

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT,
CONSOLIDATING FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION,
AND CONTRACT COMPLIANCE

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Mote Marine Laboratory, Inc. and Subsidiaries
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Mote Marine Laboratory, Inc. and Subsidiaries (Laboratory), a nonprofit organization, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, and cash flows, the Mote Environmental Services, Inc. (MESI) changes in stockholders' equity and statements of functional expenses 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating 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 consolidating 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 reasonable basis for our audit opinion.

The Board of Trustees
Mote Marine Laboratory, Inc. and Subsidiaries
Sarasota, Florida

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of the Laboratory as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

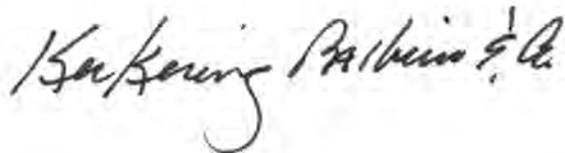
Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic consolidating financial statements of Mote Marine Laboratory, Inc. and Subsidiaries taken as a whole. The Schedule of Expenditures of Federal Awards and State Financial Assistance as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for the purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of the Laboratory's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating 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 May 5, 2016 on our consideration of Mote Marine Laboratory, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Mote Marine Laboratory, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Sarasota, Florida
May 5, 2016



MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 9,143,977	\$ 4,511,390
Accounts receivable	1,157,868	1,252,991
Due from Mote Marine Foundation, Inc.	326,769	133,817
Bequest receivable	190,553	-
Pledges receivable	3,101,921	3,340,834
Note receivable	1,300,000	1,400,000
Inventory	128,640	127,571
Prepaid expenses and other assets	33,433	77,996
Donated assets held for sale	103,105	101,935
Patents, net	96,254	95,069
Investment in deferred compensation plan	610,278	607,814
Land	7,498,190	7,498,190
Property and equipment, net	14,248,048	14,949,154
Construction in progress	448,401	63,799
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	<u>14,468,605</u>	<u>15,943,356</u>
Total Assets	<u>\$ 52,856,042</u>	<u>\$ 50,103,916</u>
<u>Liabilities, Net Assets and Stockholders' Equity</u>		
<u>Liabilities</u>		
Accounts payable	\$ 417,549	\$ 486,414
Accrued payroll	589,234	573,203
Memberships relating to future periods	702,003	655,558
Funds advanced on research programs	6,789,570	6,882,636
Deferred compensation payable	610,278	607,814
Lines of credit	4,025,101	4,127,101
Notes payable	<u>3,361,916</u>	<u>4,468,274</u>
Total Liabilities	<u>16,495,651</u>	<u>17,801,000</u>
<u>Net Assets</u>		
Unrestricted	16,231,252	14,382,374
Temporarily restricted	9,763,008	7,748,283
Permanently restricted	<u>10,366,131</u>	<u>10,172,259</u>
Total Net Assets	<u>36,360,391</u>	<u>32,302,916</u>
Total Liabilities and Net Assets	<u>\$ 52,856,042</u>	<u>\$ 50,103,916</u>

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support, Revenue and Reclassifications					
Program revenue					
Research revenue					
Federal	\$ 1,494,583	\$	\$	\$ 1,494,583	\$ 1,247,374
State	2,760,388			2,760,388	2,344,106
Other	3,879,613			3,879,613	4,019,877
Aquarium					
Admission fees	3,315,683			3,315,683	3,211,437
Gift shop	1,025,140			1,025,140	988,259
Other	454,063			454,063	460,203
Fish and caviar sales				-	632,323
Memberships	866,191			866,191	888,032
Education	798,217			798,217	658,344
Protect Our Reefs-License Plate	926,381			926,381	1,000,258
Other programs	736,886			736,886	449,654
Contributions					
Construction		3,831,858		3,831,858	60,010
Aquarium		314,123		314,123	49,736
Other programs	4,076,235	523,563		4,599,798	2,753,661
Non-cash contributions	931,939			931,939	718,725
Grants from Mote Marine Foundation, Inc.	1,190,137			1,190,137	1,354,318
Investment income	31,559	1,024		32,583	6,619
Unrealized gain on investments, net		(1,276)		(1,276)	175
Realized gain (loss) on investments, net	(1,085)			(1,085)	1,954
Realized gain (loss) on disposal of assets	23,288			23,288	(465,956)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.		(1,668,623)	193,872	(1,474,751)	248,502
Net assets released from restrictions	985,944	(985,944)		-	-
Total support, revenue and reclassifications	<u>23,495,162</u>	<u>2,014,725</u>	<u>193,872</u>	<u>25,703,759</u>	<u>20,627,611</u>
Expenses					
Cost and expenses					
Processing and packing				-	78,302
Selling, general and administrative				-	2,886
Program services					
Research	10,294,135			10,294,135	9,425,137
Education	1,168,346			1,168,346	1,145,779
Aquarium	4,015,424			4,015,424	3,831,445
Protect Our Reefs-License Plate	829,796			829,796	970,834
MAP facility operations	689,666			689,666	1,264,485
Other	509,653			509,653	785,264
Supporting services					
Administrative and general	2,337,905			2,337,905	2,153,545
Fundraising	1,801,359			1,801,359	1,618,797
Total expenses	<u>21,646,284</u>	<u>-</u>	<u>-</u>	<u>21,646,284</u>	<u>21,276,474</u>
Increase (decrease) in net assets and net loss before equity losses in subsidiary and minority interest	1,848,878	2,014,725	193,872	4,057,475	(648,863)
Minority interest in MESI				-	93,711
Loss on sale of subsidiary				-	(534,550)
Increase (decrease) in net assets and net loss	<u>1,848,878</u>	<u>2,014,725</u>	<u>193,872</u>	<u>4,057,475</u>	<u>(1,089,702)</u>
Net assets/retained earnings at beginning of year	<u>14,382,374</u>	<u>7,748,283</u>	<u>10,172,259</u>	<u>32,302,916</u>	<u>33,392,618</u>
Net assets/retained earnings at end of year	<u>\$ 16,231,252</u>	<u>\$ 9,763,008</u>	<u>\$ 10,366,131</u>	<u>\$ 36,360,391</u>	<u>\$ 32,302,916</u>

