

Mote Marine Laboratory, Inc.

Financial Statements,
Supplemental Information,
Contract Compliance and
Independent Auditor's Report
September 30, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mote Marine Laboratory, Inc. (Laboratory), a nonprofit organization, which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mote Marine Laboratory, Inc. as of September 30, 2019 and 2018, 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of Mote Marine Laboratory, Inc. as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Laboratory's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2020 on our consideration of Mote Marine Laboratory, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mote Marine Laboratory, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mote Marine Laboratory, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida
February 17, 2020

Mote Marine Laboratory, Inc.

Statements of Financial Position

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 9,287,701	\$ 8,083,928
Accounts receivable	1,555,702	1,355,180
Pledges receivable, net	3,708,836	589,626
Due from Mote Marine Foundation, Inc.	114,112	186,191
Inventory	13,306	11,023
Prepaid expenses and other assets	135,993	138,760
Donated assets held for sale	-	41,300
Investments - certificates of deposit	859,887	595,000
Patents, net	100,425	103,896
Investment in deferred compensation plan	512,999	553,016
Land	7,498,190	7,498,190
Property and equipment, net	16,074,271	17,945,040
Construction in progress	3,021,345	284,344
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>16,867,814</u>	<u>16,830,569</u>
Total Assets	<u>\$ 59,750,581</u>	<u>\$ 54,216,063</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 403,847	\$ 628,849
Accrued payroll	947,249	912,441
Memberships relating to future periods	757,342	763,985
Funds advanced on research programs	7,181,601	6,173,693
Deferred compensation payable	512,999	553,016
Lines of credit	1,467,601	1,569,602
Notes payable	<u>8,606,169</u>	<u>9,122,280</u>
Total liabilities	<u>19,876,808</u>	<u>19,723,866</u>
Net Assets:		
Without donor restrictions	15,006,631	13,007,676
With donor restrictions:		
Purpose and time restrictions	14,834,851	10,828,733
Perpetual in nature	<u>10,032,291</u>	<u>10,655,788</u>
Total net assets with donor restrictions	<u>24,867,142</u>	<u>21,484,521</u>
Total net assets	<u>39,873,773</u>	<u>34,492,197</u>
Total Liabilities and Net Assets	<u>\$ 59,750,581</u>	<u>\$ 54,216,063</u>

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.

Statement of Activities

Year Ended September 30, 2019

(With Summarized Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2018 Total</u>
Support, Revenue and Reclassifications:				
Program revenue:				
Research revenue:				
Federal	\$ 1,793,644	\$ -	\$ 1,793,644	\$ 1,324,679
State	3,067,174	-	3,067,174	2,433,030
Other	5,006,161	-	5,006,161	4,897,705
Aquarium:				
Admission fees	4,612,182	-	4,612,182	4,205,945
Gift shop	450,627	-	450,627	1,105,414
Other	514,306	-	514,306	622,947
Memberships	1,048,295	-	1,048,295	998,989
Education	855,688	-	855,688	994,943
Protect Our Reefs-License Plate	914,128	-	914,128	877,114
Other programs	635,074	-	635,074	486,909
Contributions:				
Construction	-	6,593,120	6,593,120	144,510
Aquarium	-	60,876	60,876	49,229
Other programs	1,954,340	35,582	1,989,922	1,866,603
Non-cash contributions	224,248	-	224,248	983,715
Grants from Mote Marine Foundation, Inc.	612,767	-	612,767	735,060
Investment income	45,948	1,236	47,184	12,563
Unrealized gain (loss) on investments, net	8,012	(856)	7,156	851
Realized loss on investments, net	(6,193)	-	(6,193)	(3,981)
Realized loss on disposal of assets	(25,826)	-	(25,826)	(71,200)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	-	37,245	37,245	621,740
Net assets released from restrictions	<u>3,344,582</u>	<u>(3,344,582)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>25,055,157</u>	<u>3,382,621</u>	<u>28,437,778</u>	<u>22,286,765</u>
Expenses:				
Program services:				
Research	11,744,796	-	11,744,796	10,995,854
Education	1,252,335	-	1,252,335	1,171,955
Aquarium	3,947,754	-	3,947,754	4,598,035
Protect Our Reefs-License Plate	844,424	-	844,424	789,352
MAP facility operations	532,449	-	532,449	550,964
Other	420,224	-	420,224	591,589
Supporting services:				
Administrative and general	2,354,120	-	2,354,120	2,627,002
Fundraising	1,960,100	-	1,960,100	1,753,924
Total expenses	<u>23,056,202</u>	<u>-</u>	<u>23,056,202</u>	<u>23,078,675</u>
Change in net assets	<u>1,998,955</u>	<u>3,382,621</u>	<u>5,381,576</u>	<u>(791,910)</u>
Net assets at beginning of year	<u>13,007,676</u>	<u>21,484,521</u>	<u>34,492,197</u>	<u>35,284,107</u>
Net assets at end of year	<u>\$ 15,006,631</u>	<u>\$ 24,867,142</u>	<u>\$ 39,873,773</u>	<u>\$ 34,492,197</u>

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.

