

SAVE THE MANATEE CLUB, INC.

Maitland, Florida

FINANCIAL STATEMENTS

Year Ended December 31, 2013



**AVERETT
WARMUS
DURKEE**

Certified Public Accountants and Business Advisors

SAVE THE MANATEE CLUB, INC.

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Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Board of Directors
Save the Manatee Club, Inc.
Maitland, Florida

We have audited the accompanying financial statements of Save the Manatee Club, Inc. (the "Club") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Club'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 Club'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.

To the Board of Directors
Save the Manatee Club, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Manatee Club, Inc. as of December 31, 2013, 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.

Aurett Warmus Durkee

Orlando, Florida
November 26, 2014

SAVE THE MANATEE CLUB, INC.

**Statement of Financial Position
December 31, 2013**

Assets

Cash	\$	123,956
Inventory		51,737
Prepaid Expenses		17,856
Investments		390,332
Donated Land (Held for Sale)		6,500
Vehicle and Equipment, net		24,801
Other Assets		<u>2,200</u>
Total assets	\$	<u><u>617,382</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	<u>97,185</u>
Total liabilities		<u>97,185</u>

Net Assets:

Unrestricted		226,385
Temporarily restricted		91,449
Permanently restricted		<u>202,363</u>
Total net assets		<u><u>520,197</u></u>

Total liabilities and net assets	\$	<u><u>617,382</u></u>
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See accompanying notes.

SAVE THE MANATEE CLUB, INC.

**Statement of Activities
Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Memberships	\$ 464,425	\$ -	\$ -	\$ 464,425
Contributions	970,515	169,212	-	1,139,727
Grants	71,050	20,000	-	91,050
Merchandise sales	137,339	-	-	137,339
Investment income, net	13,077	-	-	13,077
Net assets released from restrictions	175,321	(175,321)	-	-
Total support and revenue	<u>1,831,727</u>	<u>13,891</u>	<u>-</u>	<u>1,845,618</u>
Expenses:				
Program services:				
Conservation	385,872	-	-	385,872
Education and outreach	770,736	-	-	770,736
Membership services	338,205	-	-	338,205
Manatee merchandise (including cost of merchandise sales of \$33,735)	122,362	-	-	122,362
Total program services	<u>1,617,175</u>	<u>-</u>	<u>-</u>	<u>1,617,175</u>
Supporting services:				
Administration	125,611	-	-	125,611
Fundraising	133,436	-	-	133,436
Total supporting services	<u>259,047</u>	<u>-</u>	<u>-</u>	<u>259,047</u>
Total expenses	<u>1,876,222</u>	<u>-</u>	<u>-</u>	<u>1,876,222</u>
Increase (Decrease) in Net Assets	(44,495)	13,891	-	(30,604)
Net Assets, beginning of year	<u>270,880</u>	<u>77,558</u>	<u>202,363</u>	<u>550,801</u>
Net Assets, end of year	<u>\$ 226,385</u>	<u>\$ 91,449</u>	<u>\$ 202,363</u>	<u>\$ 520,197</u>

See accompanying notes.

SAVE THE MANATEE CLUB, INC.

Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows From Operating Activities:	
Decrease in net assets	\$ (30,604)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	7,312
Contributed securities	(5,209)
Reinvested dividends	(1,856)
Loss on sale of investments	19
Unrealized appreciation on investments	(4,014)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Inventory	(5,304)
Prepaid expenses	2,857
Decrease in liabilities:	
Accounts payable and accrued expenses	51,194
Net cash provided by operating activities	<u>14,395</u>
Cash Flows From Investing Activities:	
Net decrease in money market funds	31,144
Proceeds from sale of investments and principal payments	<u>1,000</u>
Net cash provided by investing activities	<u>32,144</u>
Cash Flows From Financing Activities:	
Payments on note payable	<u>(680)</u>
Net cash used in financing activities	<u>(680)</u>
Net Increase in Cash	45,859
Cash, beginning of year	<u>78,097</u>
Cash, end of year	<u>\$ 123,956</u>

Supplemental Cash Flow Information:

Interest:

Cash paid for interest during the year ended December 31, 2013, amounted to \$196.

See accompanying notes.

SAVE THE MANATEE CLUB, INC.

Notes to Financial Statements December 31, 2013

1. Summary of Significant Accounting Policies:

Nature of Organization

Save the Manatee Club, Inc. (the “Club”) is a membership-based organization whose purpose is public education, conservation, and advocacy for the endangered manatee. The Club is located in Maitland, Florida, but its membership and activities are national in scope. The Club’s primary source of support is contributions from those interested in the cause.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Club and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Club. Generally, the donors of these assets permit the Club to use all or part of the income earned on any related investments for general or specific purposes.

