,363,969</u>

Percent of Total

		Supporting Services			2012	2013
		Administrative	Fund		Total	Total
Other	Total	and General	Raising	Total	Functional	Functional
					Expenses	Expenses
\$ 385,280	\$ 7,842,584	\$ 1,556,937	\$ 709,372	\$ 2,266,309	\$ 10,108,893	\$ 10,705,905
169,517	1,573,228	146,270	460,917	607,187	2,180,415	1,612,637
	785,254	1,646,067		1,646,067	2,431,321	2,367,157
92,371	813,149	357,250	5,459	362,709	1,175,858	1,135,214
105,467	429,912	39,527	107,757	147,284	577,196	970,670
3,833	483,858			-	483,858	569,612
	652,408			-	652,408	580,622
34,899	303,915	94,590	87,080	181,670	485,585	486,066
6,273	392,990	198,988		198,988	591,978	569,848
27,541	159,673	233,072	3,174	236,246	395,919	399,053
4,716	93,716	35,606	3,265	38,871	132,587	132,372
42,019	319,192	6,071	33,285	39,356	358,548	283,101
1,310	73,079	3,945		3,945	77,024	72,488
8,161	47,057	4,333	139,589	143,922	190,979	152,003
30,781	32,939	20,528	40	20,568	53,507	48,906
97	9,163	35,143		35,143	44,306	37,293
38,844	166,811	65,115		65,115	231,926	216,934
4,191	16,537	46,779		46,779	63,316	55,478
16,402	37,663	56,908	11,039	67,947	105,610	67,765
40,644	40,693	11,913		11,913	52,606	26,063
14,808	41,779	10,396	21,823	32,219	73,998	63,485
1,260	17,199			-	17,199	24,579
3,046	9,345	1,671	12,381	14,052	23,397	34,463
1,031,460	14,342,144	4,571,109	1,595,181	6,166,290	20,508,434	20,611,714
(25,339)	2,325,004	(2,325,004)		(2,325,004)	-	-
(122,261)	136,660	(145,150)	8,490	(136,660)	-	-
\$ <u>883,860</u>	\$ <u>16,803,808</u>	\$ <u>2,100,955</u>	\$ <u>1,603,671</u>	\$ <u>3,704,626</u>	\$ <u>20,508,434</u>	\$ <u>20,611,714</u>
	<u>82%</u>	<u>10%</u>	<u>8%</u>		<u>100%</u>	

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies

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.

Mote Environmental Services, Inc. (MESI) is a for-profit subsidiary of the Laboratory, majority-owned at December 31, 2013 and 2012. Mote Marine Laboratory, Inc., together with a stockholder, owns and operates MESI, a sturgeon farm and a related sturgeon meat and caviar harvesting and production business. The operations are conducted and managed by the Laboratory at Laboratory owned facilities named Mote Aquaculture Park (MAP). During 2009, the Laboratory entered into a stock purchase agreement with a stockholder. MESI is authorized to issue 1,000,000 shares of \$0.01 par value common stock. The outstanding common stock as of December 31, 2013 and 2012 is as follows: Mote Marine Laboratory, Inc. owns 1,000 shares and a stockholder owns 364 shares. The value of common stock outstanding as of December 31, 2013 and 2012 totaled approximately \$10 and \$4 for the Laboratory and the stockholder, respectively, which is included in stockholders' equity.

Mote Aquaculture, Inc. is a wholly-owned, for-profit subsidiary of the Laboratory. Mote Aquaculture, Inc. was incorporated in 1996 and has been inactive since 1997.

Financial Statements

The consolidating 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 consolidating financial statements.

Basis of Accounting

The Laboratory prepares its consolidating 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 consolidating 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 consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note I - Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

The consolidating financial statements include the accounts and operations of Mote Marine Laboratory, Inc., Mote Environmental Services, Inc., and Mote Aquaculture, Inc. All material inter-company transactions and accounts have been eliminated.

