

Clearwater Marine Aquarium, Inc.

FINANCIAL STATEMENTS

For the Years Ended
September 30, 2015 and 2014



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REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Clearwater Marine Aquarium, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Clearwater Marine Aquarium, Inc. ("the Aquarium") (a nonprofit organization), which comprise the statements of financial position as September 30, 2015 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

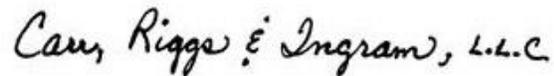
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clearwater Marine Aquarium, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Aquarium's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Carr, Riggs & Ingram, L.L.C.".

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
January 15, 2016



FINANCIAL STATEMENTS

Clearwater Marine Aquarium, Inc. Statements of Financial Position

<i>September 30,</i>	Unrestricted	Temporary Restricted	Permanently Restricted	Total 2015	2014 (Summarized)
Assets:					
Current assets:					
Cash	\$ 329,002	\$ -	\$ -	\$ 329,002	\$ 191,501
Restricted cash	197,015	-	-	197,015	-
Accounts receivable	44,648	-	-	44,648	67,394
Contribution receivable	-	92,000	-	92,000	269,642
Investments	7,075,611	-	-	7,075,611	1,208,536
Gift shop inventory	1,213,185	-	-	1,213,185	1,340,512
Boat and vehicle inventory, net of estimated selling expenses of \$6,000 and \$3,312, respectively	4,000	-	-	4,000	3,888
Other current assets	320,378	-	-	320,378	563,817
Total current assets	9,183,839	92,000	-	9,275,839	3,645,290
Property and equipment, net	19,291,353	-	-	19,291,353	20,266,510
Film costs, net	4,918,922	-	-	4,918,922	5,818,660
Bond costs, net	66,473	-	-	66,473	162,876
Long term contribution receivable	-	134,783	-	134,783	221,043
Externally controlled endowments	-	462,545	1,932,658	2,395,203	2,615,251
Total assets	\$ 33,460,587	\$ 689,328	\$ 1,932,658	\$ 36,082,573	\$ 32,729,630
Liabilities and net assets:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,687,749	\$ -	\$ -	\$ 1,687,749	\$ 1,658,598
Deferred compensation	80,000	-	-	80,000	-
Deferred revenue	267,616	-	-	267,616	205,396
Current portion of notes payable	483,091	-	-	483,091	460,298
Total current liabilities	2,518,456	-	-	2,518,456	2,324,292
Notes payable, net of current portion	4,677,090	-	-	4,677,090	5,254,472
Total liabilities	7,195,546	-	-	7,195,546	7,578,764
Net assets:					
Unrestricted	26,265,041	-	-	26,265,041	22,039,216
Temporarily restricted	-	689,328	-	689,328	1,178,992
Permanently restricted	-	-	1,932,658	1,932,658	1,932,658
Total net assets	26,265,041	689,328	1,932,658	28,887,027	25,150,866
Total liabilities and net assets	\$ 33,460,587	\$ 689,328	\$ 1,932,658	\$ 36,082,573	\$ 32,729,630