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	Laboratory			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Reclassifications				
Program revenue				
Research revenue				
Federal	\$ 1,247,374	\$	\$	\$ 1,247,374
State	2,344,106			2,344,106
Other	4,019,877			4,019,877
Management fee-MAP	863,688			863,688
Aquarium				
Admission fees	3,211,437			3,211,437
Gift shop	988,259			988,259
Other	460,203			460,203
Fish and caviar sales				-
Memberships	888,032			888,032
Education	658,344			658,344
Protect Our Reefs-License Plate	1,000,258			1,000,258
Other programs	449,654			449,654
Contributions				
Construction		60,010		60,010
Aquarium		49,736		49,736
Other programs	1,637,703	1,115,958		2,753,661
Non-cash contributions	718,725			718,725
Grants from Mote Marine Foundation, Inc.	1,354,318			1,354,318
Investment income	52,127	2,976		55,103
Unrealized gain (loss) on investments, net		175		175
Realized gain (loss) on investments, net	1,954			1,954
Realized gain (loss) on disposal of assets	(465,956)			(465,956)
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.		(366,287)	614,789	248,502
Net assets released from restrictions	455,575	(455,575)		-
Total support, revenue and reclassifications	<u>19,885,678</u>	<u>406,993</u>	<u>614,789</u>	<u>20,907,460</u>
Expenses				
Cost and expenses				
Cost of products sold				-
Processing and packaging				-
Selling, general and administrative				-
Interest				-
Program services				
Research	9,425,137			9,425,137
Education	1,145,779			1,145,779
Aquarium	3,831,445			3,831,445
Protect Our Reefs-License Plate	970,834			970,834
MAP facility operations	1,264,485			1,264,485
Other	785,560			785,560
Supporting services				
Administrative and general	2,155,190			2,155,190
Fundraising	1,626,916			1,626,916
Total expenses	<u>21,205,346</u>	<u>-</u>	<u>-</u>	<u>21,205,346</u>
Increase (decrease) in net assets and net loss before equity losses in subsidiary and minority interest	(1,319,668)	406,993	614,789	(297,886)
Equity losses in subsidiary	(257,266)			(257,266)
Minority interest in MESI				-
Loss on sale of subsidiary	(1,689,993)			(1,689,993)
Increase (decrease) in net assets and net loss	<u>(3,266,927)</u>	<u>406,993</u>	<u>614,789</u>	<u>(2,245,145)</u>
Net assets/retained earnings at beginning of year	<u>17,649,301</u>	<u>7,341,290</u>	<u>9,557,470</u>	<u>34,548,061</u>
Net assets/retained earnings at end of year	<u>\$ 14,382,374</u>	<u>\$ 7,748,283</u>	<u>\$ 10,172,259</u>	<u>\$ 32,302,916</u>

<u>MESI</u>	<u>Eliminations</u>	<u>2014 Total</u>	<u>2015 Total</u>
\$	\$	\$	\$
		1,247,374	1,494,583
		2,344,106	2,760,388
		4,019,877	3,879,613
	(863,688)	-	-
		3,211,437	3,315,683
		988,259	1,025,140
		460,203	454,063
642,383	(10,060)	632,323	-
		888,032	866,191
		658,344	798,217
		1,000,258	926,381
		449,654	736,886
		60,010	3,831,858
		49,736	314,123
		2,753,661	4,599,798
		718,725	931,939
		1,354,318	1,190,137
	(48,484)	6,619	32,583
		175	(1,276)
		1,954	(1,085)
		(465,956)	23,288
		248,502	(1,474,751)
		-	-
<u>642,383</u>	<u>(922,232)</u>	<u>20,627,611</u>	<u>25,703,759</u>
520,552	(520,552)	-	-
208,605	(130,303)	78,302	-
215,719	(212,833)	2,886	-
48,484	(48,484)	-	-
		9,425,137	10,294,135
		1,145,779	1,168,346
		3,831,445	4,015,424
		970,834	829,796
		1,264,485	689,666
	(296)	785,264	509,653
	(1,645)	2,153,545	2,337,905
	(8,119)	1,618,797	1,801,359
<u>993,360</u>	<u>(922,232)</u>	<u>21,276,474</u>	<u>21,646,284</u>
(350,977)		(648,863)	4,057,475
	257,266	-	-
	93,711	93,711	-
	1,155,443	(534,550)	-
<u>(350,977)</u>	<u>1,506,420</u>	<u>(1,089,702)</u>	<u>4,057,475</u>
<u>(3,411,206)</u>	<u>2,255,763</u>	<u>33,392,618</u>	<u>32,302,916</u>
\$ <u>(3,762,183)</u>	\$ <u>3,762,183</u>	\$ <u>32,302,916</u>	\$ <u>36,360,391</u>

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENT OF STOCKHOLDERS' EQUITY - MESI

YEAR ENDED DECEMBER 31, 2014

	Common Stock and Paid In Capital	Retained Earnings	Total Stockholders' Equity
	<u> </u>	<u> </u>	<u> </u>
Balance - December 31, 2013	\$ 4,628,168	(3,411,206)	1,216,962
Net loss		(350,977)	(350,977)
Sale of stock	<u>(4,628,168)</u>	<u>3,762,183</u>	<u>(865,985)</u>
Balance - December 31, 2014	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities	
Increase (decrease) in net assets and net gain (loss)	\$ <u>4,057,475</u>
Adjustments to reconcile increase (decrease) in net assets and net gain (loss) to net cash provided by operating activities	
Depreciation and amortization	2,326,820
Realized loss on disposal of assets	(23,288)
Unrealized / realized loss on investments, net	1,085
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	1,474,751
Non-cash contributions	(506,630)
(Increase) decrease in operating assets	
Accounts receivable	95,125
Due from MESI	100,000
Due from Mote Marine Foundation, Inc.	(192,952)
Bequest receivable	(190,553)
Pledges receivable	238,913
Inventory	(1,069)
Prepaid expenses and other assets	44,563
Increase (decrease) in operating liabilities	
Accounts payable	(68,865)
Accrued payroll	16,031
Due to Mote Marine Laboratory, Inc.	46,445
Memberships relating to future periods	(93,066)
Funds advanced on research programs	(93,066)
Total adjustments	<u>3,267,310</u>
Net cash provided by operating activities	<u>7,324,785</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(1,914,605)
Proceeds from sale of property and equipment	21,831
Patent costs	(6,895)
Proceeds from donated assets held for sale	415,829
Net cash used in investing activities	<u>(1,483,840)</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Cash Flows from Financing Activities	
Net change in lines of credit	(102,000)
Repayments of notes payable	<u>(1,106,358)</u>
Net cash used in financing activities	<u>(1,208,358)</u>
Net increase (decrease) in cash and cash equivalents	4,632,587
Cash and cash equivalents, beginning of year	<u>4,511,390</u>
Cash and cash equivalents, end of year	<u>\$ 9,143,977</u>
Supplemental Disclosure of Non-Cash:	
Investing and Financing Activity	
Cash paid for interest	<u>\$ 182,828</u>