Presentation of Minority Interest in the Consolidating Financial Statements

Minority interest represents the minority stockholder's proportionate share of the equity of Mote Environmental Services, Inc. At December 31, 2013 and 2012, the Laboratory owned 73% of Mote Environmental Services, Inc.'s common stock, representing 73% voting control. The Laboratory's 73% controlling interest requires that Mote Environmental Services, Inc.'s operations be included in the consolidating financial statements. The 27% equity interest of Mote Environmental Services, Inc. that is not owned by the Laboratory is shown as "Minority Interest" in the 2013 and 2012 consolidating statements of activities and consolidating statements of financial position.

Reclassifications

To facilitate comparison of financial data, certain amounts in the 2012 consolidating financial statements have been reclassified to conform to the 2013 reporting presentation. Such reclassifications had no effect on the change in net assets or net loss previously reported.

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 years ended December 31, 2013 and 2012, respectively.

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 consolidating statement of financial position.

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

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventory

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

Live fish and caviar inventories are stated at lower of cost or market and include production costs associated with the growing period required to raise the live fish to a sufficient size to harvest. Caviar inventory also includes the incremental cost to harvest the eggs. Inventory calculations include assumptions about mortality rates, which management determined to be standard for their industry. All male meat harvested and sold is a byproduct of the caviar production.

At December 31, 2013 and 2012, the Laboratory recorded a loss on inventory to reduce the cost of fish and caviar to market value. Inventory from the older class years have the highest costs due to the learning curve and research component involved in raising the fish. The fish and caviar inventory was reduced by approximately \$4,310 and \$56,400 for the years ended December 31, 2013 and 2012, respectively, and the loss is included in other expenses on the consolidating statement of activities.

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.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

	<u>Years</u>
Vehicles	3
Vessels	5
Buildings and improvements	5 - 40
Furniture, fixtures and exhibits	5 - 10
Library	5 - 20
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 consolidating statements 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 1 - 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 December 31, 2013 and 2012 were 210,337 and 220,773 hours, respectively. The estimated value of these donated services has not been recorded in the accompanying consolidating financial statements. However, management estimates the fair value of these services contributed to the Laboratory during December 31, 2013 and 2012 amounted to approximately \$4,743,099 and \$4,887,914, respectively. These estimates are based on an article published in the NonProfit Times that estimates volunteer time to be worth \$22.55 and \$22.14 per hour in 2013 and 2012, respectively, 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 years ended December 31, 2013 and 2012 totaled \$283,101 and \$358,548, respectively.

Income Tax Status

The Laboratory is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Mote Environmental Services, Inc. and Mote Aquaculture, Inc., the for-profit subsidiaries of the Laboratory, are subject to applicable corporate income taxes (see Note 18).

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, 2010 through December 31, 2013.

Financial Instruments Not Measured at Fair Value

Certain of the Laboratory's and MESI'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 MESI, due from Mote Marine Foundation, Inc., inventory, prepaid expenses and other assets, accounts payable, accrued payroll, due to Mote Marine Laboratory, Inc., memberships relating to future periods and funds advanced on research programs.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Overhead Allocation

Overhead is allocated to research programs at a rate established with the cognizant federal agency, 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 consolidating statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services that benefited.

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 consolidating financial statements amounted to \$618,041 and \$615,933 as of December 31, 2013 and 2012, respectively.

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 consolidating 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.

Note 2 - Pledges Receivable

At December 31, 2013 and 2012, the Laboratory held written unconditional pledges receivable in the amounts of \$169,375 and \$32,942, respectively. The pledges have been restricted by the donors for future projects. The entire balance as of December 31 is expected to be collected per the agreements; therefore management has not established an allowance for uncollectible pledges against these assets.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 2 - Pledges Receivable (Continued)

Receipt of pledges receivable is scheduled as follows:

2014	\$ 27,339
2015	27,339
2016	27,339
2017	27,339
2018	25,339
2019	17,339
2020	17,341
	<u>\$ 169,375</u>

During the years ended December 31, 2013 and 2012, the Laboratory had \$32,942 and \$0 in uncollectible pledges due to unforeseen circumstances.

