

CORAL RESTORATION FOUNDATION INC
Financial Statements
Years Ended December 31, 2019 and 2018

CORAL RESTORATION FOUNDATION INC

TABLE OF CONTENTS

Independent Auditors' Report on the Financial Statements.....	Page 1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	17-18
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	19-21
Schedule of Expenditures of Federal Awards.....	22
Notes to Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs.....	24-25



Independent Auditors' Report

**To the Board of Directors
CORAL RESTORATION FOUNDATION INC
Key Largo, Florida**

We have audited the accompanying financial statements of CORAL RESTORATION FOUNDATION INC, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

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 audits 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 auditors consider 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 CORAL RESTORATION FOUNDATION INC, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal expenditures 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 September 25, 2020, on our consideration of CORAL RESTORATION FOUNDATION INC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 CORAL RESTORATION FOUNDATION 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 CORAL RESTORATION FOUNDATION INC's internal control over financial reporting and compliance.

Somerset CPAs PC

Indianapolis, Indiana
September 25, 2020

CORAL RESTORATION FOUNDATION INC
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash	\$ 3,025,573	\$ 2,186,611
Receivables, net	104,830	48,299
Other current assets	144,218	102,034
	<u>3,274,621</u>	<u>2,336,944</u>
Total Current Assets		
	<u>221,126</u>	<u>238,635</u>
Property and Equipment, net		
Noncurrent Assets		
Deposits	9,460	9,460
	<u>9,460</u>	<u>9,460</u>
Total Assets	<u>\$ 3,505,207</u>	<u>\$ 2,585,039</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 31,705	\$ 25,162
Accrued expenses	164,997	383,204
Deferred revenue	137,600	12,950
	<u>334,302</u>	<u>421,316</u>
Total Current Liabilities		
	<u>334,302</u>	<u>421,316</u>
Long-term Liabilities		
Accrued expenses	0	60,000
	<u>0</u>	<u>60,000</u>
Total Liabilities	<u>334,302</u>	<u>481,316</u>
Net Assets		
Net assets without donor restrictions	3,036,185	1,908,723
Net assets with donor restrictions	134,720	195,000
	<u>3,170,905</u>	<u>2,103,723</u>
Total Net Assets		
	<u>\$ 3,505,207</u>	<u>\$ 2,585,039</u>
Total Liabilities and Net Assets	<u>\$ 3,505,207</u>	<u>\$ 2,585,039</u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions						
Government grants	\$ 1,326,095	\$ 0	\$ 1,326,095	\$ 921,841	\$ 0	\$ 921,841
Other contributions	1,432,368	0	1,432,368	1,448,118	195,000	1,643,118
Special events, net	222,600	0	222,600	142,921	0	142,921
Merchandise sales	34,684	0	34,684	49,328	0	49,328
Other revenue	64,437	0	64,437	35,509	0	35,509
Total Revenue and Other Support	3,080,184	0	3,080,184	2,597,717	195,000	2,792,717
Net Assets Released from Restrictions						
Education programming, scholarships, grants, awards and administrative expenses	60,280	(60,280)	0	25,000	(25,000)	0
Total Revenue, Support and Gains	3,140,464	(60,280)	3,080,184	2,622,717	170,000	2,792,717
Expenses						
Program services	1,459,069	0	1,459,069	1,746,351	0	1,746,351
Management and general	384,634	0	384,634	278,947	0	278,947
Fundraising	169,299	0	169,299	128,560	0	128,560
Total Expenses	2,013,002	0	2,013,002	2,153,858	0	2,153,858
Net Increase (Decrease) in Net Assets	1,127,462	(60,280)	1,067,182	468,859	170,000	638,859
Net Assets, Beginning of Year	1,908,723	195,000	2,103,723	1,439,864	25,000	1,464,864
Net Assets, End of Year	\$ 3,036,185	\$ 134,720	\$ 3,170,905	\$ 1,908,723	\$ 195,000	\$ 2,103,723

