

CORAL RESTORATION FOUNDATION INC

FINANCIAL STATEMENTS
December 31, 2021 and 2020

CORAL RESTORATION FOUNDATION INC

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Independent Auditor's Report

**To the Board of Directors
Coral Restoration Foundation Inc
Key Largo, Florida**

Report on the Financial Statements

Opinion

We have audited the financial statements of Coral Restoration Foundation Inc (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Coral Restoration Foundation Inc as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date of the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings and certain internal control-related matters that we identified during the audits.

Other Matters

Supplementary information

Our audits were 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. 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. Such information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of Coral Restoration Foundation Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 29, 2022

CORAL RESTORATION FOUNDATION INC
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 7,980,064	\$ 4,275,747
Receivables, net	745,331	52,825
Other current assets	167,251	129,751
	<u>8,892,646</u>	<u>4,458,323</u>
Total Current Assets		
Property and Equipment, net (Note 2)	<u>1,178,711</u>	<u>180,656</u>
Deposits	<u>1,060</u>	<u>9,460</u>
Total Assets	<u><u>\$ 10,072,417</u></u>	<u><u>\$ 4,648,439</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 243,326	\$ 128,603
Accrued expenses	104,392	107,980
Refundable advances	1,088,462	130,250
Current maturities of note payable (Note 4)	250,478	-
	<u>1,686,658</u>	<u>366,833</u>
Total Current Liabilities		
Long-term Liabilities		
Note payable (Note 4)	<u>642,440</u>	<u>-</u>
Total Liabilities	<u>2,329,098</u>	<u>366,833</u>
Net Assets		
Net assets without donor restrictions	7,008,319	4,176,261
Net assets with donor restrictions (Note 7)	<u>735,000</u>	<u>105,345</u>
Total Net Assets	<u>7,743,319</u>	<u>4,281,606</u>
Total Liabilities and Net Assets	<u><u>\$ 10,072,417</u></u>	<u><u>\$ 4,648,439</u></u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support						
Government grants	\$ 2,240,204	\$ -	\$ 2,240,204	\$ 1,438,653	\$ -	\$ 1,438,653
Other contributions	3,615,006	735,000	4,350,006	2,011,346	10,000	2,021,346
Merchandise sales	37,268	-	37,268	23,954	-	23,954
Other revenue	37,230	-	37,230	50,228	-	50,228
Total Revenue and Other Support	<u>5,929,708</u>	<u>735,000</u>	<u>6,664,708</u>	<u>3,524,181</u>	<u>10,000</u>	<u>3,534,181</u>
Net Assets Released from Restrictions						
Education programming, scholarships, grants, awards and administrative expenses	<u>105,345</u>	<u>(105,345)</u>	<u>-</u>	<u>39,375</u>	<u>(39,375)</u>	<u>-</u>
Total Revenue, Support and Gains	<u>6,035,053</u>	<u>629,655</u>	<u>6,664,708</u>	<u>3,563,556</u>	<u>(29,375)</u>	<u>3,534,181</u>
Expenses						
Program services	2,562,775	-	2,562,775	1,850,498	-	1,850,498
Management and general	406,072	-	406,072	357,302	-	357,302
Fundraising	<u>234,148</u>	<u>-</u>	<u>234,148</u>	<u>215,680</u>	<u>-</u>	<u>215,680</u>
Total Expenses	<u>3,202,995</u>	<u>-</u>	<u>3,202,995</u>	<u>2,423,480</u>	<u>-</u>	<u>2,423,480</u>
Net Increase (Decrease) in Net Assets	2,832,058	629,655	3,461,713	1,140,076	(29,375)	1,110,701
Net Assets, Beginning of Year	<u>4,176,261</u>	<u>105,345</u>	<u>4,281,606</u>	<u>3,036,185</u>	<u>134,720</u>	<u>3,170,905</u>
Net Assets, End of Year	<u>\$ 7,008,319</u>	<u>\$ 735,000</u>	<u>\$ 7,743,319</u>	<u>\$ 4,176,261</u>	<u>\$ 105,345</u>	<u>\$ 4,281,606</u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2021 and 2020