Statement of Activities

Year Ended September 30, 2018

(With Summarized Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2019 Total</u>
Support, Revenue and Reclassifications:				
Program revenue:				
Research revenue:				
Federal	\$ 1,324,679	\$ -	\$ 1,324,679	\$ 1,793,644
State	2,433,030	-	2,433,030	3,067,174
Other	4,897,705	-	4,897,705	5,006,161
Aquarium:		-	-	
Admission fees	4,205,945	-	4,205,945	4,612,182
Gift shop	1,105,414	-	1,105,414	450,627
Other	622,947	-	622,947	514,306
Memberships	998,989	-	998,989	1,048,295
Education	994,943	-	994,943	855,688
Protect Our Reefs-License Plate	877,114	-	877,114	914,128
Other programs	486,909	-	486,909	635,074
Contributions:		-		
Construction	-	144,510	144,510	6,593,120
Aquarium	-	49,229	49,229	60,876
Other programs	1,826,643	39,960	1,866,603	1,989,922
Non-cash contributions	569,383	414,332	983,715	224,248
Grants from Mote Marine Foundation, Inc.	735,060	-	735,060	612,767
Investment income	11,272	1,291	12,563	47,184
Unrealized gain on investments, net	-	851	851	7,156
Realized loss on investments, net	(3,981)	-	(3,981)	(6,193)
Realized loss on disposal of assets	(71,200)	-	(71,200)	(25,826)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	-	621,740	621,740	37,245
Net assets released from restrictions	1,045,016	(1,045,016)	-	-
Total support, revenue and reclassifications	<u>22,059,868</u>	<u>226,897</u>	<u>22,286,765</u>	<u>28,437,778</u>
Expenses:				
Program services:				
Research	10,995,854	-	10,995,854	11,744,796
Education	1,171,955	-	1,171,955	1,252,335
Aquarium	4,598,035	-	4,598,035	3,947,754
Protect Our Reefs-License Plate	789,352	-	789,352	844,424
MAP facility operations	550,964	-	550,964	532,449
Other	591,589	-	591,589	420,224
Supporting services:		-		
Administrative and general	2,627,002	-	2,627,002	2,354,120
Fundraising	1,753,924	-	1,753,924	1,960,100
Total expenses	<u>23,078,675</u>	<u>-</u>	<u>23,078,675</u>	<u>23,056,202</u>
Change in net assets	<u>(1,018,807)</u>	<u>226,897</u>	<u>(791,910)</u>	<u>5,381,576</u>
Net assets at beginning of year	<u>14,026,483</u>	<u>21,257,624</u>	<u>35,284,107</u>	<u>34,492,197</u>
Net assets at end of year	<u>\$ 13,007,676</u>	<u>\$ 21,484,521</u>	<u>\$ 34,492,197</u>	<u>\$ 39,873,773</u>

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.
 Statements of Cash Flows
 Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,381,576	\$ (791,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,859,811	2,861,013
Realized loss on disposal of assets	25,826	71,200
Unrealized / realized (gain) loss on investments, net	(963)	3,130
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	(37,245)	(621,740)
Non-cash contributions	(195,867)	(965,586)
Proceeds from donated assets held for sale	201,674	956,965
Change in operating assets:		
Accounts receivable	(200,522)	703,882
Pledges receivable, net	(3,119,210)	1,001,547
Due from Mote Marine Foundation, Inc.	72,079	93,727
Inventory	(2,283)	110,219
Prepaid expenses and other assets	2,767	(17,829)
Change in operating liabilities:		
Accounts payable	(225,002)	62,200
Accrued payroll	34,808	16,503
Memberships relating to future periods	(6,643)	31,131
Funds advanced on research programs	1,007,908	(879,652)
Total adjustments	417,138	3,426,710
Net cash provided by operating activities	5,798,714	2,634,800
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,699,312)	(1,426,040)
Proceeds from sale of property and equipment	10,697	25,500
Purchase of certificates of deposit	(250,000)	(595,000)
Patent costs	(11,626)	(27,192)
Net cash used in investing activities	(3,950,241)	(2,022,732)
Cash Flows from Financing Activities:		
Net change in lines of credit	(102,000)	(101,999)
Proceeds from notes payable	-	30,001
Repayments of notes payable	(542,700)	(476,764)
Net cash used in financing activities	(644,700)	(548,762)
Net change in cash and cash equivalents	1,203,773	63,306
Cash and cash equivalents, beginning of year	8,083,928	8,020,622
Cash and cash equivalents, end of year	\$ 9,287,701	\$ 8,083,928
Cash and cash equivalents, end of year, consist of the following:		
Cash	9,232,581	8,045,007
Restricted cash	55,120	38,921
	\$ 9,287,701	\$ 8,083,928
Supplemental Disclosure of Non-Cash:		
Investing and Financing Activity:		
Cash paid for interest	\$ 263,176	\$ 226,086
Non-cash donations of property and equipment	\$ -	\$ 6,000
Property and equipment purchased through financing	\$ 60,595	\$ 77,737
Line of credit satisfied with note payable	\$ -	\$ 2,175,000

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.