Note 3 - Accounts Receivable

Accounts receivable consists of the following at December 31:

	2013	2012
Caviar and sturgeon sales	\$ 223,569	\$ 298,848
Costs billed on research grants and other contracts	740,176	736,929
Unbilled costs incurred on research grants	706,910	639,327
	<u>\$ 1,670,655</u>	<u>\$ 1,675,104</u>

During the years ended December 31, 2013 and 2012, the Laboratory had no write-offs in uncollectible accounts receivable due to unforeseen circumstances.

Note 4 - Investments

The Laboratory had realized losses on the sales of investments in the amount of \$16,906 for the year ended December 31, 2013 and gains on the sales of investments in the amount of \$798 for the year ended December 31, 2012.

Additionally, assets held at a community foundation during the years 2013 and 2012 incurred restricted unrealized gains of \$1,649 and \$1,264 respectively.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 5 - Property and Equipment

Property and equipment consists of the following as of December 31:

	2013	2012
Vehicles	\$ 813,669	\$ 780,051
Vessels	1,358,130	1,344,858
Buildings and improvements	34,548,869	34,369,611
Furniture, fixtures and exhibits	6,522,465	6,353,399
Library	23,620	23,620
Laboratory equipment	6,539,883	6,369,495
Trailers	97,580	97,580
	<u>49,904,216</u>	<u>49,338,614</u>
Less accumulated depreciation	33,628,162	31,310,414
	<u>\$ 16,276,054</u>	<u>\$ 18,028,200</u>

Depreciation expense was \$2,364,314 and \$2,431,321 for the years ended December 31, 2013 and 2012, respectively.

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 December 31, 2013 and 2012, property and equipment purchased or improved with funds received from government agencies, net of accumulated depreciation, totaled \$235,921 and \$267,922, respectively.

Note 6 - Inventory

Inventory consisted of the following at December 31:

	2013	2012
Gift shop merchandise	\$ 182,840	\$ 220,415
Live fish	2,652,066	2,760,338
Caviar	-	68,076
Fish food, bulk	43,894	47,170
	<u>\$ 2,878,800</u>	<u>\$ 3,095,999</u>

Gift shop merchandise, fish food and bulk inventories are stated at cost at December 31, 2013 and 2012. Caviar and live fish inventory are stated at market value at December 31, 2013 and 2012.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 7 - Patents

During 2013 and 2012, the Laboratory incurred costs to maintain certain patents. The costs capitalized and the related amortization provided for is as follows:

	2013	2012
Patents	\$ 92,609	\$ 68,389
Less: accumulated amortization	5,330	2,487
	<u>\$ 87,279</u>	<u>\$ 65,902</u>

No significant residual value is estimated for these patents. Amortization expense for the years ended December 31, 2013 and 2012 totaled \$2,844 and \$1,541, respectively. The following table represents the total estimated amortization of patents for the five succeeding years ending December 31, 2013:

<u>Year</u>	<u>Estimated Amortization Expense</u>
2014	\$ 3,568
2015	\$ 3,010
2016	\$ 2,736
2017	\$ 2,206
2018	\$ 2,200

Note 8 - Notes Payable

Notes payable consists of the following as of December 31:

	2013	2012
Note payable in monthly installments of interest only, at prime minus .15% with a 3% floor, due in full October 29, 2014, secured by Mote Marine Foundation, Inc.'s investments. Interest rate at December 31, 2013 and 2012 was 3.10% and 3.10%, respectively.	\$ 356,690	\$ 381,690
Note payable in 60 monthly installments, maturing on August 5, 2015 including interest at LIBOR plus 1.5%, with a 2.5% floor, secured with personal property and pledges. Interest at December 31, 2013 and 2012 was 2.5% and 2.5%, respectively.	3,499,794	3,694,395

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 8 - Notes Payable (Continued)