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

Clearwater Marine Aquarium, Inc. Statements of Activities

Year ending September 30,	2015			2014 (Summarized)	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support:					
Admissions and member fees	\$ 12,274,086	\$ -	\$ -	\$ 12,274,086	\$ 6,444,526
Animal encounter fees	4,058,483	-	-	4,058,483	2,055,840
Education program fees	436,275	-	-	436,275	360,292
Production company income (Note 14)	-	-	-	-	1,192,855
Fundraising events, net of expenses of \$72,156 and \$ 165,807, respectively	116,863	-	-	116,863	81,383
Gift shop sales, net of cost of goods sold of \$2,242,845 and \$1,185,149, respectively	4,066,428	-	-	4,066,428	1,793,568
Food service income, net of cost of goods sold of \$460,810 and \$217,508, respectively	1,000,384	-	-	1,000,384	467,545
Sea turtle nesting fees	130,000	-	-	130,000	130,000
Grant income	443,317	-	-	443,317	4,826,000
Contributions	593,911	2,000	-	595,911	305,615
Non-cash contributions	1,466,679	-	-	1,466,679	2,002,290
Boat and vehicle donations, net of impairment losses and related expenses of \$17,241 and \$27,176, respectively	11,559	-	-	11,559	14,125
Licensing and merchandise royalties	13,748	-	-	13,748	106,313
Hotel sponsorships	-	-	-	-	25,772
Realized and unrealized losses on investments	(191,909)	-	-	(191,909)	(2,413)
Interest and dividend income	202,634	-	-	202,634	137,262
Total revenue and support	24,622,458	2,000	-	24,624,458	19,940,973
Net assets released from restrictions	271,616	(271,616)	-	-	-
Operating expenses:					
Animal care	4,048,555	-	-	4,048,555	3,408,631
Education	13,195,528	-	-	13,195,528	8,636,889
General and administrative	1,894,684	-	-	1,894,684	1,595,599
Fundraising	155,090	-	-	155,090	139,807
Interest	36,452	-	-	36,452	39,580
Total operating expenses	19,330,309	-	-	19,330,309	13,820,506
Non-operating income/(expense):					
Osceola development, net of expenses of \$0 and \$ 392,671, respectively	(169,592)	-	-	(169,592)	(35,606)
Aquarium expansion	(211,152)	-	-	(211,152)	-
Miscellaneous expense	(61,542)	-	-	(61,542)	22,740
Loss on disposal of fixed asset	(895,654)	-	-	(895,654)	(25,800)
Appreciation/(depreciation) in third party endowments	-	(220,048)	-	(220,048)	79,782
Total other changes	(1,337,940)	(220,048)	-	(1,557,988)	41,116
Increase in net assets	4,225,825	(489,664)	-	3,736,161	6,161,583
Net assets, beginning of year	22,039,216	1,178,992	1,932,658	25,150,866	18,989,283
Net assets, end of year	\$ 26,265,041	\$ 689,328	\$ 1,932,658	\$ 28,887,027	\$ 25,150,866

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

Clearwater Marine Aquarium, Inc. Statements of Cash Flows

<i>Year ending September 30,</i>	2015	2014 (Summarized)
Increase in net assets	\$ 3,736,161	\$ 6,161,583
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,198,162	1,139,316
Film cost amortization	942,332	38,253
Bad debt expense	117,028	426
(Gain)/loss on sale of fixed assets	895,654	(10,200)
Donated boat and vehicle inventory	(18,200)	(20,700)
(Gain)/loss on sale of boats and vehicles	(12,500)	(24,651)
Loss on inventory obsolescence	93,369	-
Donated property, plant and equipment	-	(873,000)
Donated film costs	-	(537,664)
Realized and unrealized losses on investments (Appreciation)/Depreciation in externally controlled endowments	191,909 220,048	2,413 (79,782)
Changes in net assets and liabilities:		
Restricted cash	(197,015)	-
Accounts receivable	22,658	(4,891)
Contribution receivable	146,962	(259,545)
Gift shop inventory	33,958	(335,506)
Boat and vehicle inventory, net	7,888	(2,942)
Film costs	(42,594)	(4,502,837)
Other current assets	243,440	(293,850)
Accounts payable and accrued expenses	29,151	186,712
Deferred compensation	80,000	-
Deferred revenue	62,220	179,041
Net cash provided by operating activities	7,750,631	762,176
Investing activities:		
Proceeds from sale of boats and vehicles	22,700	56,501
Purchases of investments	(7,455,684)	(5,077,423)
Sale of investments	1,396,700	6,362,961
Purchases of property and equipment	(1,022,257)	(1,793,735)
Net cash used by investing activities	(7,058,541)	(451,696)
Financing activities:		
Payments of bond costs	-	(87,680)
Payments on notes payable	(554,589)	(460,298)
Net cash used by financing activities	(554,589)	(547,978)
Net increase(decrease) in cash	137,501	(237,498)
Cash at beginning of year	191,501	428,999
Cash at end of year	\$ 329,002	\$ 191,501
Supplemental disclosures of cash flows information:		
Cash paid for interest, including capitalized interest of \$163,452 and \$87,967, respectively.	199,904	127,547
Donated property	\$ -	\$ 873,000
Donated film costs	\$ -	\$ 537,664

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Clearwater Marine Aquarium, Inc. (the "Aquarium") is a nonprofit corporation located in Clearwater, Florida. The Aquarium is dedicated to public education, research, animal assisted therapy, and the rescue, rehabilitation, and release of sick or injured animals. The Aquarium is also involved with a number of marine science research initiatives, environmental conservation and public education.

Revenue and support for the Aquarium's programs and activities is generated primarily through admission and membership fees, gift shop revenue, animal encounter experiences, donated boat sales, grants, and contributions from the public.

Basis of Accounting

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Aquarium and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Aquarium and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions. Assets with donor restrictions that are met in the same year as they are received are reported as unrestricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations where the principal contribution must remain intact.