Allocation of Supporting Services Expenses

The Club’s policy is to allocate that part of the supporting services expenses associated with programs to the individual programs, based on each program’s direct program cost to total program costs.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in unrestricted net assets unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

1. Summary of Significant Accounting Policies – Continued:

Contributions of Materials and Services

Contributions of materials and services used in the Club's programs are recorded as support and expense at the estimated fair value of the materials and services.

A substantial number of volunteers have contributed significant amounts of their time to the Club's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Investments

Investment securities are stated at fair value.

Inventory

Inventory, consisting of educational merchandise held for sale, is carried at the lower of cost or market, cost having been determined by the average cost method.

Donated Land (Held for Sale)

Donated land (held for sale) consists of land located in Lake Placid, Florida, and is stated at the lower of current estimated fair value or estimated fair value at the date of contribution.

Vehicle and Equipment

Vehicle and equipment is recorded at cost. Depreciation is calculated by the straight-line method. Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Repairs and maintenance are expensed as incurred.

Leases

Leases meeting appropriate criteria are capitalized and amortized on the straight-line method using lives approximating those of similar purchased assets, or the lease term, if shorter. Rental payments under all leases classified as operating leases are expensed as incurred.

SAVE THE MANATEE CLUB, INC.

Notes to Financial Statements – Continued
December 31, 2013

1. Summary of Significant Accounting Policies – Continued:

Income Taxes

The Club is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Club in its tax returns. The Club's position that it is tax exempt under Section 501(c)(3), and its position that none of its income is unrelated business taxable income, are defined as tax positions under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Club in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Club has any material uncertain tax positions at December 31, 2013.

In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

The Club's federal income tax returns are subject to examination by the Internal Revenue Service. At December 31, 2013, income tax returns for the years 2010 through 2013 are subject to examination.

Subsequent Events

Management has evaluated subsequent events through November 26, 2014, the date which the financial statements were available to be issued.

2. Cash:

Cash consists of the following at December 31, 2013:

Petty cash	\$	227
Checking		<u>123,729</u>
	\$	<u><u>123,956</u></u>

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

3. Investments and Investment Income:

Investments at December 31, 2013, are comprised of the following:

	<u>Cost</u>	<u>Unrealized Appreciation</u>	<u>Fair Value</u>
Money market fund and cash	\$ 156,581	\$ -	\$ 156,581
Fixed income:			
Corporate bonds	56,428	2,015	58,443
Mutual funds	48,085	(392)	47,693
Exchange traded funds	81,773	6,138	87,911
Equities (primarily mutual funds)	<u>33,517</u>	<u>6,187</u>	<u>39,704</u>
	<u>\$ 376,384</u>	<u>\$ 13,948</u>	<u>\$ 390,332</u>

Investment income for the year ended December 31, 2013, consists of the following:

Interest income	\$ 2,137
Dividend income	6,905
Long-term capital gains	40
Loss on sale of investments	(19)
Unrealized appreciation on investments	<u>4,014</u>
Investment income, net	<u>\$ 13,077</u>

4. Fair Value Measurements:

Generally accepted accounting principles (“GAAP”) provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

4. Fair Value Measurements – Continued:

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for an asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

Money market fund: Carrying value approximates fair value because of liquidity.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Club are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Club are deemed to be actively traded.

Common stocks and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

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

SAVE THE MANATEE CLUB, INC.

Notes to Financial Statements – Continued
December 31, 2013

4. Fair Value Measurements – Continued:

The following table sets forth by level, within the fair value hierarchy, the Club’s investments at fair value at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 156,581	\$ -	\$ -	\$ 156,581
Mutual funds:				
Goldman Sachs Rising Dividend Fund CI A (equity)	15,098	-	-	15,098
John Hancock Floating Rate Income I (fixed income)	19,354	-	-	19,354
PIMCO Low Duration Fund CI D (fixed income)	16,236	-	-	16,236
Sunamerica Strategic Bond (fixed income)	12,103	-	-	12,103
	<u>62,791</u>	<u>-</u>	<u>-</u>	<u>62,791</u>
Common stocks:				
Consumer goods	6,395	-	-	6,395
Healthcare	5,032	-	-	5,032
Oil and gas	12,853	-	-	12,853
Real estate	326	-	-	326
	<u>24,606</u>	<u>-</u>	<u>-</u>	<u>24,606</u>
Exchange traded funds:				
Powershares Global Exchange (fixed income)	51,813	-	-	51,813
SDR Barclays Capital (fixed income)	36,098	-	-	36,098
	<u>87,911</u>	<u>-</u>	<u>-</u>	<u>87,911</u>
Corporate bonds	<u>-</u>	<u>58,443</u>	<u>-</u>	<u>58,443</u>
Total investments at fair value	\$ <u>331,889</u>	\$ <u>58,443</u>	\$ <u>-</u>	\$ <u>390,332</u>

SAVE THE MANATEE CLUB, INC.