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,191,140	\$ 223,073	\$ 156,365	\$ 1,570,578	\$ 1,026,610	\$ 205,848	\$ 162,401	\$ 1,394,859
Professional fees	689,106	57,191	31,452	777,749	310,260	52,721	4,328	367,309
Insurance	149,400	7,374	849	157,623	124,960	3,760	832	129,552
Supplies and equipment	84,347	15,316	-	99,663	56,904	24,874	753	82,531
Payroll taxes	69,759	15,746	11,385	96,890	55,839	14,059	11,550	81,448
Repairs and maintenance	83,806	5,206	840	89,852	44,645	4,476	901	50,022
Depreciation	79,973	6,553	1,128	87,654	50,854	7,778	1,489	60,121
Rent	55,454	9,005	2,088	66,547	69,934	10,080	3,426	83,440
Program event	65,240	-	-	65,240	30,300	-	-	30,300
Employee benefits	38,463	15,728	8,346	62,537	30,140	12,157	9,481	51,778
Office expenses	25,666	11,047	3,674	40,387	19,624	11,261	5,530	36,415
Marketing	14,720	23,694	1,307	39,721	1,364	3,739	3,606	8,709
Other operating expenses	4,771	7,579	15,564	27,914	6,925	4,599	9,092	20,616
Travel	5,995	8,560	1,021	15,576	20,936	1,391	2,213	24,540
Development and training	4,935	-	129	5,064	1,203	559	-	1,762
Donor meals and entertainment	-	-	-	-	-	-	78	78
Total Functional Expenses	<u>\$ 2,562,775</u>	<u>\$ 406,072</u>	<u>\$ 234,148</u>	<u>\$ 3,202,995</u>	<u>\$ 1,850,498</u>	<u>\$ 357,302</u>	<u>\$ 215,680</u>	<u>\$ 2,423,480</u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,461,713	\$ 1,110,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	87,654	60,121
(Gain) loss on disposal of property and equipment	(3,000)	206
Changes in assets and liabilities:		
Receivables, net	(692,506)	52,005
Other current assets	(37,500)	14,467
Deposits	8,400	-
Accounts payable	114,723	96,898
Accrued expenses	(3,588)	(57,017)
Refundable advances	958,212	(7,350)
Net cash provided by operating activities	<u>3,894,108</u>	<u>1,270,031</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	(419,918)	(20,482)
Proceeds from sale of property and equipment	3,000	625
Net cash used in investing activities	<u>(416,918)</u>	<u>(19,857)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	227,127	-
Net cash provided by financing activities	<u>227,127</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	3,704,317	1,250,174
Cash, Beginning of Year	<u>4,275,747</u>	<u>3,025,573</u>
Cash, End of Year	<u><u>\$ 7,980,064</u></u>	<u><u>\$ 4,275,747</u></u>
Supplemental Disclosure of Cash Flow Information		
Noncash investing activities		
Increase in note payable resulting from the acquisition of property and equipment	<u><u>\$ 665,791</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - 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 2000 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 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, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues from Grants

Foundation revenue from government grants and contracts were previously accounted for as exchange transactions since the arrangement with the customer benefited the general public, and revenue was recognized as expenses were incurred. However, under ASU 2018-08, revenue from government grants and contracts are considered contributions because the customer/donor does not receive commensurate value for the consideration received by the Foundation; rather, the purpose of these arrangements is for the benefit of the general public. Therefore, management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds.

Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. The Foundation has elected the "simultaneous release" accounting policy option such that grants received and used within the same period are reported in net assets without donor restriction. The Foundation's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Foundation. Therefore, under the prospective approach, there was no material change in the revenue recognition for government grants and contracts.

Under ASU 2018-08, a refundable advance is recorded when the Foundation receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2021 and 2020, there was \$972,962 and \$110,250 in refundable advances recorded related to government grants and contracts.

Contributions

Unconditional donor promises to give cash and other assets are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Foundation. The promises are reported as contributions with donor restrictions if received with donor stipulations that sufficiently limit the use of the donated assets.

The Foundation recognizes contributed professional services from third parties and contributed goods as revenue and as expense or assets, at fair value of those goods when services when received. The Foundation received \$0 for the years ended December 31, 2021 and 2020 of donated goods and services.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue from Exchange Contracts

The Foundation recognizes revenue when it satisfies a performance obligation by performing a service for a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. Management expects that the period between when the transfer of services to their customer and when the customer pays for those services will be one year or less. Invoices resulting from contracts with customers are generally due within 30 days of the invoice date.