	<u>2013</u>	<u>2012</u>
Note payable in monthly installments amortized over 15 years including interest at LIBOR plus 1.5% due in full March 14, 2014, secured by mortgage on Summerland Key property. Interest at December 31, 2013 and 2012 was 1.67% and 1.71%, respectively.	641,357	743,974
Note payable in 48 monthly installments of \$506, interest at 0% due 2015, secured by vehicle.	8,608	14,684
Note payable in 48 monthly installments of \$323 including interest at 3.9% due 2015, secured by vehicle.	5,341	8,938
Note payable due in full including interest at 1.50% per annum March 31, 2014.	174,375	196,875
Note payable in 60 monthly installments of \$300, interest at 0% due 2017, secured by vehicle.	12,906	16,507
Note payable in 60 monthly installments of \$645, interest at 3% due 2017, secured by vehicle.	23,349	30,268
Note payable in 36 monthly installments of \$514, interest at 3% due 2016, secured by vehicle.	13,386	-
Note payable in 60 monthly installments of \$402, interest at 3% due 2018, secured by vehicle.	19,230	
Note payable in 60 monthly installments of \$842, interest at 3% due 2017, secured by vehicle.	32,754	41,716
Note payable in 60 monthly installments of \$612, interest at 3% due 2017, secured by vehicle.	22,137	28,697
	<u>4,809,927</u>	<u>5,157,744</u>
Less current portion	880,317	555,243
Non-current portion	\$ <u>3,929,610</u>	\$ <u>4,602,501</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 8 - Notes Payable (Continued)

Aggregate maturities of long-term debt at December 31 are as follows:

2014	\$	880,317
2015		3,444,487
2016		136,903
2017		347,020
2018		1,200
	\$	<u>4,809,927</u>

Note 9 - 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 September 18, 2014 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 December 31, 2013 and 2012, borrowings outstanding under this line of credit and secured by pledges and accounts receivable of the Laboratory amounted to \$1,217,404 and \$1,417,406, respectively.

Interest on the second revolving line of credit is charged at one month LIBOR plus 1.90% per annum with a 2.75% floor, payable monthly. At December 31, 2013 and 2012, borrowings outstanding under this line of credit and secured by assets of Mote Marine Foundation, Inc. held by the bank amounted to \$0 and \$991,000, respectively.

The Laboratory also has available a line of credit of \$3,014,000 from Mote Scientific Foundation. The loan agreement expires on October 16, 2016. Interest is charged at *The Wall Street Journal's* Prime Rate less a margin of 1.25% and is payable quarterly. At December 31, 2013 and 2012, 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 December 31, 2013 and 2012, borrowings outstanding totaled \$185,000.

The multiple lines of credit outstanding at December 31, 2013 and 2012 totaled \$3,577,404 and \$4,768,406, respectively.

Interest expense incurred under these lines of credit totaled \$95,103 and \$102,334 for the years ended December 31, 2013 and 2012, respectively.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 9 - Lines of Credit (Continued)

Certain loan agreements described above and in Note 8 require that the Laboratory meet certain debt covenant compliance requirements. As of December 31, 2013 and 2012, the Laboratory was in full compliance.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2013	2012
Future projects	\$ 438,970	\$ 294,246
Construction	138,712	11,255
Library journals	14,174	33,349
Beneficial interest in net assets of Mote Marine Foundation, Inc.	6,749,434	5,631,991
	<u>\$ 7,341,290</u>	<u>\$ 5,970,841</u>

Note 11 - Net Assets Released from Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes at December 31 are as follows:

	2013	2012
Aquarium expenses	\$ 62,941	\$ 219,376
Library journals	19,175	36,826
Other	67,964	60,191
Scholarships	50,000	25,000
	<u>\$ 200,080</u>	<u>\$ 341,393</u>

Note 12 - 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 December 31:

	2013	2012
Cultural endowment	\$ 600,000	\$ 600,000
Keys endowment	12,050	12,050
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	8,945,420	8,128,368
	<u>\$ 9,557,470</u>	<u>\$ 8,740,418</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 13 - Retirement Plan

The Laboratory provides a 403(b) retirement plan and Mote Environmental Services, Inc. provides a 401(k) retirement plan. The Laboratory and MESI match employee contributions based on an employee's length of service and gross salary. Retirement plan expense was \$463,232 and \$441,510 for the years ended December 31, 2013 and 2012, respectively.

Note 14 - 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 2013 and 2012.

Note 15 - 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.

Note 16 - 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.