Statement of Functional Expenses

Year Ended September 30, 2019

(With Summarized Totals for 2018)

	Program Services				
	Research	Education	Aquarium	Protect our Reefs License Plate	MAP Facility Operations
Salaries and benefits	\$ 5,729,424	\$ 727,399	\$ 2,307,725	\$ 235,730	\$ 34,844
Contracted services	1,004,294	250,240	104,847	159,508	1,148
Depreciation	-	-	302,862	-	382,609
Repairs and maintenance	261,401	15,259	556,131	92,941	62,219
Travel, meals and seminars	313,618	66,708	53,809	4,867	-
Research supplies	582,709	14,946	-	19,109	-
Merchandise	-	-	20,671	-	-
Office expense	58,900	34,219	198,445	23,645	462
Electricity	28,186	-	164,956	42,564	87,449
Insurance	16,233	3,488	45,716	32,248	34,954
Telephone	25,547	6,067	17,907	10,248	3,628
Promotion and advertising	132,318	47,931	40,109	41,938	-
Expendable supplies	-	12,359	20,594	-	48
Printing and publication	12,675	8,049	4,182	1,292	-
Vessel	5,644	-	-	-	-
Vehicle	2,298	2,231	1,623	-	158
Interest	161,509	-	5,557	5,295	-
Accounting and legal	-	-	-	-	-
Equipment rental	5,223	1,721	5,679	114	-
Library	-	-	-	-	-
Licenses and fees	29,299	3,059	5,831	3,063	19,792
Rent	33,355	14,278	-	-	-
Miscellaneous	-	-	-	-	-
	<u>8,402,633</u>	<u>1,207,954</u>	<u>3,856,644</u>	<u>672,562</u>	<u>627,311</u>
Overhead allocation	3,069,725	9,449	-	172,298	(90,077)
Rental use charges allocation:					
Vessel, vehicle and equipment	272,438	34,932	91,110	(436)	(4,785)
Total Expenses	<u>\$ 11,744,796</u>	<u>\$ 1,252,335</u>	<u>\$ 3,947,754</u>	<u>\$ 844,424</u>	<u>\$ 532,449</u>

Percent of Total

		Supporting Services			2019	2018
Other	Total	Administrative and General	Fund Raising	Total	Functional Expenses	Functional Expenses
\$ 261,162	\$ 9,296,284	\$ 2,068,143	\$ 1,178,352	\$ 3,246,495	\$ 12,542,779	\$ 11,980,054
26,839	1,546,876	133,727	183,856	317,583	1,864,459	2,047,374
-	685,471	2,159,243	-	2,159,243	2,844,714	2,842,021
86,874	1,074,825	387,557	22,445	410,002	1,484,827	1,421,600
16,568	455,570	39,167	214,868	254,035	709,605	722,107
-	616,764	-	-	-	616,764	488,108
-	20,671	-	-	-	20,671	472,873
22,004	337,675	61,685	89,166	150,851	488,526	569,494
53,680	376,835	289,662	-	289,662	666,497	623,436
67,347	199,986	211,148	289	211,437	411,423	380,036
3,401	66,798	34,358	3,315	37,673	104,471	106,801
42,619	304,915	15,799	125,811	141,610	446,525	474,677
305	33,306	6,320	107	6,427	39,733	34,515
1,762	27,960	3,742	74,333	78,075	106,035	108,327
47,867	53,511	665	-	665	54,176	46,327
26,251	32,561	9,954	-	9,954	42,515	38,660
40,821	213,182	49,994	-	49,994	263,176	226,086
-	-	46,853	-	46,853	46,853	84,510
11,144	23,881	38,571	44,544	83,115	106,996	132,142
-	-	21,507	-	21,507	21,507	30,871
2,005	63,049	34,377	13,194	47,571	110,620	112,533
500	48,133	-	-	-	48,133	40,077
100	100	15,097	-	15,097	15,197	96,046
<u>711,249</u>	<u>15,478,353</u>	<u>5,627,569</u>	<u>1,950,280</u>	<u>7,577,849</u>	<u>23,056,202</u>	<u>23,078,675</u>
(64,207)	3,097,188	(3,097,188)	-	(3,097,188)	-	-
(226,818)	166,441	(176,261)	9,820	(166,441)	-	-
<u>\$ 420,224</u>	<u>\$ 18,741,982</u>	<u>\$ 2,354,120</u>	<u>\$ 1,960,100</u>	<u>\$ 4,314,220</u>	<u>\$ 23,056,202</u>	<u>\$ 23,078,675</u>
	<u>81%</u>	<u>10%</u>	<u>9%</u>		<u>100%</u>	

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.

Statement of Functional Expenses

Year Ended September 30, 2018

(With Summarized Totals for 2019)

	Program Services				
	Research	Education	Aquarium	Protect our Reefs License Plate	MAP Facility Operations
Salaries and benefits	\$ 5,439,976	\$ 690,575	\$ 2,246,231	\$ 246,123	\$ 40,347
Contracted services	871,796	217,565	320,257	63,942	190
Depreciation	-	-	286,523	-	368,027
Repairs and maintenance	229,423	21,086	551,820	101,329	53,862
Travel, meals and seminars	347,927	54,790	53,534	6,436	-
Research supplies	468,039	7,677	-	12,146	-
Merchandise	-	-	472,873	-	-
Office expense	79,954	26,382	217,257	25,816	2,219
Electricity	25,002	-	179,845	26,365	79,890
Insurance	16,423	4,649	45,102	32,835	33,969
Telephone	25,842	6,393	16,107	13,971	3,679
Promotion and advertising	155,279	58,841	59,442	36,166	-
Expendable supplies	-	10,933	17,674	-	-
Printing and publication	17,878	7,174	5,965	3,822	-
Vessel	4,410	-	-	-	-
Vehicle	1,887	1,004	1,093	10	259
Interest	134,179	-	5,199	8,097	-
Accounting and legal	4,348	-	-	150	14,131
Equipment rental	21,540	2,028	7,936	9,342	732
Library	-	-	-	-	-
Licenses and fees	42,808	3,288	5,768	2,257	20,322
Rent	30,569	9,008	-	-	-
Miscellaneous	1,918	-	-	-	-
	<u>7,919,198</u>	<u>1,121,393</u>	<u>4,492,626</u>	<u>588,807</u>	<u>617,627</u>
Overhead allocation	2,872,314	19,181	1,138	196,123	(64,872)
Rental use charges allocation:					
Vessel, vehicle and equipment	204,342	31,381	104,271	4,422	(1,791)
Total Expenses	<u>\$ 10,995,854</u>	<u>\$ 1,171,955</u>	<u>\$ 4,598,035</u>	<u>\$ 789,352</u>	<u>\$ 550,964</u>