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.

Paycheck Protection Program Loan

The Foundation has applied for, and has received, funds of \$216,700 under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief and Economic Security (CARES) Act during the year ended December 31, 2020. The application for these funds requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further requires the Foundation to take into account its current activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the Foundation. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Foundation having initially qualified for the loan and qualifying for the forgiveness of such loan based on the Foundation's adherence to the forgiveness criteria. The accounting for government assistance provided to a business depends on whether the government assistance is considered a loan, payment for goods or services, an income tax credit or a grant.

The Foundation has concluded that the PPP loan represents a government grant has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized when conditions are met, which include meeting full-time equivalent and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Foundation recognized the full amount of the PPP loan as a federal grant during the year ended December 31, 2020.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Furthermore, the Foundation has applied for, and has received, funds of \$227,127 under a second round of the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act during the year ended December 31, 2021. The Foundation has concluded that the PPP loan represents a government grant has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized when conditions are met, which include meeting full-time equivalent and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Foundation has determined that such conditions were not satisfied during the year ended December 31, 2021 and as such classified the proceeds as a loan which matures February 2026. On February 24, 2022, the Foundation was legally released from its full obligation upon confirmation of forgiveness from the Small Business Administration.

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.

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.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets. Depreciable lives generally range from 3-20 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 \$87,654 and \$60,121 for the years ended December 31, 2021 and 2020, 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.

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.

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.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recent Accounting Pronouncements

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.

Management Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through September 29, 2022, the date on which the financial statements were available to be issued.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements are comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 386,999	\$ 236,955
Dive equipment	20,280	20,280
Leasehold improvements	-	52,445
Machinery and equipment	-	5,562
Office equipment	186,704	181,188
Buildings	435,500	-
Land	463,500	-
Accumulated depreciation	<u>(314,272)</u>	<u>(315,774)</u>
Property and Equipment, net	<u><u>\$ 1,178,711</u></u>	<u><u>\$ 180,656</u></u>

NOTE 3 - OPERATING LEASES

The Foundation leases a boat slip under an agreement, executed in October 2020, which originally expired in April 2021. The lease has been extended through October 2022. The agreement requires monthly payments of \$500. The agreement does not include any renewal options.

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 expired in February 2021. Subsequent to its expiration, the Foundation has since entered into a month to month lease with no change in the monthly rent which is \$4,589. In September 2021, the Foundation purchased the property. Rent expense related to these arrangements amounted to approximately \$66,547 and \$83,440 for the years ended December 31, 2021 and 2020, respectively.

Future minimum commitments under these agreements are as follows at December 31, 2021:

Year Ending December 31,

2022	\$ 30,462
2023	<u>26,225</u>
	<u><u>\$ 56,687</u></u>

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4 - NOTES PAYABLE

Notes payable consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Building loan - due in 119 regular monthly installments of \$4,017, including interest at 3.75% and one balloon payment of \$404,392, due September 2031. Loan is secured by building and land.	\$ 665,791	\$ -
Payroll Protection Program loan due in 50 monthly installments of principal and interest at 1.00%, due February 2026 if loan forgiveness is not obtained following the 10 month deferment period. Subsequent to year end, the Foundation received full forgiveness of the loan.	227,127	
Less current maturities	<u>(250,478)</u>	<u>-</u>
Long-term notes payable	<u>\$ 642,440</u>	<u>\$ -</u>

Principal payments due on notes payable outstanding at December 31, 2021, are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 250,478
2023	24,429
2024	25,361
2025	26,328
2026	27,333
Thereafter	<u>538,989</u>
	<u>\$ 892,918</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

The Foundation received contributions, including cash and in-kind donations, from various members of the Board of Directors amounting to approximately \$12,500 and \$61,200 for the years ended December 31, 2021 and 2020, respectively.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 - 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. No annual Gala was held during 2021 or 2020 due to the spread of the coronavirus.

