

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ocean Research & Conservation Association, Inc.
Fort Pierce, Florida

We have audited the accompanying statement of financial position of Ocean Research & Conservation Association, Inc. (the Association) (a nonprofit organization) as of June 30, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ocean Research & Conservation Association, Inc. as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
December 28, 2020

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2020

ASSETS

	Without Donor Restriction	With Donor Restriction	Total
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 796,298	\$ 90,421	\$ 886,719
Investments	5,774	-	5,774
Grants Receivable	186,974		186,974
Inventory	19,549	-	19,549
Prepaid Expenses	9,867	-	9,867
TOTAL CURRENT ASSETS	1,018,462	90,421	1,108,883
 PROPERTY AND EQUIPMENT			
Furniture, Fixtures & Equipment	858,764	-	858,764
Monitoring Equipment	611,008	-	611,008
Leasehold Improvements	1,983	-	1,983
	1,471,755	-	1,471,755
Less Accumulated Depreciation	1,286,591	-	1,286,591
NET PROPERTY AND EQUIPMENT	185,164	-	185,164
	\$ 1,203,626	\$ 90,421	\$ 1,294,047

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 5,868	\$ -	\$ 5,868
Payroll & Related Liabilities	553,630	-	553,630
Deferred Grant Revenue	92,079	90,421	182,500
PPP Loan payable	196,270	-	196,270
Accrued Expenses	21,164	-	21,164
TOTAL CURRENT LIABILITIES	869,011	90,421	959,432

NET ASSETS

Without Donor Restrictions	334,615	-	334,615
TOTAL NET ASSETS	334,615	-	334,615
	\$ 1,203,626	\$ 90,421	\$ 1,294,047

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Grants & Contracts			
State	\$ -	\$ 500,000	\$ 500,000
Local	-	512,560	512,560
Contracts & Restricted donations	-	125,017	125,017
Contributions			
Individuals & Corporation	246,695	-	246,695
Foundations	256,408	-	256,408
InKind Donations	123,767	-	123,767
Interest Income	647	-	647
Developmental & Marketing	30,512	-	30,512
Special Events	82,708	-	82,708
Unrealized Gain	363	-	363
Sales of Merchandise (net of cost of sales \$826)	2,995	-	2,995
Net Assets Released from Restrictions	1,137,577	(1,137,577)	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,881,672</u>	<u>-</u>	<u>1,881,672</u>
EXPENSES			
Program Services			
Kilroy	532,976	-	532,976
Ecotoxicity	64,690	-	64,690
Center for Citizen Science	394,434	-	394,434
Other Programs	171,416	-	171,416
Supporting Services			
Administrative	221,175	-	221,175
Fundraising	183,869	-	183,869
TOTAL EXPENSES	<u>1,568,560</u>	<u>-</u>	<u>1,568,560</u>
CHANGE IN NET ASSETS	313,112	-	313,112
NET ASSETS			
Beginning of Year	<u>21,503</u>	<u>-</u>	<u>21,503</u>
End of Year	<u>\$ 334,615</u>	<u>\$ -</u>	<u>\$ 334,615</u>