Percent of Total

		Supporting Services			2018	2019
Other	Total	Administrative and General	Fund Raising	Total	Total Functional Expenses	Total Functional Expenses
\$ 193,091	\$ 8,856,343	\$ 2,184,248	\$ 939,463	\$ 3,123,711	\$ 11,980,054	\$ 12,542,779
219,833	1,693,583	111,741	242,050	353,791	2,047,374	1,864,459
-	654,550	2,187,471	-	2,187,471	2,842,021	2,844,714
59,612	1,017,132	381,744	22,724	404,468	1,421,600	1,484,827
19,916	482,603	47,087	192,417	239,504	722,107	709,605
246	488,108	-	-	-	488,108	616,764
-	472,873	-	-	-	472,873	20,671
29,157	380,785	113,265	75,444	188,709	569,494	488,526
49,956	361,058	262,378	-	262,378	623,436	666,497
49,743	182,721	197,315	-	197,315	380,036	411,423
4,020	70,012	33,580	3,209	36,789	106,801	104,471
16,077	325,805	6,347	142,525	148,872	474,677	446,525
-	28,607	5,908	-	5,908	34,515	39,733
2,962	37,801	4,971	65,555	70,526	108,327	106,035
41,015	45,425	660	242	902	46,327	54,176
19,786	24,039	14,621	-	14,621	38,660	42,515
38,043	185,518	40,568	-	40,568	226,086	263,176
12,695	31,324	53,186	-	53,186	84,510	46,853
6,209	47,787	31,744	52,611	84,355	132,142	106,996
-	-	30,871	-	30,871	30,871	21,507
778	75,221	29,849	7,463	37,312	112,533	110,620
500	40,077	-	-	-	40,077	48,133
75,035	76,953	19,093	-	19,093	96,046	15,197
<u>838,674</u>	<u>15,578,325</u>	<u>5,756,647</u>	<u>1,743,703</u>	<u>7,500,350</u>	<u>23,078,675</u>	<u>23,056,202</u>
(79,617)	2,944,267	(2,944,267)	-	(2,944,267)	-	-
(167,468)	175,157	(185,378)	10,221	(175,157)	-	-
<u>\$ 591,589</u>	<u>\$ 18,697,749</u>	<u>\$ 2,627,002</u>	<u>\$ 1,753,924</u>	<u>\$ 4,380,926</u>	<u>\$ 23,078,675</u>	<u>\$ 23,056,202</u>
	<u>81%</u>	<u>11%</u>	<u>8%</u>		<u>100%</u>	

See accompanying notes to the financial statements.

Mote Marine Laboratory, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

I. Organization

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

2. Summary of Significant Accounting Policies

Financial Statements

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

Basis of Accounting

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

Use of Estimates and Assumptions

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

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 statements of financial position.

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

Inventory

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

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Donated Assets

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

Bequest Receivable

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

Pledges Receivable

Pledges are recorded as support when the donor's commitment has been received. Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using an appropriate discount rate in the year pledged.

Property and Equipment

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

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

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

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

Revenue Recognition

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

All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Contributions which are designated by the donor to be used in future periods, or for specific purposes, are recorded as net assets with donor restrictions. When the purpose of the restriction is accomplished, or passage of time has occurred, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of cash restricted for the purpose of acquiring or constructing long-lived assets are recorded as net assets with donor restrictions until the long-lived assets are acquired or constructed at which time the net assets are released from the restriction and reclassified as net assets without donor restrictions. Any conditional gifts for which the conditions are not met at year-end are recorded as refundable advances.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

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.

Donated Services

A substantial number of volunteers have made significant contributions of their time to the operations of the Laboratory. The amount of volunteer hours contributed to the Laboratory during the years ended September 30, 2019 and 2018 were 233,613 and 236,214 hours, respectively. The estimated value of these donated services has not been recorded in the accompanying financial statements because it does not meet the criteria for recognition under generally accepted accounting principles. However, management estimates the fair value of these services contributed to the Laboratory during the years ended September 30, 2019 and 2018 amounted to \$5,940,779 and \$5,832,124, respectively. These estimates are based on an article published in the NonProfit Times that estimates volunteer time to be worth \$25.43 and \$24.69 per hour in 2019 and 2018, 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 September 30, 2019 and 2018 totaled \$446,525 and \$474,677, respectively.

Income Tax Status

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

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

The Laboratory files income tax returns in the U.S. federal jurisdiction and the State of Florida. The tax periods open to examination by the major taxing jurisdictions to which the Laboratory is subject include fiscal years ended September 30, 2016 through September 30, 2019.

Financial Instruments Not Measured at Fair Value

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

Overhead Allocation

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

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that benefited. The expenses that are allocated include salaries, benefits, payroll taxes, depreciation, and other expenses for services which are allocated on the basis of estimated time and effort.