Note 17 - Income Taxes

Mote Environmental Services, Inc. is subject to applicable corporate income taxes. At December 31, 2013 and 2012, the subsidiary had net operating loss carryforwards of approximately \$2,912,208 and \$2,331,409, respectively, which began to expire in the year 2009. Management has recorded deferred tax assets of \$582,442 and \$466,282, calculated using an effective income tax rate of 20% for the subsidiary, at December 31, 2013 and 2012, respectively. Due to the lack of historical operations and the risk that net operating losses may expire prior to use, management has elected to record a valuation allowance equal to the deferred tax asset. The net effect on the accompanying consolidating financial statements is zero.

Mote Aquaculture, Inc. is also subject to corporate income taxes. Since January 1, 1997, the corporation has been inactive.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 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 2012 and 2011, the Laboratory received grants from the Foundation in the amounts of \$1,800,701 and \$569,189, respectively.

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

From time to time the Laboratory will receive donations and pay certain expenses on behalf of the Foundation. As of December 31, 2013 and 2012, the Foundation owed the Laboratory \$8,964 and \$12,217, respectively.

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 2013 and 2012, a trustee donated the use of an aircraft for travel accommodations for employees and trustees. For the years ended December 31, 2013 and 2012, the recorded donation in kind totaled \$8,097 and \$2,768, respectively, and is included in the consolidating statements of activities.

As part of the MESI business plan, the Laboratory will provide management and operations support through a Management and Production Agreement with MESI. The Laboratory charges MESI a management fee. The management fee charged to MESI was \$930,609 and \$913,465 for the years ended December 31, 2013 and 2012, respectively.

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

Note 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 consolidating financial statements.

Note 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.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 20 - Endowments (Continued)

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 corpus to be maintained at fair value. Any portion of the endowment, including investment income, which is not classified as permanently restricted net assets, is to be classified as temporarily restricted net assets until it is appropriated for expenditure.

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, adjusted for any market fluctuations to comply with donor stipulations.

As of December 31, 2013, 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	\$ -	\$ 5,990	\$ 612,050	\$ 618,040

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2013	\$ -	\$ 3,883	\$ 612,050	\$ 615,933
Endowment investment return:				
Investment income		2,547		2,547
Realized and unrealized gains		(6,656)		(6,656)
Total endowment investment return	-	(4,109)	-	(4,109)
Appropriation of endowment for expenditures		(248)		(248)
Repay Deficiencies		6,464		6,464
Endowment net assets, December 31, 2013	\$ -	\$ 5,990	\$ 612,050	\$ 618,040

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 20 - Endowments (Continued)

As of December 31, 2012, 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	\$ -	\$ 3,883	\$ 612,050	\$ 615,933

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2012	\$ -	\$ 2,277	\$ 612,050	\$ 614,327
Endowment investment return:				
Investment income		5,131		5,131
Realized and unrealized gains		1,264		1,264
Total endowment investment return	-	6,395	-	6,395
Appropriation of endowment for expenditures		(4,789)		(4,789)
Endowment net assets, December 31, 2012	\$ -	\$ 3,883	\$ 612,050	\$ 615,933

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 at least 8.5% while assuming a moderate level of investment risk. The Laboratory expects its endowment funds, over time to provide an average rate of return of approximately 8.5% percent annually.

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.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 20 - Endowments (Continued)

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 proceeding 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.

Note 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 December 31, 2013 and 2012.

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 December 31, 2013 and 2012, 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:

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.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 21 - Fair Value of Financial Assets and Liabilities (Continued)

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.

Description	Fair Value 12/31/2013	Fair Value Measurements on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 14,996,774	\$ 10,498,075	\$ 3,377,089	\$ 1,121,610

Description	Fair Value 12/31/2013	Fair Value Measurements on a Non-Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 698,080	\$ -	\$ -	\$ 698,080
Bequest Receivable	169,375	-	-	169,375
Pledges Receivable	10,000	-	-	10,000
Ending balance	\$ 877,455	-	-	\$ 877,455

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 21 - Fair Value of Financial Assets and Liabilities (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total
Beginning balance	\$ 1,823,175
Change in value of the beneficial interest in net assets of Mote Marine Foundation, Inc.	(701,565)
Ending balance	\$ 1,121,610