The accompanying notes are an integral part
of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Operating Activities			
Increase in net assets and net loss	\$ (2,245,145)	\$ (350,977)	\$ (2,596,122)
Adjustments to reconcile decrease in net assets and net loss to net cash used in operating activities			
Depreciation and amortization	2,317,042	5,894	2,322,936
Pledge Write-off of uncollectible amount	1,689,993		1,689,993
Realized gain on disposal of assets	465,956		465,956
Unrealized / realized loss on investments, net	(1,954)		(1,954)
Equity losses in subsidiary	257,266		257,266
Change in beneficial interest in the net assets of Mote Marine Foundation, Inc.	(248,502)		(248,502)
Non-cash contributions	(718,725)		(718,725)
(Increase) decrease in operating assets			
Accounts receivable	205,576	212,088	417,664
Due from MESI	(772,107)		(772,107)
Due from Mote Marine Foundation, Inc.	(124,853)		(124,853)
Bequest receivable	10,000		10,000
Pledges receivable	(3,171,459)		(3,171,459)
Beneficial interest in life estate	56,700		56,700
Inventory	55,269	(618,815)	(563,546)
Prepaid expenses and other assets	84,294		84,294
Increase (decrease) in operating liabilities			
Accounts payable	95,176	(16,980)	78,196
Accrued payroll	(330,057)		(330,057)
Due to Mote Marine Laboratory, Inc.		772,107	772,107
Memberships relating to future periods	(26,649)		(26,649)
Funds advanced on research programs	3,107,559		3,107,559
Total adjustments	<u>2,950,525</u>	<u>354,294</u>	<u>3,304,819</u>
Net cash provided in operating activities	<u>705,380</u>	<u>3,317</u>	<u>708,697</u>
Cash Flows from Investing Activities			
Purchases of property and equipment	(1,197,807)	(3,817)	(1,201,624)
Proceeds from sale of property and equipment	201,500		201,500
Proceeds from sale of investment in MESI	401,850		401,850
Patent costs	(12,442)		(12,442)
Proceeds from donated assets held for sale	202,979		202,979
Net cash used in investing activities	<u>(403,920)</u>	<u>(3,817)</u>	<u>(407,737)</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

	<u>Laboratory</u>	<u>MESI</u>	<u>Consolidated Total</u>
Cash Flows from Financing Activities			
Net change in lines of credit	549,697		549,697
Proceeds from issuance of notes payable	700,000		700,000
Repayments of notes payable	<u>(1,075,503)</u>		<u>(1,075,503)</u>
Net cash provided by financing activities	<u>174,194</u>	<u>-</u>	<u>174,194</u>
Net increase (decrease) in cash and cash equivalents	475,654	(500)	475,154
Cash and cash equivalents, beginning of year	4,035,736	500	4,036,236
Cash and cash equivalents, end of year	<u>\$ 4,511,390</u>	<u>\$ -</u>	<u>\$ 4,511,390</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activity			
Property and equipment purchased through financing	<u>\$ 33,850</u>	<u>\$ -</u>	<u>\$ 33,850</u>
Cash paid for interest	<u>\$ 191,228</u>	<u>\$ 48,484</u>	<u>\$ 239,712</u>

The accompanying notes are an integral part
of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES - LABORATORY
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	Program Services				
	Research	Education	Aquarium	Protect our Reefs License Plate	MAP Facility Operations
Salaries and benefits	\$ 4,990,759	\$ 703,144	\$ 1,941,052	\$ 231,729	\$ 161,095
Contracted services	1,007,020	184,364	99,900	148,166	7,045
Depreciation and amortization			185,637		372,016
Repairs and maintenance	189,461	7,812	442,591	24,720	64,384
Travel, meals and seminars	347,115	84,084	65,517	11,393	
Research supplies	500,143			8,015	
Merchandise			457,953		
Office expense	256,153	44,877	344,365	26,938	1,163
Electricity	26,529		232,967	22,759	97,586
Insurance	13,280		41,867	46,986	33,065
Telephone	40,686	6,646	20,300	20,744	7,846
Promotion and advertising	131,061	59,235	60,034	55,168	
Expendable supplies		13,246	16,657	95	
Printing and publication	19,674	12,562	12,583	5,273	
Vessel	8,294			1,634	
Vehicle	191	2,441	2,625	(1,598)	
Interest	94,003		4,625	10,605	
Accounting and legal	8,620				1,684
Equipment rental	5,244	2,557	6,497		
Library					
Licenses and fees	15,335	1,828	4,219	3,011	13,445
Rent	25,635	9,148			
Miscellaneous	50				
	<u>7,679,253</u>	<u>1,131,944</u>	<u>3,939,389</u>	<u>615,638</u>	<u>759,329</u>
Overhead allocation	2,413,621	6,491		201,731	(71,044)
Rental use charges allocation:					
Vessel, vehicle and equipment	201,261	29,911	76,035	12,427	1,381
Total Expenses	<u>\$ 10,294,135</u>	<u>\$ 1,168,346</u>	<u>\$ 4,015,424</u>	<u>\$ 829,796</u>	<u>\$ 689,666</u>

Percent of Total

		Supporting Services			2015	2014
Other	Total	Administrative and General	Fund Raising	Total	Total Functional Expenses	Total Functional Expenses
\$ 341,213	\$ 8,368,992	\$ 1,947,253	\$ 599,567	\$ 2,546,820	\$ 10,915,812	\$ 11,074,252
17,036	1,463,531	91,195	603,363	694,558	2,158,089	2,000,235
	557,653	1,758,957		1,758,957	2,316,610	2,317,042
36,826	765,794	424,132	8,574	432,706	1,198,500	1,183,615
40,903	549,012	19,083	211,768	230,851	779,863	825,851
398	508,556			-	508,556	615,966
	457,953			-	457,953	449,182
99,806	773,302	62,469	117,050	179,519	952,821	465,874
50,976	430,817	214,663		214,663	645,480	653,563
36,863	172,061	190,290		190,290	362,351	384,920
3,222	99,444	38,725	3,880	42,605	142,049	138,998
28,478	333,976	3,849	114,990	118,839	452,815	336,182
120	30,118	3,274		3,274	33,392	53,918
9,191	59,283	4,096	90,569	94,665	153,948	163,828
42,465	52,393			-	52,393	51,566
26,919	30,578	17,124		17,124	47,702	45,585
30,296	139,529	43,299		43,299	182,828	191,228
1,345	11,649	51,189		51,189	62,838	55,157
3,816	18,114	44,077	26,912	70,989	89,103	74,965
4,435	4,435	12,909		12,909	17,344	29,773
3,051	40,889	12,865	15,038	27,903	68,792	67,735
	34,783			-	34,783	10,111
995	1,045	10,940	277	11,217	12,262	15,800
778,354	14,903,907	4,950,389	1,791,988	6,742,377	21,646,284	21,205,346
(73,263)	2,477,536	(2,477,536)		(2,477,536)	-	-
(195,438)	125,577	(134,948)	9,371	(125,577)	-	-
\$ 509,653	\$ 17,507,020	\$ 2,337,905	\$ 1,801,359	\$ 4,139,264	\$ 21,646,284	\$ 21,205,346
	81%	11%	8%		100%	