Cash and Cash Equivalents

Cash on hand and highly liquid investments with a maturity of three months or less at date of acquisition are considered to be cash and cash equivalents. Cash restricted for the endowment and included as cash and cash equivalents in the financial statements amounted to \$55,120 and \$38,921 as of September 30, 2019 and 2018, 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 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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958), which was adopted by the Laboratory for the year ended September 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets with donor restrictions" and "net assets without donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Reclassifications

To facilitate comparison of financial data, certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 9,287,701
Accounts receivable	1,555,702
Pledges receivable	3,708,836
Due from Mote Marine Foundation, Inc.	114,112
Investments - certificates of deposit	859,887
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>16,867,814</u>
Total financial assets available	<u>32,394,052</u>

Less: Amounts unavailable for general expenditures within one year due to:

Investments - certificates of deposit without donor restrictions maturing after one year	(256,875)
Restricted by donors with purpose and time restrictions	(14,834,851)
Restricted by donors in perpetuity	<u>(10,032,291)</u>
Total amounts unavailable for general expenditures within one year	<u>(25,124,017)</u>

Total financial assets available to management for general expenditure within one year \$ 7,270,035

The Laboratory manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Trustees. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

4. Pledges Receivable

At September 30, 2019 and 2018, the Laboratory held written unconditional pledges receivable in the amounts of \$3,902,176 and \$589,626, respectively. The pledges have been restricted by the donors for future projects. Management considers all pledges receivable to be fully collectible as of September 30, 2019, therefore no allowance has been established uncollectible pledges against these assets.

Pledges receivable consist of the following as of September 30:

	2019	2018
Pledges receivable	\$ 3,902,176	\$ 589,626
Less: discount to net present value (rate of 2.2%)	<u>(193,340)</u>	<u>-</u>
Pledges receivable, net	3,708,836	589,626
Less amount due in less than one year	<u>937,000</u>	<u>301,526</u>
Amount collectible in one to five years	<u>\$ 2,771,836</u>	<u>\$ 288,100</u>

During the years ended September 30, 2019 and 2018, the Laboratory had \$0 and \$74,035, respectively, of uncollectible pledges due to unforeseen circumstances.

5. Accounts Receivable

Accounts receivable consists of the following at September 30:

	2019	2018
Costs billed on research grants and other contracts	\$ 618,492	\$ 800,829
Unbilled costs incurred on research grants	931,046	554,351
Accounts receivable - other	<u>6,164</u>	<u>-</u>
	<u>\$ 1,555,702</u>	<u>\$ 1,355,180</u>

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

5. Accounts Receivable (Continued)

During the years ended September 30, 2019 and 2018, the Laboratory had no write-offs of uncollectible accounts receivable.

6. Investments

The Laboratory has certificates of deposit that earn interest at rates ranging from 1.70% to 3.45% and mature in one to five years. As of September 30, 2019, the certificates of deposit totaled \$859,887 and are stated at fair value. As of September 30, 2018, the certificates of deposit totaled \$595,000 and are stated at cost, which approximates fair value. Of these amounts, \$603,012 and \$595,000 is restricted for endowments as of September 30, 2019 and 2018, respectively. The Laboratory had unrealized gains on the certificates of deposit of \$8,012 and \$0 for the years ended September 30, 2019 and 2018, respectively.

The Laboratory had realized losses on the sales of investments in the amounts of \$6,193 and \$3,981 for the years ended September 30, 2019 and 2018, respectively.

Additionally, assets held at a community foundation during the years ended September 30, 2019 and 2018 incurred restricted unrealized losses of \$856 and unrealized gains of \$851, respectively.

7. Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 776,986	\$ 753,203
Vessels	1,577,554	1,552,122
Buildings and improvements	42,423,543	42,143,074
Furniture, fixtures and exhibits	7,997,978	7,928,117
Laboratory equipment	8,672,341	8,124,849
Trailers	95,223	97,470
	<u>61,543,625</u>	<u>60,598,835</u>
Less accumulated depreciation	45,469,354	42,653,795
	<u>\$ 16,074,271</u>	<u>\$ 17,945,040</u>

Depreciation expense was \$2,844,714 and \$2,842,021 for the years ended September 30, 2019 and 2018, respectively.

Construction in progress consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Mote Science Education Aquarium preconstruction	\$ 2,984,885	\$ 247,884
Connector building west wing addition	36,460	36,460
	<u>\$ 3,021,345</u>	<u>\$ 284,344</u>

In accordance with contract provisions, the Laboratory has segregated and identified property and equipment that has been purchased or improved with funds received from government agencies. Title to these assets acquired with government agency funds vests with the Laboratory as long as the Laboratory has a contract with the agency. Upon contract termination, title to these assets reverts to the agencies. At September 30, 2019 and 2018, property and equipment purchased or improved with funds received from government agencies, net of accumulated depreciation, totaled \$125,892 and \$140,422, respectively.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

8. Inventory

Inventory consisted of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Miscellaneous merchandise, stated at cost	\$ 13,306	\$ 11,023

9. Patents

During the years ended September 30, 2019 and 2018, the Laboratory incurred costs to maintain certain patents. The costs capitalized and the related amortization provided for is as follows:

	<u>2019</u>	<u>2018</u>
Patents	\$ 177,147	\$ 165,521
Less: accumulated amortization	76,722	61,625
	<u>\$ 100,425</u>	<u>\$ 103,896</u>

No significant residual value is estimated for these patents. Amortization expense for the years ended September 30, 2019 and 2018 totaled \$15,097 and \$18,992, respectively.