Revenue Recognition

In accordance with *Accounting Standard Codification ("ASC") 958 – Not-For-Profit-Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time and/or use restrictions. Contributions that are restricted by the donor, as well as any related gains and investment income, are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Cash

At September 30, 2015 and 2014, cash consists of monies held in checking accounts, savings accounts, cash in the Aquarium's investment portfolio, and petty cash. Cash contributions for a specific purpose are recorded as temporary restricted until spent.

Accounts Receivable

The Aquarium considers all accounts receivable to be substantially collectible. When collection is doubtful, an allowance for doubtful accounts is established for accounts receivable. Accounts receivable are monitored continuously and are written off or reserved when deemed uncollectible based on contractual terms and age of the account. There was no allowance for doubtful accounts as of September 30, 2015 and 2014.

State Grant

The State of Florida appropriated funds in the amount of \$2,000,000 in their fiscal year 2014-2015 General Appropriations Act on line 3146A. The Aquarium must provide specified deliverables and performance measurements related to the scope of work (Island Estates Improvements), for payments to be awarded. The first payment is a fixed price advance in the amount of 25% (\$500,000). The three remaining payments will be made based on the deliverables and performance measures being met. The grant funds must be used by June 1, 2016. As of September 30, 2015, there are no payments due.

During 2015, the Aquarium received the first payment in the amount of \$500,000. The Aquarium expended \$306,317 on the project. The balance of \$193,683 is included in deferred revenue and restricted cash on the balance sheet.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gift Shop Inventory

Inventory consists of merchandise held for sale by the Aquarium gift shop and is stated at the lower of average cost or market. All gift shop inventory is considered to be finished goods. As of September 30, 2015 and 2014, the Aquarium recognized \$93,369 and \$0, respectively relating to inventory obsolescence. Management reviews inventory items for obsolescence and slow moving items and deemed no allowance is considered necessary as of September 30, 2015 and 2014. Due to changes made to the design of inventory items and logos, the Aquarium recognized a loss on inventory obsolescence of \$93,369 as of September 30, 2015 which is included in miscellaneous expense in the statement of activities.

Contribution Receivable

Contribution receivables are recorded as a receivable when a pledge is made from a viable source and is in written form. Contributions receivable are recorded as temporarily restricted until the pledge is received and/or the purpose is met. As of September 30, 2015 and 2014, management has established an allowance for uncollectible pledges, as of September 30, 2015 and 2014 in the amount of \$30,000. Contributions receivable are evaluated on a regular basis and management establishes the allowance as necessary. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value) at a discount rate of 1.5% for the year ended September 30, 2015. During 2015, the Aquarium wrote off \$116,940 in contributions receivable.

Donated Boat and Vehicle Inventory

The value of boats and vehicles donated to the Aquarium are recorded as contributions at their estimated values at the date of receipt net of estimated selling costs. During the year, the boat and vehicle inventory is periodically assessed for declines in estimated values based on changes in market conditions and if necessary, an impairment loss is recorded to adjust the boat and vehicle inventory to net realizable value.

For the years ended September 30, 2015 and 2014, the Aquarium recorded impairment write-downs totaling \$5,300 and \$3,500, respectively.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment with an acquisition cost or donated value of \$500 or more and a useful life of more than one year are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair market value. Interest expense incurred on the bond obligation is capitalized and included in construction in progress in Note 6. Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Building and improvements	5 – 40 years
Furniture, fixtures and equipment	3 – 15 years
Boats and vehicles	5 - 10 years

Use of Estimates

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 the 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. Actual results could differ from those estimates.

Investments

Investments in equity securities with readily determinable fair values are measured at fair value based on quoted market prices. Gains and losses on market value adjustments and sales are recognized in the statements of activities. Investment fees of \$14,996 and \$7,801, respectively as of September 30, 2015 and 2014, are included in the general and administrative expenses in the statements of activities

Donated Items

The value of donated materials and equipment has been recorded in the financial statements as contributions based upon the fair market value of the goods received. In addition, the Aquarium has received donated services from various individuals.

The Aquarium includes the fair market value of these services in the financials when they meet the criteria for recognition under ASC 958.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising is expensed as incurred or upon the date the advertising publications are first released. Advertising expense totaled \$2,444,439 and \$1,655,864 for the years ended September 30, 2015 and 2014, respectively. Included in advertising expense in 2015 and 2014 is donated advertising in the approximate amount of \$792,900 and \$668,200, respectively.