Notes to Financial Statements – Continued
December 31, 2013

5. Vehicle and Equipment:

Vehicle and equipment consists of the following at December 31, 2013:

Vehicle	\$	26,995
Office equipment		39,645
Blue Springs manatee cam		26,700
Equipment under capital lease		10,839
		<u>104,179</u>
Less accumulated depreciation and amortization		<u>79,378</u>
Vehicle and equipment, net	\$	<u><u>24,801</u></u>

Accumulated amortization on equipment under capital lease included above was \$8,516 at December 31, 2013.

6. Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2013, are restricted for the following purposes:

Emergency rescue program	\$	34,025
Legal fund		54,424
Education and public awareness		2,000
Internship program		1,000
		<u>91,449</u>
	\$	<u><u>91,449</u></u>

Net assets were released from donor restriction during the year ended December 31, 2013, by incurring expenses satisfying the restriction as follows:

Emergency rescue program	\$	86,302
Legal fund		37,337
Conservation		31,565
Education and public awareness		13,658
Internship program		4,000
Three sisters		1,409
Signs and banners		1,050
		<u>175,321</u>
	\$	<u><u>175,321</u></u>

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

7. Permanently Restricted Net Assets:

Permanently restricted net assets at December 31, 2013, consist of one donor-restricted endowment fund. Income generated by the endowment is available for support of general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment fund are classified and reported based on the existence of donor-imposed restrictions.

8. Endowment:

Interpretation of Relevant Law

The Board of Directors of the Club has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Club classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the endowment fund;
- b. The purposes of the Club and the donor-restricted endowment fund;
- c. General economic conditions;
- d. The possible effect of inflation or deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the Club; and
- g. The investment policies of the Club.

Endowment net assets composition by type of fund at December 31, 2013, consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 202,363	\$ 202,363
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total endowment net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,363</u>	<u>\$ 202,363</u>

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

8. Endowment – Continued:

Interpretation of Relevant Law – Continued

Changes in endowment net assets for the year ended December 31, 2013, consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 202,363	\$ 202,363
Investment income	-	5,142	-	5,142
Unrealized gains	-	2,277	-	2,277
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(7,419)</u>	<u>-</u>	<u>(7,419)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,363</u>	<u>\$ 202,363</u>

Description of amounts classified as temporarily restricted net assets and permanently restricted net assets (endowment only) at December 31, 2013, consists of the following:

Temporarily Restricted Net Assets:

Accumulated investment income not appropriated for expenditure	\$ <u>-</u>
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Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ <u>202,363</u>
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SAVE THE MANATEE CLUB, INC.

Notes to Financial Statements – Continued
December 31, 2013

8. Endowment – Continued:

Return Objectives and Risk Parameters

The Club has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to support the Club’s general operation, while seeking to preserve the fair value of the original gift as of the gift date of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is conservative, and assumes a minimal level of investment risk. The Club expects its endowment fund to provide a rate of return that at least approximates the highest prevailing interest rates available at local financial institutions.

Strategies Employed for Achieving Objectives

To satisfy its investment and rate of return objectives, the Club diversifies its investments in its endowment fund assets, as it does its other investments, between fixed income and equity securities. Investment returns are achieved on a total return basis through current income and capital appreciation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Club uses only the investment earnings of the endowment fund for its general operations. This is consistent with the Club’s objective to preserve the fair value of the original gift as of the gift date of the endowment assets held in perpetuity.

9. In-Kind Contributions:

In-kind contributions, primarily magazine and radio media advertising, during the year ended December 31, 2013, amounted to \$532,014, and are reflected in the accompanying statement of activities as follows:

Contributions	\$ <u>532,014</u>
Expenses:	
Program services:	
Education and outreach	\$ 413,652
Membership	51,706
Fundraising	51,706
Administration	<u>14,950</u>
	\$ <u>532,014</u>

10. Pension Plan:

The Club has a 403(b) pension plan for the benefit of all eligible employees who are at least 21 years old and have three years of service. The Club made contributions in the amount of \$12,206 to the plan during the year ended December 31, 2013.

SAVE THE MANATEE CLUB, INC.

**Notes to Financial Statements – Continued
December 31, 2013**

11. Lease Commitment:

The Club leases office space and office equipment under noncancelable operating leases which expire in 2017. Future minimum lease payments under the leases at December 31, 2013, are as follows:

Year Ending December 31,		
2014	\$	64,914
2015		15,920
2016		6,176
2017		3,602
2018		<u>1,158</u>
	\$	<u><u>91,770</u></u>

The office lease is subject to adjustments for increases in the Consumer Price Index and direct operating costs of the building.

Total rent expense for the year ended December 31, 2013, under the above leases amounted to \$66,225.

12. Concentrations:

Substantially all of the Club's financial resources are derived from members and other donors who are interested in preservation of the endangered manatee.

A concentration of credit risk exists at December 31, 2013, with regards to investments since this account is not subject to federal insurance (see Note 3).

13. Litigation:

In furtherance of its manatee conservation and advocacy programs, the Club is involved at times in administrative hearing, litigation, and other such proactive activities.