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 790,042	\$ 176,949	\$ 127,989	\$ 1,094,980	\$ 748,245	\$ 145,340	\$ 95,675	\$ 989,260
Payroll taxes	44,675	13,395	9,501	67,571	46,459	10,048	7,149	63,656
Travel	41,835	11,055	2,891	55,781	48,232	6,427	5,991	60,650
Insurance	111,038	4,180	841	116,059	104,417	2,821	601	107,839
Marketing	32,872	81,515	1,269	115,656	6,569	11,642	992	19,203
Employee benefits	20,569	6,629	6,265	33,463	10,211	8,449	4,708	23,368
Professional fees	143,663	46,351	6,135	196,149	176,838	51,733	3,996	232,567
Rent	59,589	6,664	1,744	67,997	55,704	8,674	1,808	66,186
Development and training	9,072	559	0	9,631	11,009	559	65	11,633
Depreciation	69,189	6,591	2,296	78,076	63,073	6,614	2,066	71,753
Office expenses	21,580	9,776	3,781	35,137	21,696	2,497	1,980	26,173
Program event	8,876	0	0	8,876	309,813	0	0	309,813
Supplies and equipment	54,197	12,011	146	66,354	77,467	20,765	0	98,232
Repairs and maintenance	47,335	2,777	696	50,808	54,384	1,084	122	55,590
Donor meals and entertainment	0	0	208	208	0	0	10	10
Other operating expenses	4,537	6,182	5,537	16,256	12,234	2,294	3,397	17,925
Total Functional Expenses	<u>\$ 1,459,069</u>	<u>\$ 384,634</u>	<u>\$ 169,299</u>	<u>\$ 2,013,002</u>	<u>\$ 1,746,351</u>	<u>\$ 278,947</u>	<u>\$ 128,560</u>	<u>\$ 2,153,858</u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,067,182	\$ 638,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,076	71,753
Changes in assets and liabilities:		
Receivables, net	(56,531)	142,615
Other current assets	(42,184)	292
Accounts payable	6,543	(11,106)
Accrued expenses	(278,207)	187,652
Deferred revenue	124,650	(3,450)
	<u>899,529</u>	<u>1,026,615</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	<u>(60,567)</u>	<u>(62,553)</u>
Net Increase in Cash and Cash Equivalents	838,962	964,062
Cash, Beginning of Year	<u>2,186,611</u>	<u>1,222,549</u>
Cash, End of Year	<u><u>\$ 3,025,573</u></u>	<u><u>\$ 2,186,611</u></u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note A - Nature of Operations and Summary of Significant Accounting Policies:

Nature of Operations

The Coral Restoration Foundation Inc (the Foundation) was incorporated in the State of Florida in September 2002 and is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The fundamental mission of the Foundation since its inception is to create offshore nurseries and restoration programs for threatened coral species. The Foundation has facilities in Key Largo and Tavernier, Florida consisting of an administration and education facility, and a wet laboratory and warehouse.

Programs

The major program activities of the Foundation are as follows:

- Coral Restoration: Create offshore nurseries, maintain and outplant. Through this program, the Foundation is actively restoring coral reefs.
- Education: Educate individuals on how they can make a difference from anywhere in the world to better the oceans.
- Science: Develop new innovative techniques, monitor previously outplanted colonies and facilitate outside collaborations.
- International: Provide assistance and consulting in the Caribbean and South Pacific to help communities restore their endangered coral reefs.

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

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 certain 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.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Revenue Recognition

Grant Revenue

The Foundation receives grants from various agencies, including from the federal government, to carry out certain program activities. The grants are received under contracts which require the Foundation to submit appropriate records of services provided by contractors. Revenue funded by grants is recognized as the Foundation performs the contracted services under the grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency, and as a result of such audit, adjustments could be required. Funds received in advance of incurred grant program expenses are reported as deferred revenue.

Contributions

Contributions are recognized when the donor makes a pledge to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Donated Goods and Services

The Foundation records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials, equipment and services are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt. The Foundation received \$74,360 and \$67,660 for the years ended December 31, 2019 and 2018, respectively, of donated goods and services.