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES - LABORATORY

YEAR ENDED DECEMBER 31, 2014

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	Program Services				
	Research	Education	Aquarium	Protect our Reefs License Plate	MAP Facility Operations
Salaries and benefits	\$ 4,576,681	\$ 757,511	\$ 1,781,355	\$ 355,081	\$ 568,389
Contracted services	781,614	143,951	218,204	171,476	9,686
Depreciation and amortization			217,676		428,565
Repairs and maintenance	170,147	9,986	426,760	36,977	61,087
Travel, meals and seminars	418,974	88,454	34,156	8,522	271
Research supplies	604,728			10,808	430
Merchandise			448,929	253	
Office expense	50,662	33,632	163,782	15,844	2,009
Electricity	24,255		245,708	21,043	92,609
Insurance	5,805		41,854	45,262	42,209
Telephone	38,247	5,833	18,349	19,275	11,778
Promotion and advertising	83,418	47,027	49,605	52,335	
Expendable supplies		7,320	41,452		
Printing and publication	18,849	13,562	11,458	856	161
Vessel	4,033			1,101	
Vehicle	1,580	6,760	7,589		925
Interest	98,664		5,304	10,074	
Accounting and legal	6,100				
Equipment rental	1,240	445	6,837		4,325
Library					
Licenses and fees	7,465	2,249	8,362	14,608	13,511
Rent	10,111				
Miscellaneous	15,800				
	<u>6,918,373</u>	<u>1,116,730</u>	<u>3,727,380</u>	<u>763,515</u>	<u>1,235,955</u>
Overhead allocation	2,305,954			197,770	27,620
Rental use charges allocation:					
Vessel, vehicle and equipment	200,810	29,049	104,065	9,549	910
Total Expenses	<u>\$ 9,425,137</u>	<u>\$ 1,145,779</u>	<u>\$ 3,831,445</u>	<u>\$ 970,834</u>	<u>\$ 1,264,485</u>

Percent of Total

	Supporting Services				2014 Total Functional Expenses	2015 Total Functional Expenses
	Other	Total	Administrative and General	Fund Raising		
\$ 465,952	\$ 8,504,969	\$ 1,809,380	\$ 759,903	\$ 2,569,283	\$ 11,074,252	\$ 10,915,812
136,457	1,461,388	161,563	377,284	538,847	2,000,235	2,158,089
	646,241	1,670,801		1,670,801	2,317,042	2,316,610
92,294	797,251	383,226	3,138	386,364	1,183,615	1,198,500
73,695	624,072	29,751	172,028	201,779	825,851	779,863
	615,966			-	615,966	508,556
	449,182			-	449,182	457,953
26,988	292,917	72,337	100,620	172,957	465,874	952,821
49,061	432,676	220,887		220,887	653,563	645,480
32,592	167,722	217,198		217,198	384,920	362,351
5,950	99,432	34,135	5,431	39,566	138,998	142,049
18,580	250,965	3,571	81,646	85,217	336,182	452,815
2,354	51,126	2,782	10	2,792	53,918	33,392
22,117	67,003	5,682	91,143	96,825	163,828	153,948
30,085	35,219	16,347		16,347	51,566	52,393
118	16,972	28,344	269	28,613	45,585	47,702
33,120	147,162	44,066		44,066	191,228	182,828
	6,100	49,057		49,057	55,157	62,838
4,035	16,882	43,399	14,684	58,083	74,965	89,103
16,450	16,450	13,323		13,323	29,773	17,344
1,783	47,978	9,789	9,968	19,757	67,735	68,792
	10,111			-	10,111	34,783
	15,800			-	15,800	12,262
1,011,631	14,773,584	4,815,638	1,616,124	6,431,762	21,205,346	21,646,284
(37,680)	2,493,664	(2,493,664)		(2,493,664)	-	-
(188,391)	155,992	(166,784)	10,792	(155,992)	-	-
<u>\$ 785,560</u>	<u>\$ 17,423,240</u>	<u>\$ 2,155,190</u>	<u>\$ 1,626,916</u>	<u>\$ 3,782,106</u>	<u>\$ 21,205,346</u>	<u>\$ 21,646,284</u>
	<u>82%</u>	<u>10%</u>	<u>8%</u>		<u>100%</u>	

The accompanying notes are an integral part of these consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies

Organization

Mote Marine Laboratory, Inc. (Laboratory), a nonprofit corporation, operates and maintains a marine and environmental sciences laboratory for the encouragement and development of the study of marine sciences and the advancement of the general knowledge of kindred subjects through education, training, scientific research, exchange of scientific information and dissemination of information to the public. The Laboratory began operations in 1955.

Mote Environmental Services, Inc. (MESI) was a for-profit subsidiary of the Laboratory, majority-owned at December 31, 2013 and through the date of its sale to an independent third party on November 19, 2014. Prior to the date of sale, Mote Marine Laboratory, Inc., together with a stockholder, owned and operated MESI, a sturgeon farm and a related sturgeon meat and caviar harvesting and production business. The operations were conducted and managed by the Laboratory at Laboratory owned facilities named Mote Aquaculture Park (MAP). During 2009, the Laboratory entered into a stock purchase agreement with a stockholder. MESI was authorized to issue 1,000,000 shares of \$0.01 par value common stock. The outstanding common stock as of December 31, 2013 was as follows: Mote Marine Laboratory, Inc. owned 1,000 shares and a stockholder owned 364 shares. The value of common stock outstanding as of December 31, 2013 totaled approximately \$10 and \$4 for the Laboratory and the stockholder, respectively, which was included in stockholders' equity.