Fair Value Measurements on a Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 12,744,179	\$ 8,021,254	\$ 2,899,750	\$ 1,823,175

Fair Value Measurements on a Non-Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 1,016,181	\$ -	\$ -	\$ 1,016,181

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013 AND 2012

Note 21 - Fair Value of Financial Assets and Liabilities (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total
Beginning balance	\$ <u>368,204</u>
Change in value of the beneficial interest in net assets of Mote Marine Foundation, Inc.	1,454,971
Ending balance	\$ <u><u>1,823,175</u></u>

Note 22 - Subsequent Events

The Laboratory and MESI have evaluated all events subsequent to the balance sheet date to December 31, 2013 and through the date these financial statements were available to be issued, May 7, 2014, and have determined that, there are no subsequent events that require disclosure.

SUPPLEMENTAL INFORMATION

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2013

Grantor	Match	CFDA# or CSFA#	Grant Number	Total Expenditures	
Federal Contracts and Grants					
<u>RESEARCH AND DEVELOPMENT CLUSTER</u>					
Department of Agriculture					
National Institute of Food and Agriculture					
Agriculture and Food Research Initiative (AFRI)					
		10.310	2011-67012-30737	\$ 49,479	\$ 49,479
Department of Commerce					
National Oceanic and Atmospheric Administration					
Integrated Ocean Observing System (IOOS)					
Passed through Texas A&M University					
		11.012	NA11NOS0120024	48,266	48,266
Sea Grant Support					
	Y	11.417	NA10OAR4170079	33,481	
	Y	11.417	NA10OAR4170072 / R/AQ-4	29,537	63,018
Climate and Atmospheric Research					
Passed through University Corp for Atmospheric - Research					
		11.431	NA11OAR4310213	9,027	9,027
Marine Mammal Data Program					
	Y	11.439	NA11NMF4390096	10,361	
	Y	11.439	NA12NMF4390138	41,983	52,344
Unallied Management Projects					
		11.454	NA13NMF4540056	51,485	
		11.454	NA11NMF4540120	56,438	107,923
ARRA - Habitat Conservation					
Passed through The Nature Conservancy					
		ARRA 11.463	NA10NM4630081	11,482	11,482
Unallied Science Program					
		11.472	NA13NMF4720274	17,904	17,904
Coastal Services Center					
Passed through Texas A&M University					
		11.473	NA08NO54730411	53,686	53,686
Center for Sponsored Coastal Ocean Research- Coastal Ocean Program					
Passed through FFWCC					
		11.478	NA11NOS4780058	14,086	14,086
Department of Health and Human Services					
Food and Drug Administration Research					
		93.103	1R13FD005001-01	10,000	10,000
Environmental Health					
		93.113	R211ES017413-01A2	12,130	12,130
Environmental Protection Agency					
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act					
		66.436	00D03812	57,145	57,145
Department of The Treasury					
National Science Foundation					
Geosciences					
		47.050	GEO1009063	120,572	
		47.050	OCE-1156580	100,811	
		47.050	OCE-1156141	88,479	
		47.050	OCE-1219804	22,384	332,246
Biological Sciences					
Passed through New College of Florida					
		47.074	IOS-092002 / 10357-7119-002	49,388	
Passed through New College of Florida					
		47.074	IOS-0920022 / 10357-7119-901	2,278	51,666
Department of the Interior					
Fish and Wildlife Service					
Sport Fish Restoration Program					
Passed through FFWCC					
		15.605	FL-F-59/FWC10322	64,618	64,618
State Wildlife Grants					
Passed through FFWCC to UNF to Mote					
		15.634	UNF 013-001	1,974	1,974