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	CENTER FOR CITIZEN SCIENCE				PROGRAM					SUPPORTING SERVICES			TOTAL EXPENSES
	EDUCATION	CENTER FOR CITIZEN SCIENCE	LAND-TO-SEA	TOTAL	ECOTOXICITY	ONE HEALTH	KILROY	RESEARCH & DEVELOPMENT	TOTAL	ADMINISTRATIVE	FUNDRAISING	TOTAL	
Advertising & Publications	\$ -	\$ 380	\$ 21	\$ 401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172	\$ 23,445	\$ 23,617	\$ 24,018
Bank Charges/Interest	-	-	-	-	-	-	-	-	-	324	30	354	354
Boat Fuel	196	38	142	376	20	45	3,235	-	3,300	-	-	-	3,676
Cleaning & Maintenance	249	-	249	498	249	249	-	249	747	624	-	624	1,869
Data Management	291	-	-	291	-	-	13,598	-	13,598	-	-	-	13,889
Dues & Subscriptions	60	-	95	155	-	-	-	-	-	317	610	927	1,082
Equipment	1,903	1,006	-	2,909	-	-	23,778	-	23,778	-	-	-	26,687
Fringe Benefits	31,382	7,116	5,316	43,814	9,967	11,278	74,775	13,736	109,756	30,173	14,944	45,117	198,687
Insurance	234	136	234	604	234	234	2,437	234	3,139	7,457	-	7,457	11,200
Laboratory Testing	5,254	6,456	4,102	15,812	1,176	3,500	15,915	400	20,991	-	-	-	36,803
Licenses & Fees	34	34	34	102	34	69	34	34	171	421	200	621	894
Materials & Supplies	8,781	7,381	689	16,851	2,430	5,311	60,223	1,868	69,832	-	-	-	86,683
Merchant Fees	-	-	-	-	-	-	-	-	-	200	1,047	1,247	1,247
Meetings & Conferences	160	-	-	160	-	-	-	-	-	4,071	1,224	5,295	5,455
Miscellaneous	600	-	-	600	-	-	118	50	168	(544)	43,435	42,891	43,659
Office Supplies	96	118	-	214	86	13	149	-	248	1,951	389	2,340	2,802
Office Software & Equipment	15	30	15	60	30	15	513	15	573	4,951	2,187	7,138	7,771
Payroll Taxes	11,584	3,883	1,748	17,215	3,860	4,667	19,944	4,111	32,582	10,328	4,828	15,156	64,953
Postage & Shipping	220	266	112	598	153	409	6,694	1,604	8,860	291	408	699	10,157
Printing & Reproduction	40	417	-	457	-	20	960	-	980	40	1,183	1,223	2,660
Product Sales	-	-	-	-	-	-	-	-	-	1,405	-	1,405	1,405
Professional Services	2,728	1,150	483	4,361	1,266	962	4,408	571	7,207	12,186	2,005	14,191	25,759
Repairs & Maintenance	-	-	-	-	-	20	12,264	353	12,637	-	-	-	12,637
Rent	4,310	63,960	3,345	71,615	2,165	2,505	15,481	2,165	22,316	7,374	-	7,374	101,305
Special Events	-	-	-	-	-	-	-	-	-	-	31,791	31,791	31,791
Subcontract	7,500	-	-	7,500	-	1,440	7,050	-	8,490	18,000	-	18,000	33,990
Telephone	509	-	254	763	259	254	-	254	767	2,707	254	2,961	4,491
Travel	2,835	-	214	3,049	128	3,279	3,362	814	7,583	-	-	-	10,632
Utilities	1,384	-	1,119	2,503	1,119	1,119	354	1,119	3,711	3,639	266	3,905	10,119
Wages	121,440	51,665	18,169	191,274	37,430	52,602	248,627	47,680	386,339	114,181	54,716	168,897	746,510
SUBTOTAL	201,805	144,036	36,341	382,182	60,606	87,991	513,919	75,257	737,773	220,268	182,962	\$ 403,230	\$ 1,523,185
Depreciation Expense	4,084	4,084	4,084	12,252	4,084	4,084	19,057	4,084	31,309	907	907	\$ 1,814	\$ 45,375
TOTAL	\$ 205,889	\$ 148,120	\$ 40,425	\$ 394,434	\$ 64,690	\$ 92,075	\$ 532,976	\$ 79,341	\$ 769,082	\$ 221,175	\$ 183,869	\$ 405,044	\$ 1,568,560

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

STATEMENT OF CASH FLOW

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 313,112
Adjustments to Reconcile Net Cash Provided by Operating Activities	
Depreciation	45,373
InKind Donations	(363)
Changes in Operating Assets & Liabilities:	
Grants Receivable	(56,335)
Prepaid Expenses	(1,965)
Inventory	(152)
Accounts Payable & Accrued Expenses	(7,380)
Deferred Revenue	102,500
Payroll & Related Liabilities	<u>37,460</u>
Deferred Revenue	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>432,250</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Capital Assets	<u>(154,435)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(154,435)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from SBA PPP Loan	<u>196,270</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>196,270</u>

NET INCREASE IN CASH 474,085

CASH

Beginning of Year	<u>412,634</u>
End of Year	<u><u>\$ 886,719</u></u>

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ocean Research & Conservation Association, Inc. (Association) is an IRS 501(c)(3) nonprofit corporation located in Fort Pierce, Florida. The Association was established on March 23, 2004, to protect and restore marine ecosystems and the species they sustain through the development of innovative technologies and science based conservation action and public education.

Basis of Accounting

The Association uses the accrual basis of accounting, in accordance with generally accepted accounting principles, which recognizes revenue when earned and expenses as incurred.

Cash and Cash Equivalents

For the purposes of preparing cash flows, the Association considers checking accounts, petty cash, money markets and certificates of deposits with terms less than twelve months to be cash equivalents.

Inventory

Inventories are stated at the lower of cost, determined by average cost, or market.

Support and Revenue

The Association receives its revenue from grants, donations and foundations. Support received is recognized as services are rendered. Contributions are recognized when the donor makes a promise to the Association that is, in substance, unconditional. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income tax is made in these financial statements. The Association is not classified as a private foundation. The Organization's Return of Organization Exempt from Income Tax (Form 990) is subject to a possible audit by the IRS for three years after they were filed.

Property, Equipment and Depreciation

The Association records acquisitions of items with a cost of \$1,000 or more as fixed assets as of June 30, 2020. Property and equipment are recorded at cost or fair market value on date of gift in the case of donated property. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives ranging from 2 to 40 years on both the straight-line and accelerated basis.