Bond Costs

The costs of obtaining the bonds are capitalized and amortized over the life of the bond. For the year ended September 30, 2015 and 2014, \$136,632 has been capitalized and is being amortized over the life of the 2011 bonds. Accumulated amortization as of September 30, 2015 and 2014 is \$70,160 and \$65,729, respectively. The bond costs will be amortized in full by December 2031 (maturity of the bonds). As of September 30, 2014, the Aquarium had capitalized \$87,680, in costs relating to expected new bond financing. Ultimately, the Aquarium determined the financing would not be necessary and the amount was written off to amortization expense. Amortization expense for 2015 and 2014 is \$96,404 and \$12,751, respectively.

Income Taxes

The Aquarium has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as an organization that is not a private foundation under Section 509(a).

In accordance with *ASC 740, Income Taxes*, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed.

Film Costs

As of September 30, 2015, the Aquarium has capitalized film costs associated with three films: Two documentaries and a major motion picture. During fiscal year 2012 the Aquarium began efforts to launch a documentary surrounding one of its acclaimed dolphins. During both 2013 and 2014, the Aquarium incurred expenses meeting the definition of film costs to be capitalized under *ASC No. 926, Entertainment – Films*. During 2015, expenses have been incurred on a new concert DVD in process.

Each month, the Aquarium expenses a flat percentage of sales related to the documentary. As part of its evaluation of the recoverability of film costs, management evaluates the expected total ultimate revenue over the life of the project and compares that amount to actual revenue earned to date to determine the actual amortization expense for the year. The calculated amortization is compared to the recorded amortization for reasonableness.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Film Costs-(Continued)

In addition, the estimated ultimate revenue is compared to remaining film costs, net to determine if an impairment charge is necessary. No impairment charges were deemed necessary for the years ending September 30, 2015 and 2014. See Note 3 for details over film costs.

As of September 30, 2014, the Aquarium had capitalized film costs associated with the major motion picture of \$5,537,000. The movie was released in late September 2014. The Aquarium has prepared a projection of the expected increases in revenue relating to the release of the movie. Based on these revenue projections, the Aquarium has projected the amortization that will be recognized (to match the revenue and expense). The Aquarium will reconsider the projections each year and adjust their estimates accordingly. See Note 3 for details over film costs.

Subsequent Events

Management of the Plan applies the provisions of ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. See Note 21, *Subsequent Events*.

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 2: CONTRIBUTION RECEIVABLE

Contributions receivable are expected to be collected in the following years as follows:

Expected receipt of contribution in:	Amount
2016	\$ 92,000
2017	59,736
2018	55,000
2019	40,750
2020	14,000
<hr/>	
Gross contribution receivable	261,486
Less:	
Discount on contributions	(4,703)
Allowance for uncollectible contribution receivable	(30,000)
<hr/>	
Net contributions receivable	\$ 226,783

Contributions receivable consist primarily of promises from individuals and corporations within the Tampa Bay area. Management has established the allowance account as its estimate of the uncollectible promises to give of approximately \$30,000 at September 30, 2015 and 2014.

NOTE 3: FILM COSTS

Components of Film Costs	2015	2014
Released film costs - Dolphin Tale 2	\$ 5,537,664	\$ 5,537,664
Released film costs - documentary	327,698	327,698
New concert DVD	42,594	-
	5,907,956	5,865,362
Accumulated amortization of film costs	(989,034)	(46,702)
<hr/>		
Film costs, net	\$ 4,918,922	\$ 5,818,660

The Aquarium is currently working on releasing a concert DVD and expects to place this asset in service in 2016.

NOTE 3: FILM COSTS (Continued)

Film costs, of approximately \$328,000, relating to *Winter's Documentary* were released in 2013. As of September 30, 2015 and 2014 accumulated amortization associated with *Winter's Documentary* approximated \$114,000 and \$47,000 respectively. The Aquarium expects that approximately 69% will be amortized of *Winter's Documentary* costs in the next 12 months and 100% will be fully amortized by September 2018.

Film costs, of \$5,537,664, relating to *Dolphin Tale 2* were capitalized in the year ending September 30, 2014. As of September 30, 2015 accumulated amortization associated with *Dolphin Tale 2* totaled approximately \$828,000. The Aquarium expects that approximately 25.5% and 55.3% of *Dolphin Tale 2* costs will be amortized over the next 12 months and three years, respectively. The Aquarium expects to reach 80% of costs amortized by 2022. The estimates of expected amortization are based on *Dolphin Tale 2's* release and the impact on attendance to the Aquarium.

The Aquarium evaluates the film cost to determine whether unamortized capitalized costs of any of the films have a fair value that is less than its carry value (see Note 1 Film Costs for policy).

NOTE 4: FAIR VALUE MEASUREMENT

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

Mutual funds: Valued at the net asset value (NAV) of shares held by the Aquarium at year end. The mutual funds are invested in fixed income securities. There are no unfunded commitments and there are no significant restrictions on the Aquarium's ability to sell these investments.