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2013

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

Program Number	Subrecipient / Program Title	Federal CFDA Number	Amount Awarded to Subrecipient	2013 Disbursements
185-470	Auburn University NOAA - Sea Grant Support	11.417	96,430	8,128
185-471	AquaGreen LLC NOAA - Sea Grant Support	11.417	30,704	15,704
188-645	Florida Aquarium NOAA - Unallied Management Projects	11.454	192,325	2,135
175-634A	University of Birmingham, UK Office of Naval Research - Basic and Applied Scientific Research	12.300	115,018	49,512
175-634B	National Marine Mammal Foundation Office of Naval Research - Basic and Applied Scientific Research	12.300	9,359	8,800
107-545	Daemen College U.S. Army Medical Command - Military Medical Research and Development	12.420	146,886	36,313
107-546	University of South Florida U.S. Army Medical Command - Military Medical Research and Development	12.420	42,794	13,081
107-547	Clemson University U.S. Army Medical Command - Military Medical Research and Development	12.420	42,823	10,890
106-419A	Florida Fish & Wildlife Conservation Commission Environmental Protection Agency - Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	35,120	14,807
Total Federal Funding / Disbursements to Subrecipients:			\$ 711,459	\$ 159,370

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2013

Grantor	Match	CFDA# or CSFA#	Grant Number	Total Expenditures	
Federal Contracts and Grants (Continued)					
Department of Defense					
Office of the Chief of Naval Research					
Basic and Applied Scientific Research					
		12.300	N00014-11-1-0432	169,418	169,418
U.S. Army Medical Command					
Military Medical Research and Development					
Passed through USAMRAA					
		12.420	W81XWH-11-2-0110	305,401	305,401
Total Federal Contracts and Grants				\$ 1,431,813	
State and Local Contracts and Grants					
State of Florida					
Florida Fish & Wildlife Conservation Commission					
Fish and Wildlife Research Support Program					
		77.025	10087	\$ 204,865	
		77.025	09012	347,418	
		77.025	07041	39,339	
		77.025	12054	941,510	
		77.025	13029	86,004	1,619,136
Department of Highway Safety & Motor Vehicles					
Protect our Reefs License Plate Project					
		76.069	POR	943,901	943,901
Sea Turtle License Plate Project					
Passed through Sea Turtle Conservancy					
		76.070	12-011R	12,209	
		76.070	13-006C	4,890	
Passed through Sea Turtle Conservancy					
		76.070	13-039R	20,500	37,599
Department of Agriculture and Consumer Services					
Aquaculture Development Projects					
	Y	42.015	FDACS018492	77,498	77,498
Total State and Local Contracts and Grants				\$ 2,678,134	
Total Financial Assistance				\$ 4,109,947	

Basis of presentation

This schedule includes the federal and state grant activity of Mote Marine Laboratory, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation the basic consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2013

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

Program Number	Subrecipient / Program Title	State CSFA Number	Amount Awarded to Subrecipient	2013 Disbursements
POR 2010 6	University of Florida DHSMV- Protect Our Reefs	76.069	\$ 30,000	\$ 15,000
POR 2010 28	University of Miami DHSMV - Protect Our Reefs	76.069	20,419	5,105
POR 2010 13	University of Miami DHSMV - Protect Our Reefs	76.069	19,409	4,852
POR 2011 6	University of Florida DHSMV - Protect Our Reefs	76.069	38,149	9,537
POR 2011 4	University of Florida DHSMV - Protect Our Reefs	76.069	30,973	7,743
POR 2011 8	University of North Florida DHSMV - Protect Our Reefs	76.069	20,944	5,236
POR 2011 13	Marine Resources Development Foundation DHSMV - Protect Our Reefs	76.069	1,350	338
POR 2011 1	Nova Southeastern University DHSMV - Protect Our Reefs	76.069	11,622	2,906
POR 2011 21	Smithsonian Marine Station DHSMV - Protect Our Reefs	76.069	36,629	9,157
POR 2011 17	Marine Resources Development Foundation DHSMV - Protect Our Reefs	76.069	7,550	1,888
POR 2011 30	REEF DHSMV - Protect Our Reefs	76.069	25,689	6,422
POR 2012 22	University of Miami DHSMV - Protect Our Reefs	76.069	15,000	11,250
POR 2012 8	University of North Florida DHSMV - Protect Our Reefs	76.069	24,000	18,000
POR 2012 1	Smithsonian Institution DHSMV - Protect Our Reefs	76.069	10,000	7,500
POR 2012 19	Eckerd College DHSMV - Protect Our Reefs	76.069	10,000	7,500
POR 2012 3	Smithsonian Institution DHSMV - Protect Our Reefs	76.069	24,000	18,000
POR 2012 6	Florida International University DHSMV - Protect Our Reefs	76.069	24,000	18,000
POR 2012 4	Marine Resources Development Foundation DHSMV - Protect Our Reefs	76.069	4,000	3,000
Total State Funding / Disbursements to Subrecipients:			\$ <u>353,734</u>	\$ <u>151,434</u>