Volunteer Services

The Foundation benefits from the efforts of many volunteers. These in-kind contributions by volunteers are not recorded as revenue in the financial statements because they do not meet the requirements for recognition under U.S. generally accepted accounting principles.

Cash Flows

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid instruments purchased within three months or less of an instrument's maturity date to be cash and cash equivalents.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Grants, Contributions and Other Receivables, net

Grants and contributions receivable, which represent unconditional promises to give, are recognized in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the net present value of their estimated cash flows beyond one year using a risk-adjusted rate of return appropriate for the expected term of the promise to give. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

Other receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Foundation uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. The Foundation has determined that any allowance would be immaterial.

Property, Equipment, Leasehold Improvements and Depreciation

Property, equipment and leasehold improvements are carried at cost and include expenditures for new additions and those which substantially increase the useful lives of existing assets. Depreciation has been provided on the straight-line method over the estimated service lives of the equipment. Depreciable lives generally range from 5-15 years.

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of property or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings.

The provision for depreciation amounted to \$78,076 and \$71,753 for the years ended December 31, 2019 and 2018, respectively.

Net Assets

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of the Foundation.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
December 31, 2019 and 2018

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Net Assets (Continued)

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets permit the Foundation to use all of the income earned on related investments for general or specific purposes. More specifically, items included in fund balances with donor restrictions are gifts for which restrictions have not been met.

Advertising

The Foundation charges advertising costs to expense as incurred. Advertising expenses amounted to \$123,152 and \$24,189 for the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Fair Value Measurements

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2019 and 2018, the Foundation held certain financial assets, donated to them, that are required to be measured at fair value on a nonrecurring basis related to their Gala (see Note F). Examples of these items are gift certificates, artwork, travel and entertainment tickets. These assets are considered to be Level 2 in the fair value hierarchy defined above.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an other than private foundation.

Authoritative accounting standards require the Foundation to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months or that would not sustain an examination by applicable taxing authorities. Although the Foundation has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the Statements of Activities.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Recently Adopted Standard

In June 2018, the FASB issued ASC Update No. 2018-08, "*(Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Foundation effective January 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Foundation has not restated its 2018 revenue balances or opening net assets for the years presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*", which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. In June 2020, the FASB issued ASU 2020-05, "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*", which deferred the effective date for one year. This ASU will be effective for the Foundation for the year ended December 31, 2020. The Foundation is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "*Leases*". The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard also requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. In June 2020, the FASB issued ASU 2020-05, "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*", which deferred the effective date for one year. This ASU will be effective for the Foundation for the year ended December 31, 2022. The Foundation is currently evaluating the impact of this accounting standards update.

CORAL RESTORATION FOUNDATION INC**Notes to Financial Statements****December 31, 2019 and 2018****Note B - Property, Equipment and Leasehold Improvements:**

Property, equipment and leasehold improvements are comprised of the following at December 31, 2019 and 2018:

	2019	2018
Vehicles	\$ 240,791	\$ 193,264
Dive equipment	20,280	20,280
Leasehold improvements	52,445	52,445
Machinery and equipment	5,562	5,562
Office equipment	160,705	147,664
Accumulated depreciation	(258,657)	(180,580)
Property and Equipment, net	<u>\$ 221,126</u>	<u>\$ 238,635</u>

Note C - Operating Leases:

The Foundation leases its education center under an agreement and an amendment, executed in October 2019, which expires in December 2023. The agreement requires monthly payments of \$2,000 at inception with annual 3% escalations. The agreement includes a renewal option, which allows the Foundation to extend the lease term for an additional four years.

The Foundation leases its operations center under an agreement which expires in February 2021, due to the execution of the one-year extension. The lease provides for monthly payments of \$4,200 at inception, with a 3% annual increase. Rent expense related to these arrangements amounted to approximately \$67,997 and \$66,186 for the years ended December 31, 2019 and 2018, respectively.

