

CORAL RESTORATION FOUNDATION INC
Financial Statements
Years Ended December 31, 2017 and 2016

CORAL RESTORATION FOUNDATION INC

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Independent Auditors' Report

**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, 2017 and 2016, and the related statements of activities and changes in net assets, 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. 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Somerset CPAs PC

August 10, 2018

CORAL RESTORATION FOUNDATION INC
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 1,222,549	\$ 1,202,462
Contributions receivable	6,270	266
Grant funds receivable	184,644	0
Other current assets	102,326	79,478
Total Current Assets	1,515,789	1,282,206
Property & Equipment, net	247,835	146,728
Non-Current Assets		
Deposits	9,460	0
Total Assets	\$ 1,773,084	\$ 1,428,934
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 36,268	\$ 17,857
Accrued expenses	135,552	63,289
Deferred revenue	16,400	130,950
Total Current Liabilities	188,220	212,096
Long-term Liabilities		
Accrued expenses	120,000	0
Total Liabilities	308,220	212,096
Net Assets		
Unrestricted net assets	1,439,864	1,090,428
Temporarily restricted net assets	25,000	126,410
Total Net Assets	1,464,864	1,216,838
Total Liabilities and Net Assets	\$ 1,773,084	\$ 1,428,934

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support						
Contributions						
Government grants	\$ 813,222	\$ 0	\$ 813,222	\$ 433,976	\$ 0	\$ 433,976
Other contributions	1,038,373	20,000	1,058,373	934,554	111,410	1,045,964
Special Event - Annual Gala, net	162,335	0	162,335	31,219	0	31,219
Merchandise sales	37,745	0	37,745	46,051	0	46,051
Other revenue	55,639	0	55,639	59,688	0	59,688
Net assets released from restrictions	121,410	(121,410)	0	10,000	(10,000)	0
Total Revenue and Other Support	2,228,724	(101,410)	2,127,314	1,515,488	101,410	1,616,898
Expenses						
Program services	1,452,180	0	1,452,180	911,414	0	911,414
Management and general	296,265	0	296,265	234,716	0	234,716
Fundraising	130,843	0	130,843	127,068	0	127,068
Total Expenses	1,879,288	0	1,879,288	1,273,198	0	1,273,198
Net Increase (Decrease) in Net Assets	349,436	(101,410)	248,026	242,290	101,410	343,700
Net Assets, Beginning of Year	1,090,428	126,410	1,216,838	848,138	25,000	873,138
Net Assets, End of Year	\$ 1,439,864	\$ 25,000	\$ 1,464,864	\$ 1,090,428	\$ 126,410	\$ 1,216,838

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 248,026	\$ 343,700
Adjustments to reconcile the change in net assets provided by operating activities:		
Depreciation	48,921	21,574
Gain on sale of property and equipment	(3,007)	(1,624)
Changes in assets and liabilities		
Contributions receivable	(6,004)	7,307
Grant funds receivable	(184,644)	0
Other current assets	(22,848)	(12,961)
Deposits	(9,460)	0
Accounts payable	18,411	17,846
Accrued expenses	192,263	7,641
Deferred revenue	(114,550)	(16,026)
	<u>167,108</u>	<u>367,457</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	(153,021)	(99,743)
Proceeds from the sale of property and equipment	6,000	3,800
	<u>(147,021)</u>	<u>(95,943)</u>
Net Increase in Cash and Cash Equivalents	20,087	271,514
Cash, Beginning of Year	<u>1,202,462</u>	<u>930,948</u>
Cash, End of Year	<u><u>\$ 1,222,549</u></u>	<u><u>\$ 1,202,462</u></u>

See accompanying notes.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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 three facilities in Key Largo, 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 our 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.

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Codification (ASC) Topic 928-205 "Financial Statement of Not-for-Profit Organization." Under ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities if they apply according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the unrestricted, temporarily, and permanently restricted net asset classes are described in the following paragraphs.

Unrestricted net assets represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations, or assets that are received with restrictions that are satisfied in the same reporting period. Unrestricted net assets include expendable funds available for support of the Foundation. Unrestricted net assets also include both undesignated and Board-designated amounts. The Foundation's Board of Directors segregated no unrestricted amounts received from various donors as Board-designated fund assets as of December 31, 2017 and 2016.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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

Basis of Accounting and Presentation (Continued)

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. The Foundation had temporarily restricted assets of \$25,000 and \$126,410 as of December 31, 2017 and 2016, respectively.

Permanently restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation did not have any permanently restricted assets as of December 31, 2017 and 2016.

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.

Revenue Recognition

Grant Revenue

The Foundation receives grants from various agencies, including 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 to sub-grantees' 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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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
For the Years Ended December 31, 2017 and 2016

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

Revenue Recognition (Continued)

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 \$134,838 and \$57,649 as of December 31, 2017 and 2016, respectively.