On November 19, 2014, Mote Marine Laboratory, Inc. entered into an agreement with an independent third party investor to sell its shares of MESI stock. Mote Marine Laboratory sold 1,000 MESI shares at a purchase price of \$401.85 for an aggregate purchase price of \$401,850. The purchase price was paid to the lab in its entirety on the closing date, November 19, 2014. The sturgeon farm and related sturgeon meat and caviar harvesting and production business will continue to operate at the Mote Aquaculture Park and a lease agreement was entered into between Mote Marine Laboratory and the purchaser for the use of the facilities.

Mote Aquaculture, Inc. is a wholly-owned, for-profit subsidiary of the Laboratory. Mote Aquaculture, Inc. was incorporated in 1996 and has been inactive since 1997.

Financial Statements

The consolidating financial statements and notes are representations of the Laboratory's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Laboratory prepares its consolidating financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

The preparation of consolidating 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Principles of Consolidation

The consolidating financial statements include the accounts and operations of Mote Marine Laboratory, Inc., Mote Environmental Services, Inc., and Mote Aquaculture, Inc. All material inter-company transactions and accounts have been eliminated.

Reclassifications

To facilitate comparison of financial data, certain amounts in the 2014 consolidating financial statements have been reclassified to conform to the 2015 reporting presentation. Such reclassifications had no effect on the change in net assets or net loss previously reported.

Internal Borrowings

From time to time, the Laboratory borrows temporarily restricted assets for operating purposes. These borrowings are repaid as other resources become available. There were no borrowings outstanding for the years ended December 31, 2015 and 2014, respectively.

Accounts Receivable

Accounts receivable consist primarily of amounts due from program fees and grants receivable. A significant portion of grants receivable are research grants.

Substantially all research grants are cost reimbursement grants. Research grants receivable consists of billed and unbilled costs incurred on research contracts. Due to the nature of the grants, management considers them to be collectible and no allowance has been established. These amounts are included in accounts receivable on the consolidating statement of financial position.

Based on the Laboratory's collection history, management believes no allowance for uncollectible amounts is necessary.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value).

Donated Assets

Donated assets are recorded at fair market value at the date of gift. Donated property and vessels, which are not classified by management for use by the Laboratory, are recorded as assets held for sale. The carrying value of such assets is adjusted to the lower of fair market value or the recorded value at the date of gift in order to more closely reflect the net realizable value.

Bequest Receivable

Bequests are recorded as support when the amount to be received can be reasonably estimated as provided by the executor of the estate.

Pledges Receivable

Pledges are recorded as support when the donor's commitment has been received.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at the date of gift, if donated.

Depreciation is provided over the estimated useful lives of the assets using the straight-line half-year method. Estimated useful lives are as follows:

	<u>Years</u>
Vehicles	3
Vessels	5
Buildings and improvements	5 - 40
Furniture, fixtures and exhibits	5 - 10
Library	5 - 20
Laboratory equipment	5 - 20
Trailers	5 - 10

The Laboratory capitalizes all fixed asset purchases or donations with an estimated useful life of greater than one year and a cost or fair market value of \$1,000 or greater.

Revenue Recognition

Revenue associated with research grants or contracts is generally recognized as related costs are incurred. Membership revenue is recognized ratably throughout the membership year.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor stipulations that limit the use of donated assets are treated as temporarily restricted net assets. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statements of activities as net assets released from restrictions.

Gifts of cash restricted for the purpose of acquiring or constructing long-lived assets are recorded as temporarily restricted net assets until the long-lived assets are acquired or constructed at which time the net assets are released from the restriction and reclassified as unrestricted net assets. Any conditional gifts for which the conditions are not met at year-end are recorded as refundable advances.

Patents

Patents are stated at the cost to acquire. Amortization is provided for using the straight-line method over the estimated useful life of ten years.

Donated Services

A substantial number of volunteers have made significant contributions of their time to the operations of the Laboratory. The amount of volunteer hours contributed to the Laboratory during December 31, 2015 and 2014 were 224,697 and 217,376 hours, respectively. The estimated value of these donated services has not been recorded in the accompanying consolidating financial statements. However, management estimates the fair value of these services contributed to the Laboratory during December 31, 2015 and 2014 amounted to approximately \$5,293,861 and \$5,014,865, respectively. These estimates are based on an article published in the NonProfit Times that estimates volunteer time to be worth \$23.56 and \$23.07 per hour in 2015 and 2014, respectively, according to the Independent Sector, a Washington D.C. based coalition of nonprofits and foundations.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense for the years ended December 31, 2015 and 2014 totaled \$452,815 and \$336,182, respectively.

Income Tax Status

The Laboratory is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Mote Aquaculture, Inc., the for-profit subsidiary of the Laboratory, is subject to applicable corporate income taxes.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

Under the Income Taxes topic of the FASB Accounting Standards Codification, the Laboratory has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Laboratory.

The Laboratory files income tax returns in the U.S. federal jurisdiction and the State of Florida. The tax periods open to examination by the major taxing jurisdictions to which the Laboratory is subject include fiscal years ended December 31, 2012 through December 31, 2015.

Financial Instruments Not Measured at Fair Value

Certain of the Laboratory's and MESI's financial instruments are not measured at fair value on a recurring basis but nevertheless certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accounts receivable, due from Mote Marine Foundation, Inc., prepaid expenses and other assets, accounts payable, accrued payroll, memberships relating to future periods, deferred compensation payable and funds advanced on research programs.

Overhead Allocation

Overhead is allocated to research programs at a rate established with the cognizant federal agency, The Department of Commerce and National Oceanic and Atmospheric Administration. Certain research contracts limit the amount of reimbursement for overhead expenses to a rate specified in the individual contracts.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

Cash on hand and highly liquid investments with a maturity of three months or less at date of acquisition are considered to be cash and cash equivalents. Cash restricted for the endowment and included as cash and cash equivalents in the consolidating financial statements amounted to \$620,376 and \$620,221 as of December 31, 2015 and 2014, respectively.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Beneficial Interest in the Net Assets of Mote Marine Foundation, Inc.

The Laboratory follows the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification. The *Not-for-Profit Entities* Topic establishes standards for transactions in which a donor makes a contribution to a not-for-profit organization (the recipient) that agrees to transfer those assets to another entity (the beneficiary). The statement requires that, if the specified beneficiary is financially interrelated to the recipient organization, the beneficiary must recognize its interest in the net assets of the recipient organization. As presented in the consolidating financial statements, the Laboratory is financially interrelated to Mote Marine Foundation, Inc. and therefore, is required to report its beneficial interest in the net assets of Mote Marine Foundation, Inc.