Future minimum commitments under these agreements are as follows at December 31, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 78,940
2021	29,309
2022	25,462
2023	26,225
2024	27,012
	<u>\$ 186,948</u>

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note D - Deferred Commitment:

Effective December 23, 2017, the Board of Directors approved a settlement in the amount of \$180,000 payable to the founder of the Foundation to be paid out over a three-year period. At December 31, 2019 and 2018, the balance of this commitment totaled \$60,000 and \$120,000, respectively, and is recorded in accrued expenses, short and long-term, in the Statements of Financial Position. Additionally, the Foundation had the right to engage the founder as a consultant for the NOAA grant through September 30, 2019.

Note E - Related Party Transactions:

The Foundation received contributions, including cash and in-kind donations, from various members of the Board of Directors amounting to approximately \$119,000 and \$124,000 for the years ended December 31, 2019 and 2018, respectively.

Note F - Special Events:

Special fundraising programs include events such the annual Gala held by the Foundation to support the Foundation's work to restore coral reefs in the Florida Keys and throughout the Caribbean. These events also help increase awareness about the problems that oceans and reefs currently face. These events raised total gross revenues of \$302,310 and \$220,760 in 2019 and 2018, respectively.

Note G - Net Assets:

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Restricted for educational programming, scholarships, grants, awards and administrative grants, awards and administrative expenses	<u>\$ 134,720</u>	<u>\$ 195,000</u>

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note H - Grant Agreements:

National Oceanic and Atmospheric Administration

In 2016, the Foundation received a government grant from the National Oceanic and Atmospheric Administration (NOAA) in the amount of \$2,055,200 to outplant 50,700 corals from two threatened species on eight reefs across the Florida Reef Tract during the period of October 1, 2016 through September 30, 2019, and was extended through September 2020. The Foundation is to provide matching funds up to the amount of \$1,933,200, including in-kind contributions, of project-related costs from non-federal sources. For the years ended December 31, 2019 and 2018, the Foundation recognized approximately \$820,700 and \$645,600, respectively, in related revenues.

Monroe County Tourist Development Council

During 2019 and 2018, the Foundation was awarded various capital project grants from Monroe County Tourist Development Council (TDC). The Monroe County TDC agreed to provide funding to the Foundation to outplant two threatened species in reefs within specified state and federal waters off Monroe County, Florida. For the years ended December 31, 2019 and 2018, the Foundation recognized approximately \$501,200 and \$276,300, respectively, in related revenues.

Wallace Research Foundation

During 2015 through 2019, the Foundation was awarded three grants totaling \$467,000 from the Wallace Research Foundation ("Wallace") to support the salary of the Executive Director, coral planting and development of a genetic database. For the years ended December 31, 2019 and 2018, the Foundation recognized approximately \$0 and \$140,000, respectively, in related revenues. As of December 31, 2019 and 2018, amounts restricted for purposes under the grant totaled \$100,000 and \$140,000, respectively.

Ocean Reef Club, Inc.

Effective June 15, 2016, the Foundation entered into an agreement with Ocean Reef Club, Inc. ("ORC"), who will assist the Foundation to raise at least \$1,000,000 in donations from the Ocean Reef Club Community over the next five years, with a minimum of \$200,000 being raised annually. The Project plan is to restore, preserve and protect the North Carysfort Reef by outplanting 30,000 corals through December 31, 2020. During the term, the Foundation will dedicate a portion of unrestricted operating income received from sources other than the Ocean Reef Club to support the Project up to a value of \$500,000 over the five-year period. For each of the years ended December 31, 2019 and 2018, the Foundation recognized approximately \$200,000 in related revenues. As of December 31, 2019 and 2018, amounts receivable under terms of the project totaled \$0 and \$19,700, respectively.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note I - Effects of Current Economic Conditions on Contributions:

The Foundation depends heavily on contributions and grants for its public support. The ability of certain contributors and grantors of the Foundation to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Foundation's Board of Directors believes the Foundation has the resources to continue its programs, its ability to do so and the extent to which programs may be affected.