NOTE 7 - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Restricted for educational programming, scholarships, grants, awards and administrative grants, awards and administrative expenses	<u>\$ 735,000</u>	<u>\$ 105,345</u>

Net assets were released from donor restrictions by incurring expenses and satisfying the restricted purpose, or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Programming, grants, awards and administrative expenses	<u>\$ 105,345</u>	<u>\$ 39,375</u>

NOTE 8 - SIGNIFICANT GRANT AGREEMENTS

National Oceanic and Atmospheric Administration

In 2019, the Foundation received a government grant from the NOAA to outplant 84,225 corals from four threatened species on seven reefs across the Florida Reef Tract during the period of October 1, 2019 through September 30, 2022. The Foundation is to provide matching funds including in-kind contributions, of project-related costs from non-federal sources. For the years ended December 31, 2021 and 2020, the Foundation recognized approximately \$1,116,000 and \$835,000, respectively, in related revenues.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 - SIGNIFICANT GRANT AGREEMENTS (CONTINUED)

Monroe County Tourist Development Council

During 2021 and 2020, 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, 2021 and 2020, the Foundation recognized approximately \$398,000 and \$315,000, respectively, in related revenues.

Cornelia T. Bailey Foundation

During 2021, the Foundation was awarded a grant totaling \$1,000,000 from the Cornelia T. Bailey Foundation to support general operations which was recognized in related revenues. As of December 31, 2021, amounts restricted for the purposes under the grant totaled \$500,000.

The United Way of Collier and the Keys, Inc.

In June 2021, the Foundation received a grant from The United Way of Collier and the Keys, Inc. to outplant and restore corals at the Carysfort North and South Reefs during the period of June 1, 2021 through June 30, 2026. For the year ending December 31, 2021, the Foundation received refundable advances of \$972,962 and amounts have been included in refundable advances on the Statement of Financial Position and will be recognized as revenues as work is performed.

NOTE 9 - CONCENTRATIONS

Credit risk

The Foundation places its cash with primarily one financial institution. At times, such amounts may be in excess of the FDIC insured limit. The Foundation utilizes insured cash sweeps to minimize exposure related to this risk.

Major Donors

The Foundation had two major donors in 2021 and 2020 that accounted for approximately 31% and 38% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Receivables

Two grantors comprised approximately 91% and 90% of receivables outstanding at December 31, 2021 and 2020, respectively.

CORAL RESTORATION FOUNDATION INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 9 – CONCENTRATIONS (CONTINUED)

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.

NOTE 10 - 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. The following reflects the Foundation's assets as of December 31, 2021, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year.

Cash	\$ 7,980,064
Receivables	<u>745,331</u>
Financial assets as of December 31	8,725,395
Less amounts subject to donor restrictions	<u>(735,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,990,395</u></u>

NOTE 11 - 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.



**Independent Auditor's 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 the ("Foundation"), which comprise the statement of financial position as of December 31, 2021, 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 29, 2022.

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 29, 2022



**Independent Auditor's 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

Opinion on Compliance for Each Major Federal Program

We have audited Coral Restoration Foundation Inc's the ("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, 2021. 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.

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 each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Foundation compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2021, and have issued our report thereon dated September 29, 2022, 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 29, 2022

CORAL RESTORATION FOUNDATION INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures
United States Department of Commerce			
National Oceanic and Atmospheric Administration Habitat Conservation	11.463	NA19NMF4630260	\$ 1,087,761
<u>Pass-through National Fish and Wildlife Foundation</u>			
Increasing Coral Nursery Capacity and Active Restoration of Reefs in the Florida Keys (FL)	11.482	NA18NOS4820181	60,000
<u>Pass-through National Marine Sanctuary Foundation</u>			
Restoration and Monitoring	11.473	21-03-D-311	383,731
Total United States Department of Commerce			1,531,492
United States Department of the Treasury			
<u>Pass-through The Nature Conservancy</u>			
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	FCO-CRF-092619-1	75,380
Total United States Department of the Treasury			75,380
Total Expenditures of Federal Awards			\$ 1,606,872

CORAL RESTORATION FOUNDATION INC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1 - 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, 2021. 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 2 - 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 3 - 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
For the Year Ended December 31, 2021

Section I - Summary of Auditor's 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?

 X yes _____ no

CORAL RESTORATION FOUNDATION INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

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*.