The following table represents the total estimated amortization of patents for the five succeeding years and thereafter ending September 30:

2020	\$	15,378
2021		14,680
2022		13,568
2023		13,214
2024		12,289
Thereafter		31,296
	\$	<u>100,425</u>

10. Notes Payable

Notes payable consists of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Note payable in semiannual installments of \$12,500 principal plus accrued interest, at LIBOR plus 2.5% with a 2.85% floor, due in full October 10, 2019, secured by Mote Marine Foundation, Inc.'s investments. Interest rate at September 30, 2019 was 4.55%	\$ 5,050	\$ 30,050
Note payable in 180 monthly installments of \$17,579 plus interest based on overnight LIBOR plus 2.18%, maturing on August 5, 2028 and secured with personal property and pledges and guaranteed by Mote Marine Foundation, Inc. with a \$1,500,000 limitation. Interest rate at September 30, 2019 was 4.00%.	2,302,858	2,513,807
Note payable in 60 monthly installments of \$624, interest at 2.39% due 2021, secured by vehicle.	15,206	22,228
Note payable in 48 monthly installments of \$348, interest at 3.64% due 2022, secured by vehicle.	9,335	13,101

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

10. Notes Payable (Continued)

Notes payable consists of the following as of September 30:

	2019	2018
Note payable in 60 monthly installments of \$665, interest at 2.39% due 2021, secured by vehicle.	16,211	23,696
Note payable in 48 monthly installments of \$382, interest at 3.64% due 2022, secured by vehicle.	10,240	14,370
Note payable in 60 monthly installments of \$413, interest at 2.39% due 2021, secured by vehicle.	10,051	14,693
Note payable in 60 monthly installments of \$427, interest at 4.44% due 2024, secured by vehicle.	21,852	-
Note payable in 60 monthly installments of \$830, interest at 3.83% due 2022, secured by vehicle.	-	37,524
Note payable in 60 monthly installments of \$695, interest at 3.99% due 2024, secured by vehicle.	34,276	-
Note payable in 60 monthly installments of \$612, interest at 3.15% due 2019, secured by vehicle.	611	7,811
Note payable in 119 monthly installments of \$13,668 plus 4.2% interest, with final payment of \$1,348,395 due on October 1, 2028, secured by mortgage on real property located in Sarasota County.	2,140,479	2,205,000
Note payable, interest only at 0.5% payable annually, commencing one year from the date of issuance of Certificate of Occupancy. Starting January 17, 2018, a principal reduction payment of \$200,000 per year, with all principal to be due and payable in full ten years from the Loan Repayment commencement date.	4,040,000	4,240,000
	8,606,169	9,122,280
Less current portion	531,303	545,449
Non-current portion	\$ 8,074,866	\$ 8,576,831

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

2020	\$	531,303
2021		530,146
2022		510,028
2023		509,459
2024		508,190
Thereafter		6,017,043
	\$	8,606,169

Interest expense incurred under these notes payable totaled \$206,738 and \$105,759 for the years ended September 30, 2019 and 2018, respectively.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

11. Lines of Credit

Pursuant to loan agreements with two banks, the Laboratory has a revolving line of credit of \$1,500,000 with each bank. One loan agreement expires on June 14, 2020 and the other is open-ended subject to renewal provisions. Interest on one line of credit is charged at the bank's prime rate less a margin of 1.25% with a 3% floor and is payable monthly. At September 30, 2019 and 2018, borrowings outstanding under this line of credit and secured by pledges and accounts receivable of the Laboratory amounted to \$1,217,102.

Interest on the second revolving line of credit is charged at one month LIBOR plus 1.90% per annum, payable monthly. At September 30, 2019 and 2018, borrowings outstanding under this line of credit and secured by assets of Mote Marine Foundation, Inc. held by the bank amounted to \$65,500 and \$167,500, respectively.

During 2018, the Laboratory paid in full the available line of credit of \$3,014,000 from Mote Scientific Foundation.

The Laboratory also has a line of credit of \$185,000 from Sarasota-Manatee Airport Authority. The loan represents advanced funding for the improvements to the Airport Aquarium and has no expiration date or interest rate and will be repaid with any funds raised associated with the Airport Aquarium. At September 30, 2019 and 2018, borrowings outstanding totaled \$185,000.

The multiple lines of credit outstanding at September 30, 2019 and 2018 totaled \$1,467,601 and \$1,569,602, respectively.

Interest expense incurred under these lines of credit totaled \$56,438 and \$120,327 for the years ended September 30, 2019 and 2018, respectively.

Certain loan agreements described above and in Note 10 require that the Laboratory meet certain debt covenant compliance requirements. As of September 30, 2019, the Laboratory was in full compliance with all requirements.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of September 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Future projects	\$ 434,517	\$ 989,955
Construction	6,926,175	3,025,360
Library expenses	26,587	26,587
Beneficial interest in net assets of Mote Marine Foundation, Inc.	7,447,572	6,786,831
Total purpose restrictions	<u>14,834,851</u>	<u>10,828,733</u>
Perpetual in nature:		
Cultural endowment	600,000	600,000
Keys endowment	12,050	12,050
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	9,420,241	10,043,738
Total perpetual in nature restrictions	<u>10,032,291</u>	<u>10,655,788</u>
Total net assets with donor restrictions	<u>\$ 24,867,142</u>	<u>\$ 21,484,521</u>

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

13. Net Assets Released from Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes as of September 30:

	<u>2019</u>	<u>2018</u>
Aquarium expenses	\$ 60,876	\$ 49,959
Other	327,804	439,334
Construction	2,955,902	555,723
	<u>\$ 3,344,582</u>	<u>\$ 1,045,016</u>

14. Retirement Plan

The Laboratory provides a 403(b) retirement plan. The Laboratory matches employee contributions based on an employee's length of service and gross salary. Retirement plan expense was \$526,230 and \$529,472 for the years ended September 30, 2019 and 2018, respectively.