Money Market: Valued at the net asset value (NAV) of shares held by the Aquarium at year end. There are no unfunded commitments and there are no significant restrictions on the Aquarium's ability to sell these investments.

Beneficial interest in third party endowment: The investments are managed by a third party unrelated to the Aquarium. The endowment assets are valued based on the third party pricing information without adjustment. The Aquarium does not develop nor are they provided with the quantitative inputs used to develop the fair market values. Management reviews and records the investment valuation monthly.

Life Insurance Contract: The fair value is measured using the cash surrender value of the policy as of year-end. The life insurance contract is valued based on the third party pricing information without adjustment. The Aquarium does not develop nor are they provided with the quantitative inputs used to develop the fair market value.

Due to the unavailability of the unobservable inputs, the Aquarium has not disclosed in tabular format the quantifiable inputs used to determine the fair value of this investment. Management reviews the fair value provided by the trustee at year end for reasonableness.

Boat and Vehicle Inventory: Comprised of donated boats and vehicles valued at their estimated fair value at the date of donation. In addition, the Aquarium evaluates the fair value of all boat and vehicle inventory based on current market rates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers in 2015 or 2014.

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, the fair value hierarchy, of investments at fair value:

<i>September 30,</i>	2015			
Description	Assets Measured at Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 18,670	\$ 18,670	\$ -	\$ -
Mutual Funds	7,056,941	7,056,941	-	-
Beneficial interest in perpetual trusts	2,395,203	-	-	2,395,203
Boat and vehicle inventory, net	4,000	-	-	4,000
Life insurance contract	32,393	-	-	32,393
	2,431,596	-	-	2,431,596
Grand total	\$ 9,507,207	\$ 7,075,611	\$ -	\$ 2,431,596

<i>September 30,</i>	2014			
Description	Assets Measured at Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 4,670	\$ 4,670	\$ -	\$ -
Mutual Funds:				
Bond fund	278,374	278,374	-	-
Absolute return fund	925,492	925,492	-	-
	1,203,866	1,203,866	-	-
Beneficial interest in perpetual trusts	2,615,251	-	-	2,615,251
Boat and vehicle inventory, net	3,888	-	-	3,888
Life insurance contract	26,897	-	-	26,897
	2,646,036	-	-	2,646,036
Grand total	\$ 3,854,572	\$ 1,208,536	\$ -	\$ 2,646,036

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets:

<i>Year ending September 30,</i>	2015	2014
	Boat and vehicle inventory, net	
Beginning balance at fair value	\$ 3,888	\$ 12,096
Donated boats and vehicles	18,200	20,700
Less: Sales	(22,700)	(56,501)
Plus: Realized gains	12,500	24,651
Less: Impairments	(5,300)	(3,500)
Less: Expenses	(2,588)	6,442
Ending balance at fair value	\$ 4,000	\$ 3,888
	Beneficial interest in third party endowment	
Beginning balance at fair value	\$ 2,615,251	\$ 2,535,469
Unrealized gains/losses	(220,048)	79,782
Ending balance at fair value	\$ 2,395,203	\$ 2,615,251
	Life insurance contract	
Beginning balance at fair value	\$ 26,897	\$ 30,831
Change in surrender value	5,496	(3,934)
Ending balance at fair value	\$ 32,393	\$ 26,897

NOTE 5: CASH SURRENDER VALUE OF LIFE INSURANCE

The Aquarium and its CEO own, as co-owners, a universal life insurance policy on the life of the CEO with a death benefit of \$500,000 as of September 30, 2015. The policy is structured to provide the Aquarium and its CEO an undivided interest in the funding policy in direct proportion to their premium share. As of September 30, 2015 and 2014 the Aquarium funded approximately \$9,791 and \$11,086, of the fiscal year premium, respectively. The Aquarium's share of the net cash surrender value as of September 30, 2015 and 2014 is \$32,393 and 26,897, or 49% and 54% respectively.