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 equivalents.

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 \$48,921 and \$21,574 for the years ended December 31, 2017 and 2016, respectively.

Advertising

The Foundation charges advertising costs to expense as incurred. Advertising expenses amounted to \$3,963 and \$13,209 for the years ended December 31, 2017 and 2016, 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.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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

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, 2016, 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. For the year ended December 31, 2017, the Foundation did not have such assets.

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 and changes in net assets.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 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. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing accounting principles generally accepted in the United States of America. The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Foundation is currently evaluating the impact of its pending adoption of ASU 2014-09 on the financial statements and has not yet determined the method by which the Foundation will adopt the standard in 2019.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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

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. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of this accounting standards update.

In August 2016, FASB issued Accounting Standards Update 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities", which will change the way all NFPs classify net assets and prepare financial statements. The new standard will eliminate the distinction between resources with permanent restrictions and those with temporary restrictions from the face of financial statements. Reducing complexity and enhanced disclosure in notes to financial statements will provide useful information about the nature; amounts and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. It is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of this accounting standards update.

Note B - Property and Equipment:

Property and equipment is comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 151,458	\$ 137,063
Dive equipment	20,280	20,280
Leasehold improvements	45,266	0
Machinery and equipment	5,562	5,562
Office equipment	134,096	47,734
Accumulated depreciation	<u>(108,827)</u>	<u>(63,911)</u>
Property and Equipment, net	<u>\$ 247,835</u>	<u>\$ 146,728</u>

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note C - Operating Leases:

The Foundation leases its office and education center under an agreement, which expires in December 2019, and requires monthly payments of \$1,200. The agreement includes a renewal option, which allows the Foundation to extend the lease term for one additional year.

The Foundation leased its warehouse facility and wet laboratory on a month-to-month basis from an entity owned by a board member. This arrangement was terminated effective March 31, 2017. The lease provided for monthly payments of \$2,000.

The Foundation entered into a lease agreement on an operations center for the period of February 2017 through February 2020. The lease provides for monthly payments of \$4,200 at inception, with a 3% annual increase.

Rent expense amounted to \$66,600 and \$38,400 for the years ended December 31, 2017 and 2016, respectively.

Future minimum commitments under these agreements are as follows at December 31, 2017:

<u>Year Ending December 31,</u>	
2018	\$ 66,186
2019	67,740
2020	<u>4,456</u>
	<u>\$ 138,382</u>

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, 2017, the balance of this commitment totaled \$180,000 and is recorded in accrued expenses, short and long term, in the statement of financial position. Additionally, the Foundation will engage the founder as a consultant for the NOAA grant through September 30, 2019. For these services, he will be paid \$20,000 annually, as services are performed on behalf on the Foundation.

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 \$90,765 and \$62,926 for the years ended December 31, 2017 and 2016, respectively.

The Foundation rented warehouse and wet lab space from a board member on a month-to-month basis. This arrangement was terminated effective March 31, 2017. Total rent and utility expense related to the facility amounted to \$6,000 and \$24,000 for the years ended December 31, 2017 and 2016, respectively.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note F - Special Events:

Special fundraising programs include events such as the annual Gala held by the Foundation to help raise awareness about the Foundation's work in the Florida Keys and throughout the Caribbean to help restore coral reefs and increase awareness about the problems that oceans and reefs currently face. This event raised total gross revenues of \$239,897 and \$146,054 in 2017 and 2016, respectively.

Note G - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
WAMAS grant - intern support	\$ 5,000	\$ 15,000
Wallace grant	0	105,410
Contributions restricted for international use	0	6,000
Seaworld grant	<u>20,000</u>	<u>0</u>
	<u>\$ 25,000</u>	<u>\$ 126,410</u>

Temporarily restricted net assets were released for the following purposes for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
WAMAS grant - intern support	\$ 10,000	\$ 10,000
Wallace grant	105,410	0
Contributions restricted for international use	<u>6,000</u>	<u>0</u>
	<u>\$ 121,410</u>	<u>\$ 10,000</u>

Note H - Grant Agreements:

National Oceanic and Atmospheric Administration

In 2013, the Foundation received a government grant from the National Oceanic and Atmospheric Administration (NOAA) in the amount of \$700,000 to outplant 14,775 corals from two threatened species in the Florida Keys during the period of October 1, 2013 through September 30, 2016. On an annual basis, the Foundation will utilize a number of measuring techniques to monitor and report progress and outcomes. The Foundation was required to raise an additional \$700,000, including in-kind donations, during this same time period. Additionally, no indirect or overhead costs are allowed to be paid using these funds. For the year ended December 31, 2016, the Foundation recognized approximately \$262,486 in related revenues.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note H - Grant Agreements (Continued):

In 2016, the Foundation received a government grant from 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, but may be 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, 2017 and 2016, the Foundation recognized approximately \$588,942 and \$0 in related revenues. As of December 31, 2017, amounts receivable under terms of the grant totaled \$96,092.