Donated Materials and Services

Donated facilities, materials and equipment are reflected as contributions in the accompanying statements at their estimated values on the date of receipt. Donated volunteer and entertainment services received during the year did not meet the requirements for recording in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional cost basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The Association uses the allowance method for recognizing bad debt expenses by specifically identifying those accounts which are doubtful for collection. As of June 30, 2020 no allowance has been recorded.

Subsequent Event

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and/or disclosures with the audited financial statements for the year ended June 30, 2020. Management has performed their analysis through December 28, 2020, the date the financial statements were available to be issued.

NOTE B – PROPERTY AND EQUIPMENT

At June 30, 2020, equipment consists of the following:

Furniture, Fixtures & Equipment	\$	858,764
Monitoring Equipment		611,008
Leasehold Improvements		1,983
		<u>1,471,755</u>
Less: Accumulated Depreciation		<u>1,286,591</u>
	\$	<u>185,164</u>

The Association used state grant funds from the Florida Department of Environmental Protection to purchase and assemble certain assets during the course of the year. These assets are deemed property of the state. The Association retains custody and control of the assets during the contract period or until the assets intended use has expired. The Association has the option to purchase these assets once the intended use is deemed expired. These assets are tagged and noted as property of the state and any expenditures during the year have been recorded as costs to the program.

Assets maintained on behalf of the state consisted of the following:

Equipment	\$	1,125,730
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NOTE C – DEFERRED COMPENSATION AGREEMENT

The Association has a deferred compensation agreement with the co-founder. The formal agreement was effective from September 1, 2005 through September 1, 2015, at which time it was renegotiated with approval of the ORCA Board of Directors. The agreement stipulated that an amount be accrued on an annual basis. The amount is calculated based on the difference

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE C – DEFERRED COMPENSATION AGREEMENT (CONTINUED)

between the base pay rate and the actual amounts paid during the fiscal year. On May 20, 2015, the ORCA Board of Directors voted to commence payment of co-founder’s full salary effective July 1, 2015. An agreement for repayment of the deferred compensation is still outstanding as of January 21, 2020. As of fiscal year ended June 30, 2020 the accrued liability for deferred compensation was \$445,963.

NOTE D – OPERATING LEASES

The Association occupies office space that is donated. Contribution revenue and corresponding rent expense has been recorded in the accompanying financial statements at the estimated value as of June 30, 2020. Rent Expense under the lease and donated space was \$97,640 for the year ended June 30, 2020.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result from contributions or grants that have been restricted by the donors. Net assets with donor restrictions generally are contributions or grants that have been restricted by the donor or grantor for a specific purpose, such as support for certain programs and capital improvements. These restrictions are considered to expire when expenditures are recognized. Net assets with donor restrictions also include otherwise unrestricted contributions that are restricted due to time and will not be paid to the Association until some future date. These restrictions are considered to expire when the time has elapsed and the Association receives the payment from the donor.

NOTE F – LIQUIDITY

The Association’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Investments	\$ 892,493
Grants Receivable	186,974
	<u>\$ 1,079,467</u>

The Association has \$1,079,467 of financial assets available within one year of the statement of financial position date to meet cash needs or general expenditures. Grants receivable are net assets with contract restrictions and released from restrictions for program expenditures. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

OCEAN RESEARCH & CONSERVATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE G - CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances at various financial institutions located in Florida. Amounts held in individual financial institutions may exceed insured limits by the Federal Deposit Insurance Corporation. At June 30, 2020 the Association had \$412,587 in uninsured funds. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

NOTE H – LONG TERM DEBT

Following is a summary of long-term debt as of June 30, 2020:

	<u>2020</u>
1% Paycheck Protection Program note payable with monthly payments of \$9,293 beginning in November 2020 including interest to April 2022.	<u>196,270</u>
	196,270
Less principal due within one year	<u>72,261</u>
TOTAL LONG-TERM DEBT	<u><u>\$ 124,009</u></u>

The paycheck protection loan is an unsecured loan granted through a SBA program, whereby, all or a portion of the loan proceeds may be forgiven if used for qualifying expenses including payroll, rent and utilities. The Organization was notified on December 24, 2020 that the full amount of the loan will be forgiven and therefore will be recorded as an extinguished debt in fiscal year 2021.

Principal due on long-term debt for each of the years following June 30, 2020 is as follows:

2021	\$	65,423
2022		32,712
2023		<u>98,135</u>
	\$	<u><u>196,270</u></u>

NOTE I - DEPENDENCY ON SUPPORT

The Association receives a substantial amount of support from individual, corporate donors and foundations. A reduction in the level of future support from these sources could have a substantial effect on the Association's programs and activities.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.