Note 2 - Pledges Receivable

At December 31, 2015 and 2014, the Laboratory held written unconditional pledges receivable in the amounts of \$3,101,921 and \$3,340,834, respectively. The pledges have been restricted by the donors for future projects. The entire balance as of December 31 is expected to be collected per the agreements; therefore management has not established an allowance for uncollectible pledges against these assets.

Receipt of pledges receivable is scheduled as follows:

2016	\$ 1,134,425
2017	868,121
2018	864,687
2019	222,688
2020	12,000
	<u>\$ 3,101,921</u>

During the years ended December 31, 2015 and 2014, the Laboratory had \$0 in uncollectible pledges due to unforeseen circumstances.

Note 3 - Promissory Note

On November 19, 2014, Mote Marine Laboratory, Inc. entered into a written promissory note receivable from MESI in the amount of \$1,400,000 as consideration for the purchase of MESI from Mote Marine Laboratory, Inc. by a private investor. A simple interest per annum of 1.89% will be due on the unpaid principal balance from the effective date of the note. The first through the 8th principal payments in the amount of \$100,000 plus the interest rate on the unpaid principal at the date of each payment shall be made to the note holder, Mote Marine Laboratory, Inc., on each anniversary of the effective date. The ninth and balloon payment of \$600,000 plus the interest rate on the forgoing unpaid principal shall be payable to the note holder, the Laboratory, on the ninth anniversary of the effective contract date.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 4 - Accounts Receivable

Accounts receivable consists of the following at December 31:

	2015	2014
Caviar and sturgeon sales	\$ -	\$ 11,480
Costs billed on research grants and other contracts	295,309	596,817
Unbilled costs incurred on research grants	862,559	644,694
	<u>\$ 1,157,868</u>	<u>\$ 1,252,991</u>

During the years ended December 31, 2015 and 2014, the Laboratory had \$0 and \$16,165 in write-offs in uncollectible accounts receivable due to unforeseen circumstances, respectively.

Note 5 - Investments

The Laboratory had realized losses on the sales of investments in the amount of \$1,085 for the year ended December 31, 2015 and realized gains on the sales of investments in the amount of \$1,954 for the year ended December 31, 2014.

Additionally, assets held at a community foundation during the years 2015 and 2014 incurred restricted unrealized losses of \$1,276 and unrealized gains of \$175, respectively.

Note 6 - Property and Equipment

Property and equipment consists of the following as of December 31:

	2015	2014
Vehicles	\$ 764,841	\$ 786,941
Vessels	1,832,261	1,804,208
Buildings and improvements	34,088,483	33,771,130
Furniture, fixtures and exhibits	7,078,553	6,697,445
Library	23,620	23,620
Laboratory equipment	7,481,843	6,654,202
Trailers	99,670	99,670
	<u>51,369,271</u>	<u>49,837,216</u>
Less accumulated depreciation	37,121,223	34,888,062
	<u>\$ 14,248,048</u>	<u>\$ 14,949,154</u>

Depreciation expense was \$2,316,610 and \$2,317,984 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, construction in progress consisted of expenditures of \$448,401 and \$63,799, respectively, for the new building at Summerland Key.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 6 - Property and Equipment (Continued)

In accordance with contract provisions, the Laboratory has segregated and identified property and equipment that has been purchased or improved with funds received from government agencies. Title to these assets acquired with government agency funds vests with the Laboratory as long as the Laboratory has a contract with the agency. Upon contract termination, title to these assets reverts to the agencies. At December 31, 2015 and 2014, property and equipment purchased or improved with funds received from government agencies, net of accumulated depreciation, totaled \$443,642 and \$246,571, respectively.

Note 7 - Inventory

Inventory consisted of the following at December 31:

	2015	2014
Gift shop merchandise	\$ 128,640	\$ 127,571

Gift shop merchandise is stated at cost at December 31, 2015 and 2014.

Note 8 - Patents

During 2015 and 2014, the Laboratory incurred costs to maintain certain patents. The costs capitalized and the related amortization provided for is as follows:

	2015	2014
Patents	\$ 116,747	\$ 105,352
Less: accumulated amortization	20,493	10,283
	<u>\$ 96,254</u>	<u>\$ 95,069</u>

No significant residual value is estimated for these patents. Amortization expense for the years ended December 31, 2015 and 2014 totaled \$10,210 and \$4,952, respectively. The following table represents the total estimated amortization of patents for the five succeeding years ending December 31, 2015:

<u>Year</u>	<u>Estimated Amortization Expense</u>
2016	\$ 8,373
2017	\$ 6,195
2018	\$ 5,333
2019	\$ 5,333
2020	\$ 5,299
Thereafter	\$ 13,849

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 9 - Notes Payable

Notes payable consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Note payable in semiannual installments of \$12,500 principal plus accrued interest, at LIBOR plus 2.5% with a 2.85% floor, due in full October 29, 2019, secured by Mote Marine Foundation, Inc.'s investments. Interest rate at December 31, 2015 and 2014 was 2.85% and 2.85%, respectively.	\$ 192,550	\$ 344,190
Note payable in 180 monthly installments, maturing on August 5, 2028 including interest based on overnight LIBOR plus 2.18%, secured with personal property and pledges and guaranteed by Mote Marine Foundation, Inc. with a \$1,500,000 limitation. Interest at December 31, 2015 and 2014 was 2.45% and 2.5%, respectively.	3,093,916	3,300,205
Note payable in 48 monthly installments of \$506, interest at 0% due 2015, secured by vehicle.	-	2,532
Note payable in 48 monthly installments of \$323 including interest at 3.9% due 2015, secured by vehicle.	-	1,606
Note payable in 60 monthly installments of \$300, interest at 0% due 2017, secured by vehicle.	5,702	9,305
Note payable in 60 monthly installments of \$645, interest at 3% due 2017, secured by vehicle.	8,864	16,216
Note payable in 36 monthly installments of \$514, interest at 3% due 2016, secured by vehicle.	1,533	7,549
Note payable in 60 monthly installments of \$402, interest at 3% due 2018, secured by vehicle.	10,489	14,926
Note payable in 60 monthly installments of \$842, interest at 3% due 2017, secured by vehicle.	13,991	23,515
Note payable in 60 monthly installments of \$612, interest at 3% due 2017, secured by vehicle.	8,404	15,375
Note payable in 60 monthly installments of \$612, interest at 3.15% due 2019, secured by vehicle.	26,467	32,855