Note J - Concentrations:

Business Concentration

The Foundation relies upon the successful cultivation of live corals within its underwater nurseries to supply live corals to restore reefs. The Foundation's nurseries are located in close proximity to each other within the Florida Keys National Marine Sanctuary and are vulnerable to localized events which could damage or destroy them; i.e., hurricanes and other large storms, coral diseases and coral bleaching events arising from warming ocean waters, among others. It is reasonably possible that such adverse events could disrupt these nurseries and destroy live nursery corals, which could create near term severe impact to the Foundation's operations and financial condition, including preventing the Foundation from meeting donor contractual commitments.

Major Donors

The Foundation had two major donors in 2019 and 2018 that accounted for approximately 43% and 32% of total revenues for the years ended December 31, 2019 and 2018, respectively.

Receivables

One grantor comprised approximately 90% of receivables outstanding at December 31, 2019. Three grantors comprised approximately 91% of receivables outstanding at December 31, 2018.

Note K - Liquidity Management:

The Foundation is supported by contributions. Because contributions with donor restrictions requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities. As such, the Foundation's strategy is to structure its financial assets to be available to satisfy general operating expenses, current liabilities and other obligations as they come due.

CORAL RESTORATION FOUNDATION INC

Notes to Financial Statements

December 31, 2019 and 2018

Note K - Liquidity Management (Continued):

The following reflects the Foundation's assets as of December 31, 2019, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year.

Cash	\$ 3,025,573
Receivables	<u>104,830</u>
Financial assets as of December 31, 2019	3,130,403
Less amounts subject to donor restrictions	<u>(134,720)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,995,683</u></u>

Note L - Reclassification:

Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on total assets, total liabilities, net assets or net increase in net assets as previously reported.

Note M - Management Evaluation of Subsequent Events:

On January 20, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. Foundation management is unable to estimate the full impact of the COVID-19 outbreak on the assets of the Foundation at this time, as it continues to evolve as of the date of this report.

Subsequent to year end, the Foundation obtained a Small Business Administration Paycheck Protection Program Loan for \$216,270 that bears interest at 1% and matures in November 2021. Initial loan payments are deferred for 6 months. After the deferment period, monthly principal and interest are due in an amount that fully pays off the outstanding balance by the maturity date. All or part of the loan may be forgiven if the borrower satisfies and complies with the terms and conditions as set forth in the agreement.

The Foundation has evaluated subsequent events through September 25, 2020, the date on which the financial statements were available to be issued.



**Independent Auditors' 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***

**To the Board of Directors
CORAL RESTORATION FOUNDATION INC
Key Largo, 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, the financial statements of CORAL RESTORATION FOUNDATION INC (Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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.

Somerset CPAs PC

Indianapolis, Indiana
September 25, 2020



**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

**To the Board of Directors
CORAL RESTORATION FOUNDATION INC
Key Largo, Florida**

Report on Compliance for Each Major Federal Program

We have audited CORAL RESTORATION FOUNDATION INC's (Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal program for the year ended December 31, 2019. The Foundation's major federal program is 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 award applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about the Foundation'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. However, our audit does not provide a legal determination of the Foundation's compliance.



Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Foundation 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 Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Foundation'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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Foundation as of and for the year ended December 31, 2019, and have issued our report thereon dated September 25, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of 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 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 States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Somerset CPAs PC

Indianapolis, Indiana
September 25, 2020

CORAL RESTORATION FOUNDATION INC
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures
National Oceanic and Atmospheric Administration Habitat Conservation	11.463	NA16NMF4630310	\$ 822,884
Total Expenditures of Federal Awards			\$ 822,884

CORAL RESTORATION FOUNDATION INC
Notes to Schedule of Expenditures of Federal Awards
December 31, 2019

Note A - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Foundation under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Although the Foundation is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the Schedule.

Note B - Summary of Significant Accounting Policies:

Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Foundation has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Subrecipients, Noncash Assistance and Federal Insurance:

The Foundation did not provide any federal funds to subrecipients nor did they receive any federal noncash assistance or insurance.

CORAL RESTORATION FOUNDATION INC
Schedule of Findings and Questioned Costs
December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal program(s):

11.463

Habitat Conservation

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

CORAL RESTORATION FOUNDATION INC
Schedule of Findings and Questioned Costs
December 31, 2019

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.