15. Matching Requirements on Governmental Grants

The Laboratory is awarded grants from federal agencies which require matching contributions by the Laboratory. The matching requirements were met or exceeded on completed federal grants during 2019 and 2018.

16. Rental Use Charges

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

17. Financial Instruments with Off-Balance Sheet Risk

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

18. Related Party Transactions

The Mote Marine Foundation, Inc. (Foundation), a financially interrelated organization, provides support to the Laboratory in the form of grants. For the years ended September 30, 2019 and 2018, the Laboratory received grants from the Foundation in the amount of \$612,767 and \$735,060, 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 provide grants, receive donations and pay certain expenses on behalf of the Foundation. As of September 30, 2019 and 2018, the Foundation owed the Laboratory \$114,112 and \$186,191, 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 the years ended September 30, 2019 and 2018, a trustee donated the use of an aircraft for travel accommodations for employees and trustees. The value of this donation for the years ended September 30, 2019 and 2018 is estimated to be \$11,068 and \$18,129, respectively.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

18. Related Party Transactions (Continued)

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

19. Leased Facility

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

20. Endowments

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

Interpretation of Relevant Law

The Board of Trustees of the endowment has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment and (b) the original value of subsequent gifts to the perpetual endowment.

Endowment Net Asset Composition

As of September 30, 2019, endowment net assets consisted of the following:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Endowment balance	\$ 612,050
Un-appropriated income with purpose restrictions	10,442
Total donor-restricted endowment funds	<u>\$ 622,492</u>

As of September 30, 2018, endowment net assets consisted of the following:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Endowment balance	\$ 612,050
Un-appropriated income with purpose restrictions	10,733
Total donor-restricted endowment funds	<u>\$ 622,783</u>

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

20. Endowments (Continued)

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, October 1, 2018	\$ <u>622,783</u>
Endowment investment return:	
Investment income	866
Realized and unrealized losses	<u>(856)</u>
Total endowment investment return	10
Appropriation of endowment for expenditures	<u>(301)</u>
Endowment net assets, September 30, 2019	\$ <u>622,492</u>

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, October 1, 2017	\$ <u>621,318</u>
Endowment investment return:	
Investment income	852
Realized and unrealized gains	<u>922</u>
Total endowment investment return	1,774
Appropriation of endowment for expenditures	<u>(309)</u>
Endowment net assets, September 30, 2018	\$ <u>622,783</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level classified as net assets with donor restrictions that are perpetual in nature. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions of net assets with donor restrictions that are perpetual in nature and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no deficiencies of this nature reported in net assets without donor restrictions as of September 30, 2019 and 2018.

Return Objectives and Risk Parameters

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

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

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

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

21. Fair Value of Financial Assets and Liabilities

The Laboratory adopted the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The Laboratory has adopted Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires the Laboratory to present fair value measurements separately for each class of assets and liabilities held as of September 30, 2019 and 2018

The following tables present information about the Laboratory's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of September 30, 2019 and 2018, 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.

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.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

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

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a recurring basis as of September 30, 2019:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 16,169,848	\$ 13,663,868	\$ 2,403,075	\$ -	\$ 102,905

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a non-recurring basis as of September 30, 2019:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 242,119	\$ -	\$ -	\$ 242,119	\$ -
Pledges receivable	3,708,836	-	-	3,708,836	-
Ending balance	\$ 3,950,955	\$ -	\$ -	\$ 3,950,955	\$ -

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a recurring basis as of September 30, 2018:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 16,470,651	\$ 14,093,808	\$ 2,226,072	\$ -	\$ 150,771

The following sets forth the fair value hierarchy by level for the Laboratory's assets measured at fair value on a non-recurring basis as of September 30, 2018:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 309,638	\$ -	\$ -	\$ 309,638	\$ -
Pledges receivable	589,626	-	-	589,626	-
Ending balance	\$ 899,264	\$ -	\$ -	\$ 899,264	\$ -

(*)Certain investments of Mote Marine Foundation, Inc. that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Mote Marine Laboratory, Inc.
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

22. Subsequent Events

The Laboratory has evaluated all events subsequent to the statement of financial position date of September 30, 2019 and through the date these financial statements were available to be issued, February 17, 2020, and have determined that there are no subsequent events that require disclosure.

Supplemental Information

Schedule of Expenditures of Federal Awards and
State Financial Assistance
Year Ended September 30, 2019