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 5: CASH SURRENDER VALUE OF LIFE INSURANCE (Continued)

The ownership factor on the contract of CMA decreases each year and the CEO's ownership factor increases each year. As of September 30, 2015, the Aquarium owned approximately 49%, or \$245,000, of the contract's death benefit. As of September 30, 2014 the Aquarium owned 54%, or \$270,000, of the contract's death benefit.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>September 30,</i>	2015	2014
Land and improvements	\$ 5,743,423	\$ 5,687,279
Buildings and improvements	10,949,843	9,620,555
Furniture, fixtures and equipment	3,106,495	2,785,379
Vehicles and boats	1,029,661	997,020
Construction in progress	3,366,048	5,019,452
	24,195,470	24,109,685
Less: Accumulated depreciation	(4,904,117)	(3,843,175)
Property and equipment, net	\$ 19,291,353	\$ 20,266,510

NOTE 7: LAND

On December 21, 1989, a parcel of land in Crystal Beach, Florida was donated to the Aquarium. The market value of the property based upon an MAI appraisal dated December 27, 1989 was \$400,000. A restriction was placed on the gift providing that the Aquarium keep the land in its natural and unimproved state with an exception for improvements such as trails, boardwalks, piers and buildings used in the operation of the Aquarium's programs. No residential or commercial use of the property is permitted. Due to these restrictions, the land is included in the statements of financial position at \$1.

NOTE 8: THIRD PARTY ENDOWMENTS

The Aquarium’s third party endowments consist of two externally managed funds established for a variety of purposes. The endowments are both donor-restricted endowment funds. The funds are held by third-party trustees and therefore the Aquarium has no direct influence over the investment policy of either fund. The Aquarium classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Aquarium’s policy is to appropriate interest and dividends received from these endowments for operations. Therefore, interest and dividends is reported as unrestricted on the Statements of Activities.

The Board of Directors of the Aquarium 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 Aquarium classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

All permanently restricted net assets consist of perpetual trusts held by third parties. For all endowment funds, the donors have stipulated that additional accumulation of funds above and beyond the permanent endowment are unrestricted as to purpose, however the Aquarium reports the accumulation of funds as temporarily restricted net assets until the funds are distributed by the trustees to the Aquarium and appropriated by the Board of Directors.

Endowment net asset composition by type of fund as of September 30, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Third party endowment funds	\$ 462,545	\$ 1,932,658	\$ 2,395,203

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 8: THIRD PARTY ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Third party endowment, beginning of year	\$ 682,593	\$ 1,932,658	\$ 2,615,251
Unrealized gain/loss	(220,048)	-	(220,048)
Third party endowment net assets, end of year	\$ 462,545	\$ 1,932,658	\$ 2,395,203

These endowment assets are held in perpetuity and are invested and managed by outside trustees in accordance with trust instruments established by the donors. The fair market value of the assets held in the endowment trusts are considered to be the most appropriate estimates of the discounted values of the estimated future revenue streams, and are therefore the basis used to record these future streams of revenue. For the years ended September 30, 2015 and 2014, the fair market value of the assets that support the revenue streams to the Aquarium (decreased)increased by (\$220,048) and \$79,782, respectively.

NOTE 9: DEFERRED COMPENSATION PLAN

The Aquarium implemented an unfunded executive deferred compensation plan subject to Section 457(f) of the Internal Revenue Code in 2015. For the year ended December 31, 2015, the Aquarium accrued \$100,000 to the benefit the participants in the Plan and distributed \$20,000 to one participant due to termination of employment with the Aquarium.

NOTE 10: LONG-TERM DEBT

On December 29, 2010, the Pinellas County Industrial Development Authority d/b/a Pinellas County Economic Development Authority (the "Issuer") issued a 20-year term bond in the principal amount up to \$8,600,000, Series 2010, (the "Bond") to the Aquarium (the "Borrower"). The Bonds were issued pursuant to an agreement (the "Agreement") between the Issuer and a financial institution, (the "Bank"). During 2013, the Aquarium drew down approximately \$5,075,000, which was the remaining principal eligible to be drawn on under the Bond.

The Bond shall be used to (i) refinance existing debt of the Borrower with the Bank, (ii) refinance the purchase of real property to be used as a parking lot, (iii) finance the construction of a parking garage, (iv) finance the construction of a parking lot and (v) finance construction and renovations related to the Borrower's main facility (collectively, the "Project").

NOTE 10: LONG-TERM DEBT (Continued)

The Agreement contains covenants that require the Aquarium to maintain compliance with laws, maintain its tax exempt status, report to the lender as required, and demonstrate key financial ratios, including a threshold of unrestricted net assets. The Bond is secured by all assets and real property belonging to the Aquarium as well as any property, plant and equipment purchased in the future. The interest rate shall be the sum of (i) 68% of One-Month LIBOR (.19% and .18% at September 30, 2015 and 2014), as adjusted monthly with changes in One-Month LIBOR and (ii) 65% of the interest spread of 2.75% per annum (or 1.7875%). The interest rate shall be subject to adjustment in the event of decreases in the Bank's maximum statutory marginal tax rate, upon a determination of taxability or in the event the Bond is determined to not be bank qualified under Section 265(b)(3) of the Internal Revenue code.