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

<u>Note 9 - Notes Payable (Continued)</u>	2015	2014
Note paid in full December 22, 2015, including interest at 0.5% payable annually.	-	700,000
	3,361,916	4,468,274
Less current portion	276,824	3,373,622
Non-current portion	\$ 3,085,092	\$ 1,094,652

Aggregate maturities of long-term debt at December 31 are as follows:

2016	\$	276,824
2017		256,245
2018		244,165
2019		334,562
2020		210,949
Thereafter		2,039,171
	\$	3,361,916

Note 10 - Lines of Credit

Pursuant to loan agreements with two banks, the Laboratory has a revolving line of credit of \$1,500,000 with each bank. One loan agreement expires on March 14, 2017 and the other is open-ended subject to renewal provisions. Interest on one line of credit is charged at the bank's prime rate less a margin of 1.25% with a 3% floor and is payable monthly. At December 31, 2015 and 2014, borrowings outstanding under this line of credit and secured by pledges and accounts receivable of the Laboratory amounted to \$1,217,101.

Interest on the second revolving line of credit is charged at one month LIBOR plus 1.90% per annum with a 2.75% floor, payable monthly. At December 31, 2015 and 2014, borrowings outstanding under this line of credit and secured by assets of Mote Marine Foundation, Inc. held by the bank amounted to \$448,000 and \$550,000, respectively.

The Laboratory also has an available line of credit of \$3,014,000 from Mote Scientific Foundation. The loan agreement expires on October 16, 2016. Interest is charged at *The Wall Street Journal's* Prime Rate less a margin of 1.25% and is payable quarterly. At December 31, 2015 and 2014, borrowings outstanding and secured by a lien on a certain estate in real property amounted to \$2,175,000.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 10 - Lines of Credit (Continued)

The Laboratory also has a line of credit of \$185,000 from Sarasota-Manatee Airport Authority. The loan represents advanced funding for the improvements to the Airport Aquarium and has no expiration date or interest rate and will be repaid with any funds raised associated with the Airport Aquarium. At December 31, 2015 and 2014, borrowings outstanding totaled \$185,000.

The multiple lines of credit outstanding at December 31, 2015 and 2014 totaled \$4,025,101 and \$4,127,101, respectively.

Interest expense incurred under these lines of credit totaled \$91,126 and \$80,224 for the years ended December 31, 2015 and 2014, respectively.

Certain loan agreements described above and in Note 9 require that the Laboratory meet certain debt covenant compliance requirements. As of December 31, 2015 and 2014, the Laboratory was in full compliance with all requirements.

Note 11 - Temporarily Restricted Net Assets

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

	2015	2014
Future projects	\$ 1,440,418	\$ 1,139,935
Construction	3,572,475	178,839
Library expenses	35,591	46,362
Beneficial interest in net assets of Mote Marine Foundation, Inc.	4,714,524	6,383,147
	<u>\$ 9,763,008</u>	<u>\$ 7,748,283</u>

Note 12 - Net Assets Released from Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes at December 31 are as follows:

	2015	2014
Aquarium expenses	\$ 269,966	\$ 46,636
Library expenses	10,871	17,583
Other	210,671	171,356
Construction	494,436	
Scholarships	-	50,000
Vessels	-	170,000
	<u>\$ 985,944</u>	<u>\$ 455,575</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 13 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the investment of the original gift in perpetuity, the income from which is expendable to support the Laboratory. Permanently restricted net assets consist of the following as of December 31:

	2015	2014
Cultural endowment	\$ 600,000	\$ 600,000
Keys endowment	12,050	12,050
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	9,754,081	9,560,209
	<u>\$ 10,366,131</u>	<u>\$ 10,172,259</u>

Note 14 - Retirement Plan

The Laboratory provides a 403(b) retirement plan. The Laboratory matches employee contributions based on an employee's length of service and gross salary. Retirement plan expense was \$468,552 and \$491,232 for the years ended December 31, 2015 and 2014, respectively.

Note 15 - Matching Requirements on Governmental Grants

The Laboratory is awarded grants from federal agencies which require matching contributions by the Laboratory. The matching requirements were met or exceeded on completed federal grants during 2015 and 2014.

Note 16 - Lease Income

Mote Marine Laboratory holds title to approximately 200 acres of land in Sarasota County, Florida, located on Fruitville Rd, which has been developed as Mote Aquaculture Park. Mote entered into an agreement with MESI (now Healthy Earth, Inc.) to lease real property and buildings on this parcel for the continued operations of the sturgeon farm and related sturgeon meat and caviar harvesting and production. Base rent for use of facilities by MESI at Mote Aquaculture Park is \$22,833 per month. The initial term of this lease is 5 years, commencing on November 19, 2014 and ending on the last day of the month in the 5th anniversary year. The lessee shall have four (4) options to extend the terms of the lease for a five (5) year period upon the same terms and conditions.

Note 17 - Rental Use Charges

Periodically, certain programs require utilization of vessels, vehicles and equipment provided by the Laboratory. Each program is charged rent, based on use, at a pre-established rental fee that reflects the cost of operating the asset.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 18 - Financial Instruments with Off-Balance Sheet Risk

The Laboratory maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At any given time, the Laboratory may have cash and investment balances exceeding the insured amount. The Laboratory has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and investments.

Note 19 - Related Party Transactions

The Mote Marine Foundation, Inc. (Foundation), a financially interrelated organization, provides support to the Laboratory in the form of grants. For 2015 and 2014, the Laboratory received grants from the Foundation in the amounts of \$1,190,137 and \$1,354,318, respectively.

Mote Marine Foundation, Inc. is dependent on Laboratory personnel for administration and certain aspects of fund raising.

From time to time, the Laboratory will provide grants, receive donations and pay certain expenses on behalf of the Foundation. As of December 31, 2015 and 2014, the Foundation owed the Laboratory \$326,727 and \$133,817, respectively.

Certain trustee members are affiliated with organizations that transact with the Laboratory. Trustee members are required to complete conflict of interest disclosure statements and abstain from voting on related issues.

During 2015 and 2014, a trustee donated the use of an aircraft for travel accommodations for employees and trustees. The value of this donation as of December 31, 2015 is estimated to be \$38,719.

From time to time, the trustees make pledges and contributions to the Laboratory.