Monroe County Tourist Development Council

During 2015 and 2016, the Foundation was awarded various capital project grants from Monroe County Tourist Development Council (TDC). The Monroe County TDC agreed to fund 50% of projects related to 2015 grants and 75% for 2016 grants to outplant two threatened species in reefs within specified state and federal waters off Monroe County, Florida. For the years ended December 31, 2017 and 2016, the Foundation recognized approximately \$224,280 and \$173,550 in related revenues.

Wallace Research Foundation

During 2016 and 2015, the Foundation was awarded two grants totaling \$327,000 from the Wallace Research Foundation ("Wallace") to support the salary of the Executive Director. For the years ended December 31, 2017 and 2016, the Foundation recognized approximately, \$105,400 and \$138,100 in related revenues. As of December 31, 2017 and 2016, amounts restricted for purposes under the grant totaled \$0 and \$105,410.

Ocean Reef Club, Inc.

Effective June 15, 2016, the Foundation entered into an agreement with Ocean Reef Club, Inc., ("ORF") 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 amounting, up to a value of \$500,000 over the five-year period. For each of the years ended December 31, 2017 and 2016, the Foundation recognized \$200,000 in related revenues. As of December 31, 2017 and 2016, deferred revenues under terms of the agreement totaled \$0 and \$125,000, respectively.

National Fish and Wildlife Foundation

During 2017, the Foundation submitted a proposal to the National Wildlife Foundation for funding of \$126,766. The project plan is to conduct assessments of various sites devastated by Hurricane Harvey, Irma, and Maria and to assist with urgent wildlife and habitat restoration from October 1, 2017 through February 28, 2018. For the year ended December 31, 2017, the Foundation recognized contributions of \$88,552. As of December 31, 2017, amounts receivable under terms of the project totaled \$88,552.

CORAL RESTORATION FOUNDATION INC
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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 it continues may be dependent upon the above factors.

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.

Concentrations of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation places its cash and cash equivalents with primarily one financial institution. At times, such amounts may be in excess of the FDIC insured limit. The Foundation has never experienced any losses related to these balances.

Major Donors

The Foundation has three major donors that accounted for approximately 49% and 41% of total revenues for the years ended December 31, 2017 and 2016. Two grantors comprised approximately 97% of receivables outstanding at December 31, 2017.

Note K - 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 excess of support and revenues over expenses as previously reported.

Note L - Management Evaluation of Subsequent Events:

The Foundation has evaluated subsequent events through August 10, 2018, the date on which the financial statements were available to be issued.

Independent Auditors' Report on the Supplementary Information

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

Our audit of the financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report 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. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Somerset CPAs PC

August 10, 2018

CORAL RESTORATION FOUNDATION INC
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	2017			Total
	Program	Management & General	Fundraising	
Salaries and wages	\$ 639,904	\$ 157,232	\$ 94,919	\$ 892,055
Payroll taxes	45,587	14,945	7,667	68,199
Travel	41,790	19,388	5,999	67,177
Insurance	110,862	2,508	397	113,767
Marketing	409	883	395	1,687
Employee benefits	47,300	10,394	4,800	62,494
Professional fees	316,775	56,021	3,691	376,487
Rent	56,993	7,878	1,729	66,600
Development and training	6,233	0	1,003	7,236
Depreciation	43,045	3,995	1,881	48,921
Office expenses	12,544	2,690	4,398	19,632
Program event	14,808	0	0	14,808
Supplies and equipment	66,877	16,542	51	83,470
Repairs and maintenance	46,797	2,180	364	49,341
Donor meals and entertainment	0	0	195	195
Other operating expenses	2,256	1,609	3,354	7,219
Total Functional Expenses	\$ 1,452,180	\$ 296,265	\$ 130,843	\$ 1,879,288

	2016			Total
	Program	Management & General	Fundraising	
Salaries and wages	\$ 514,237	\$ 123,703	\$ 96,162	\$ 734,102
Payroll taxes	42,031	9,143	7,595	58,769
Travel	17,860	10,235	6,151	34,246
Insurance	89,665	3,193	110	92,968
Marketing	619	19,119	129	19,867
Employee benefits	41,520	9,261	0	50,781
Professional fees	34,316	38,331	4,402	77,049
Rent	36,960	1,094	622	38,676
Development and training	6,525	0	0	6,525
Depreciation	18,403	2,853	260	21,516
Office expenses	7,073	4,514	2,053	13,640
Program event	0	9,331	0	9,331
Supplies and equipment	61,149	1,616	8,247	71,012
Repairs and maintenance	39,891	632	0	40,523
Other operating expenses	1,165	1,691	1,337	4,193
Total Functional Expenses	\$ 911,414	\$ 234,716	\$ 127,068	\$ 1,273,198