Accrued interest shall be paid monthly in arrears on the 29th day of each month, beginning January 29, 2011. Beginning January 29, 2012, and continuing on the 29th day of each month thereafter, the Aquarium will pay monthly installments equal to \$35,834. All principal and accrued and unpaid interest shall be unconditionally due and payable on the maturity date, December 29, 2031. Additionally, the Bond will be subject to mandatory redemption upon a Determination of Taxability or a Determination of Non-Bank Qualified Status.

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 10: LONG-TERM DEBT (Continued)

The following summarizes all long-term debt of the Organization as of September 30, 2015 and 2014:

<i>Year ending September 30,</i>	2015	2014
Twenty year term bond collateralized by all real property of the Aquarium. Principal is payable in monthly installments of \$35,834 beginning on January 29, 2012. Interest is variable based on LIBOR rates. Bond matures on December 29, 2031.	\$ 3,795,181	\$ 4,225,189
Note payable collateralized by the income, rents, receivables, and profits of the underlying property. Principal installments of \$7,583 is payable beginning on March 5, 2016. Interest is variable based on 1 month LIBOR + 2.25% and is payable monthly beginning on March 5, 2013. Note matures February 5, 2018.	1,365,000	1,365,000
Note payable collateralized by First Preferred Ship's Mortgage. Principal and interest payments of \$2,869 commenced on August 12, 2013 until the note matures on July 2, 2018. Interest is fixed at 2.90%.	-	124,581
Total of debt obligations	5,160,181	5,714,770
Less: current portion of notes payable	(483,091)	(460,298)
Notes payable, net of current portion	\$ 4,677,090	\$ 5,254,472

<i>Year ending September 30,</i>	Principal Payment Due
2017	\$ 521,004
2018	1,650,929
2019	430,008
2020	430,008
2021	430,008
Thereafter	1,215,133
Total	\$ 4,677,090

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

<i>September 30,</i>	2015	2014
Temporary restricted net assets, beginning of year	\$ 1,178,992	\$ 839,665
Contributions/(release from restrictions), net	(269,616)	259,545
Appreciation (depreciation) of externally controlled third party endowments	(220,048)	79,782
Temporarily restricted net assets, end of year	\$ 689,328	\$ 1,178,992

NOTE 12: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

<i>September 30,</i>	2015	2014
Externally controlled third party endowments:		
Thomas Cooper	\$ 1,362,500	\$ 1,362,500
Edna Klauser	570,158	570,158
Total	\$ 1,932,658	\$ 1,932,658

NOTE 13: IN-KIND CONTRIBUTIONS

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Aquarium's programs principally in the areas of animal care, education, and daily operations. The value of this contributed time is not reflected in these financial statements as it does not meet the criteria for in-kind revenue and expense recognition. The total hours contributed during both 2015 and 2014 were approximately 112,000 and 109,000, respectively.

During the year, the Aquarium received in-kind contributions for services provided to the Aquarium. These contributions have been recorded as unrestricted contributions at their estimated fair market value at the time of donation.

Clearwater Marine Aquarium, Inc.
Notes to Financial Statements

NOTE 13: IN-KIND CONTRIBUTIONS (Continued)

The related in-kind expenses have been recognized in the appropriate functional expense classification. The contributions received were as follows:

<i>For the year ended September 30,</i>	2015	2014
FMV of time spent working on Winter's prosthetic tail	\$ 201,000	\$ 197,000
Other donated services	1,265,679	1,805,290
Total non-cash contributions	\$ 1,466,679	\$ 2,002,290

NOTE 14: PRODUCTION COMPANY INCOME

During 2014 and related to the production of the major motion picture *Dolphin Tale 2*, the Aquarium received income from the production company in accordance with their agreements relating to the production of the movie. The amounts received are as follows as of September 30, 2014:

Description	Amount
Reimbursement for closure during filming	\$ 500,000
Forgiveness of production costs payment	537,664
Reimbursement for pool renovations	155,191
Total	\$ 1,192,855

NOTE 15: RELATED PARTY TRANSACTIONS

A member of the Board of Directors provided contracting services for various facility additions and improvements during the current year. The total fair market value of services provided during the years ended September 30, 2015 and 2014, totaled \$35,466 and \$66,940, respectively.

The Aquarium purchased merchandise from a company owned by one of the Aquarium's Board of Directors. Total payments to this company during the years ended September 30, 2015 and 2014 totaled \$57,811 and \$50,447, respectively.

The Aquarium also purchased transportation services for the benefit of its guests. The Executive Director of the Company is also a Director the Aquarium's Board. Expenses incurred associated with this function for the year end September 30, 2015 and 2014 totaled \$863,436 and \$539,451, respectively.