Grantor	CFDA# or CSFA#	Pass-through Entity Identification or Grant Number	Total Expenditures		Transfer to Subrecipients
Federal Contracts and Grants					
RESEARCH AND DEVELOPMENT CLUSTER					
Department of Commerce					
National Oceanic and Atmospheric Administration (NOAA)					
Ocean Exploration	11.011	NA180AR0110291	\$ 95,195	\$ 95,195	\$ 43,042
Integrated Ocean Observing System (IOOS)					
Passed through Texas A&M University	11.012	NA16NOS0120018	50,239	50,239	-
Sea Grant Support					
Passed through University of Florida	11.417	NA14OAR4170108	4,456		
Passed through University of Florida	11.417	NA16OAR4170257	29,005	33,461	-
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program					
	11.427	NA16NMF4270225	3,178		
	11.427	NA18NMF4270201	134,167	137,345	42,575
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes					
Passed through Research Foundation CUNY	11.432	NA14NES4320003	13,815	13,815	-
Marine Fisheries Initiative	11.433	NA15NMF4330152	22,326	22,326	18,780
Marine Mammal Data Program					
	11.439	NA14NMF4390207	8,662		
	11.439	NA15NMF4390044	4,676		
	11.439	NA16NMF4390135	13,970		
	11.439	NA17NMF4390089	7,993		
	11.439	NA18NMF4390064	30,082	65,383	-
Unallied Management Projects					
	11.454	NA16NMF4540085	26,359		
Passed through National Fish and Wildlife Foundation	11.454	NA16NMF4540289	283,457	309,816	182,198
Unallied Science Program					
Passed through Florida Fish & Wildlife Conservation Commission	11.472	NA15NMF4720018	10,479		
	11.472	NA18NMF4720287	87,033		10,350
Passed through Kampachi Farms	11.472	ACQ-210-039-12019-KPF	3,555	101,067	
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA18NOS4780171	48,248	48,248	-
Coral Reef Conservation Program	11.482	NA16NOS4820058	5,655	5,655	-
Environmental Protection Agency					
Office of Water					
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act					
Passed through Florida Fish & Wildlife Conservation Commission	66.436	X7-00D51817	34,890	34,890	-
National Science Foundation					
Geosciences					
	47.050	1452538	141,978		
	47.050	OCE-1712240	16,992		
	47.050	OCE-1757419	127,337	286,307	-
Education and Human Resources	47.076	1922351	778	778	-
U.S. Department of Defense					
Research and Technology Development	12.910	AWD-001612	204,253	204,253	-

Mote Marine Laboratory, Inc.
Schedule of Expenditures of Federal Awards and
State Financial Assistance (Continued)
Year Ended September 30, 2019

Grantor	CFDA# or CSFA#	Grant Number	Total Expenditures		Transfer to Subrecipients
Federal Contracts and Grants (Continued)					
Department of the Interior Fish and Wildlife Service State Wildlife Grants Passed through Florida Fish & Wildlife Conservation Commission	15.634	FL-T-F-16AD00528	36,107		
Passed through Florida Fish & Wildlife Conservation Commission	15.634	FL-T-F-18AF00492	70,164		
Passed through The Nature Conservancy	15.634	FL-T-F-15AF00517	44,874	151,145	-
Department of Treasury Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Passed through the University of South Florida	21.015	FLRACEP-20167-01	53,232	53,232	-
Department of State General Department of State Assistance	19.700	SIS-70017G33038	108,414	108,414	103,718
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 1,721,569	\$ 400,663	
<u>NON RESEARCH AND DEVELOPMENT CLUSTER</u>					
Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0503	100,937	100,937	-
Total Federal Contracts and Grants			\$ 1,822,506	\$ 400,663	
State Contracts and Grants					
State of Florida Florida Fish & Wildlife Conservation Commission Cooperative Red Tide Research Program - Reduction of Harmful Impacts from Red Tide	77.010	15003	739,526	739,526	-
Marine Fisheries Assessment	77.023	16024	380,023	380,023	-
Department of Highway Safety & Motor Vehicles Protect Our Reefs License Plate Project	76.069	POR	914,128	914,128	131,204
Sea Turtle License Plate Project	76.070	19-041R	24,478		
	76.070	19-007C	6,773	31,251	-
Total State Contracts and Grants			\$ 2,064,928	\$ 131,204	
Total Federal and State Contracts and Grants			\$ 3,887,434	\$ 531,867	

Basis of presentation

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

Indirect Cost Election

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

Contract Compliance

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the Auditor General*, the financial statements of Mote Marine Laboratory Inc. (Laboratory), which comprise the statement of financial position as of September 30, 2019, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Beckering Berkens & Co." The signature is written in a cursive style with a large, stylized initial 'B'.

Sarasota, Florida
February 17, 2020

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

Independent Auditor's Report

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

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

We have audited Mote Marine Laboratory, Inc.'s (Laboratory) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services Statements Projects Compliance Supplement that could have a direct and material effect on each of the Laboratory's major federal programs and state financial assistance projects for the year ended September 30, 2019. The Laboratory's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Laboratory's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards, and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Laboratory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the Laboratory's compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the Laboratory complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Sarasota, Florida
February 17, 2020

Mote Marine Laboratory, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

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

Identification of major programs and projects:

CFDA Numbers	Name of Federal Program or Cluster
	Research and Development Cluster:
11.011	Ocean Exploration
11.012	Integrated Ocean Observing System (IOOS)
11.417	Sea Grant Support
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes
11.433	Marine Fisheries Initiative
11.439	Marine Mammal Data Program
11.454	Unallied Management Projects
11.472	Unallied Science Program
11.478	Center for Sponsored Coastal Ocean Research Coastal Ocean Program
11.482	Coral Reef Conservation Program
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act
47.050	Geosciences
47.076	Education and Human Resources
12.910	Research and Technology Development
15.634	State Wildlife Grants
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States
19.700	General Department of State Assistance

Mote Marine Laboratory, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

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

CSFA Numbers

76.069

77.023

Name of State Projects

Protect Our Reefs License Plate Project

Marine Fisheries Assessment

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

Dollar threshold used to distinguish between type A and type B State projects: \$ 619,478

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

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

No prior audit findings or questioned costs 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 (9)(f) and 215.97 (10)(d) of the Florida Statutes, Auditor General Rule 10.654 (1)(e) or 10.656 (3)(e).