CONTRACT COMPLIANCE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATING
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes, the consolidating financial statements of Mote Marine Laboratory, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered Mote Marine Laboratory, Inc. and Subsidiaries' 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 consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mote Marine Laboratory, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Mote Marine Laboratory, Inc. and Subsidiaries' internal control over.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Mote Marine Laboratory, Inc. and Subsidiaries' consolidating 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.

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

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 Mote Marine Laboratory, Inc. and Subsidiaries' consolidating financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidating 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.



Sarasota, Florida
May 7, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE
PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY
OMB CIRCULAR A-133 AND THE FLORIDA SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Mote Marine Laboratory, Inc. and Subsidiaries the compliance of Mote Marine Laboratory, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2013. Mote Marine Laboratory, Inc. and Subsidiaries' major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mote Marine Laboratory, Inc. and Subsidiaries' major federal and state project 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of Florida Statutes. Those standards and OMB Circular A-133 and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of Florida Statutes 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 project occurred.

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

Auditor's Responsibility (Continued)

An audit includes examining, on a test basis, evidence about Mote Marine Laboratory, Inc. and Subsidiaries' 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 project. However, our audit does not provide a legal determination of Mote Marine Laboratory, Inc. and Subsidiaries' compliance with those requirements.

Opinion on Each Major Federal and State Project

In our opinion, Mote Marine Laboratory, Inc. and Subsidiaries 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 projects for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Mote Marine Laboratory, Inc. and Subsidiaries 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 Mote Marine Laboratory, Inc. and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes, 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 Mote Marine Laboratory, Inc. and Subsidiaries' 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 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

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

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, as defined above. However, material weaknesses may exist that have not been identified.

This 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 OMB Circular A-133 and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes. Accordingly, this report is not suitable for any other purpose.

Kerkering Barberio - G.

Sarasota, Florida
May 7, 2014

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies 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 deficiencies 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 510(a) of OMB Circular A-133 and the provisions of the Florida Single Audit Act in accordance with Chapter 98-91 of the Laws of Florida and Section 215.97 of the Florida Statutes yes no

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED DECEMBER 31, 2013

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

Identification of major programs and projects:

<u><i>CFDA Numbers</i></u>	<u><i>Name of Federal Program or Cluster</i></u>
10.310	Agriculture and Food Research Initiative
11.012	Integrated Ocean Observing System (IOOS)
11.417	Sea Grant Support
11.431	Climate and Atmospheric Administration
11.439	Marine Mammal Data Program
11.454	Unallied Management Projects
ARRA 11.463	ARRA - Habitat Conservation
11.472	Unallied Management Projects
11.473	Coastal Services Center
11.478	Center for Sponsored Coastal Ocean Research -Coastal Ocean Program
93.103	Food and Drug Administration Research
93.113	Environmental Health
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act
47.050	Geosciences
47.074	Biological Sciences
15.605	Sport Fish Restoration Program
15.634	Sport Fish Restoration Program
12.300	Basic and Applied Scientific Research
12.420	Military Medical Research and Development

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED DECEMBER 31, 2013

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

CSFA Numbers

77.025

Name of State Projects

Florida Fish and Wildlife Conservation

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

Auditee qualified as low-risk auditee? x yes no

Section II - Financial Statement Findings

None

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

None

Section IV - Summary Schedule of Prior Audit Findings

No prior audit findings to be addressed.

Section V - Other

No management letter is required because there were no findings to be reported in a management letter as required by Section 215.97 (8)(f) and 215.97 (9)(d) of the Florida Statutes, Auditor General Rule 10.654 (1)(e) or 10.656 (3)(e).