NOTE 16: MERCHANDISING ROYALTIES

The Aquarium pays merchandising royalties on the sale of merchandise to the Production Company which produced the feature films (*Dolphin Tale* and *Dolphin Tale 2*). These Royalties are included in the Education Expense line item on the Statement of Activities and totaled \$780,032 and \$225,654 for the years ended September 30, 2015 and 2014, respectively.

NOTE 17: DEFINED CONTRIBUTION BENEFIT PLAN

The Aquarium sponsors a 401(k) savings plan for employees who have attained one year of service and have reached the age of 21. The Aquarium matches 100% of participant contributions that are not over 3% of the participant's compensation and 50% of participant contributions that are over 3% but not over 5% of the participant's compensation. The Aquarium contributed \$89,277 and \$89,914 to the Plan during the years ended September 30, 2015 and 2014, respectively. During 2015, the Aquarium entered into the *Employee Plans Compliance Resolution System* in order to voluntarily correct an operational error in the Plan. As a result the Aquarium has accrued an additional contribution of \$76,000 as of September 30, 2015, to correct the Plan.

NOTE 18: CONCENTRATION RISK

The Aquarium maintains its cash balances with an accredited financial institution. From time to time during the year, deposits may exceed the threshold guaranteed by the Federal Deposit Insurance Corporation.

NOTE 19: OPERATING LEASE

On September 12, 2011, the City of Clearwater and the Aquarium executed a business lease Agreement and License Agreement to access, renovate, and occupy the Harborview Center located at 320 Cleveland Street in downtown Clearwater, Florida.

The lease calls for rental payments over the 30 month lease totaling \$58,867, which is equivalent to the capital expenditures incurred by the City of Clearwater to make initial repairs on the Harborview Center building. The rental payments are calculated at a \$1 per visitor fee until the full amount is paid to the City of Clearwater, and thereafter the rent is \$1 per lease year. Rent paid as of September 30, 2015 and 2014 is \$21,256 in each year.

NOTE 19: OPERATING LEASE (Continued)

Under the terms of the lease, the Aquarium secured rights to use of the second floor of the Harborview Center building. On January 24, 2014, the Aquarium executed an amendment which states the lease term shall expire sixty (60) days from the grand opening of the new Aquarium. In the event that the Aquarium fails to enter into a lease for the City Hall property by June 1, 2015, then the Harborview lease shall expire six months later on November 30, 2015. Since, the Aquarium will not be moving forward with the City Hall property, the Aquarium executed an amendment to lease the Harborview space (effective December 1, 2015) on a month to month basis with no defined expiration date other than each party must provide a six month notice to terminate the lease.

On August 14, 2013 the City of Clearwater and the Aquarium executed a memorandum of understanding regarding the Aquarium's new facility Project ("Project") ("new Aquarium") which is planned to be constructed on City property. A parking structure required to support the new aquarium will be located off-site. Among other attractions, the Project will consist of ancillary facilities, exhibits, a 4D theatre, tanks, café area, various kiosks, and a roof top deck. This memorandum of understanding has been terminated as of April 30, 2015.

NOTE 20: OSCEOLA DEVELOPMENT

For the years ended September 30, 2015 and 2014 the Aquarium generated revenues of approximately \$0- and \$357,000, respectively, and expenses of approximately \$169,592 and \$426,000, respectively, relating to the development of the new aquarium. These revenues and related costs have been presented as nonoperating in the Statements of Activities.

On November 5, 2013 the City of Clearwater obtained voter approval in order to lease the property for the Project (defined in Note 19) for an initial term of 60 years. The Aquarium is responsible for the construction, design, maintenance, and funding of the Project. The Aquarium plans to finance the Project through a combination of funding sources. However, no general fund revenues of the City will be expended for this Project. The City will have no obligation or liability in the event the Aquarium defaults on any of its loans. In the event of default, the Aquarium's lender will be limited to changing the management of the new aquarium and assuming all of the Aquarium's rights and obligations for the remainder of the lease or abandoning the City Property and disassembling the building and collecting the Aquarium's assets. The Aquarium shall have all funds necessary for the construction by no later than August 1, 2016. In 2015, due to a variety of factors, Aquarium management determined not to move forward with the project and therefore further consideration of the project was terminated.

NOTE 21: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2015 through January 15, 2016, the date the financial statements were available to be issued. On October 7, 2015, the Aquarium was notified that they were named the recipient of \$1,000,000 in State of Florida appropriations, pending completion of the "Funding Evaluation Form" and providing all requested supporting documentation.