Note 20 - Leased Facility

The Laboratory has a leasehold agreement with a municipality for real property on which the Laboratory has constructed its facilities. The agreement requires the Laboratory to pay the municipality one dollar per year until the agreement expires in the year 2050. The fair market value of the leasehold agreement is not determinable and therefore has not been recorded in the accompanying consolidating financial statements.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 21 - Endowments

The Laboratory's endowment consisted of funds established for several purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. It is typical to establish all endowment funds in Mote Marine Foundation, Inc.

Interpretation of Relevant Law

The Board of Trustees of the endowment has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the corpus to be maintained at fair value. Any portion of the endowment, including investment income, which is not classified as permanently restricted net assets, is to be classified as temporarily restricted net assets until it is appropriated for expenditure.

As a result of this interpretation, the Laboratory classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment, adjusted for any market fluctuations to comply with donor stipulations.

As of December 31, 2015, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,770	\$ 612,050	\$ 617,820

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ -	\$ 6,620	\$ 612,050	\$ 618,670
Endowment investment return:				
Investment income		1,694		1,694
Realized and unrealized gains		(1,276)		(1,276)
Total endowment investment return	-	418	-	418
Appropriation of endowment for expenditures		(1,268)		(1,268)
Endowment net assets, December 31, 2015	\$ -	\$ 5,770	\$ 612,050	\$ 617,820

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 21 - Endowments (Continued)

As of December 31, 2014, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,620	\$ 612,050	\$ 618,670

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ -	\$ 5,990	\$ 612,050	\$ 618,040
Endowment investment return:				
Investment income		2,480		2,480
Realized and unrealized gains		175		175
Total endowment investment return	-	2,655	-	2,655
Appropriation of endowment for expenditures		(2,025)		(2,025)
Endowment net assets, December 31, 2014	\$ -	\$ 6,620	\$ 612,050	\$ 618,670

Return Objectives and Risk Parameters

The Laboratory has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Laboratory must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets of to match or exceed the rate of return determined from the sum of the annual distribution percentage, inflation measured by the CPI, and real growth of 1%.

The Cultural Endowment Program has a primary investment constraint to preserve principal along with restrictions on investment instruments so the Laboratory uses an alternative approved investment policy for this program.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 21 - Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Laboratory relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Laboratory targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Laboratory has a policy of appropriating for distribution each year 5% percent of its endowment funds average fair value over the period of 12 quarters through the calendar year end preceeding the fiscal year in which the distribution is planned. In establishing this policy, the Laboratory considered the long-term expected return on its endowment. Accordingly, over the long term, the Laboratory expects the current spending policy to allow its endowment to grow at an average of 1% percent annually. This is consistent with the Laboratory's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The established policy for the Cultural Endowment Program distributes 100% of current income for use in operating costs for cultural activities expecting no further growth in this endowment.

Note 22 - Fair Value of Financial Assets and Liabilities

The Laboratory adopted the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The Laboratory has adopted Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires the Laboratory to present fair value measurements separately for each class of assets and liabilities held as of December 31, 2015 and 2014.

The following table presents information about the Laboratory's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of December 31, 2015 and 2014, and indicate the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities. This level includes common and preferred stock, cash and money market funds, mutual funds, corporate bonds and bond funds, and government obligations.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 22 - Fair Value of Financial Assets and Liabilities (Continued)

Level 2 - inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Laboratory's assumptions based on the best information available in the circumstance.

Fair Value Measurements on a Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2015	Fair Value Measurements on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 13,560,912	\$ 10,387,965	\$ 2,388,410	\$ 784,537

Fair Value Measurements on a Non-Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2015	Fair Value Measurements on a Non-Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 907,693	\$ -	\$ -	\$ 907,693
Pledges receivable	3,101,921	-	-	3,101,921
Ending balance	\$ 4,283,153	\$ -	\$ -	\$ 4,283,153

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 22 - Fair Value of Financial Assets and Liabilities (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total
Beginning balance	\$ 1,114,686
Change in value of the beneficial interest in net assets of Mote Marine Foundation, Inc.	(330,149)
Ending balance	<u>\$ 784,537</u>

Fair Value Measurements on a Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 15,001,037	\$ 10,528,946	\$ 3,357,405	\$ 1,114,686

Fair Value Measurements on a Non-Recurring Basis at Reporting Date Using

Description	Fair Value 12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in the net assets of Mote Marine Foundation, Inc.	\$ 942,319	\$ -	\$ -	\$ 942,319
Pledges receivable	3,340,834	-	-	3,340,834
Ending balance	<u>\$ 4,283,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,283,153</u>

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

Note 22 - Fair Value of Financial Assets and Liabilities (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total
Beginning balance	\$ 1,121,610
Change in value of the beneficial interest in net assets of Mote Marine Foundation, Inc.	(6,924)
Ending balance	<u>\$ 1,114,686</u>

Note 23 - Subsequent Events

The Laboratory has evaluated all events subsequent to the balance sheet date to December 31, 2015 and through the date these financial statements were available to be issued, May 5, 2016, and have determined that there are no subsequent events that require disclosure.

SUPPLEMENTAL INFORMATION

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2015

Grantor	Match	CFDA# or CSFA#	Grant Number	Total Expenditures	
Federal Contracts and Grants					
RESEARCH AND DEVELOPMENT CLUSTER					
Department of Commerce					
National Oceanic and Atmospheric Administration					
Integrated Ocean Observing System (IOOS)					
Passed through Texas A&M University		11.012	NA11NOS0120024	41,308	41,308
Sea Grant Support					
Passed through University of Florida	Y	11.417	NA10OAR4170079	475	
Passed through University of Florida	Y	11.417	NA14OAR4170108	84,290	84,765
NOAA Cooperative Institutes					
Passed through Woods Hole Oceanographic Institution		11.432	NA09OAR4320129	4,894	
Passed through Research Foundation CUNY		11.432	NA14NES4320003	1,761	6,655
Marine Fisheries Initiative					
		11.433	NA15NMF4330152	442	442
Marine Mammal Data Program					
	Y	11.439	NA12NMF4390138	5,295	
	Y	11.439	NA14NMF4390207	61,153	
	Y	11.439	NA15NMF4390044	6,672	73,120
Unallied Management Projects					
		11.454	NA13NMF4540056	28,959	
		11.454	NA15NMF4540102	22,602	51,561
ARRA - Habitat Conservation					
Passed through The Nature Conservancy	Y	ARRA 11.463	NA10NM4630081	32,929	32,929
Unallied Science Program					
		11.472	NA13NMF4720274	42,692	
	Y	11.472	NA14NMF4720320	163,549	206,241
Center for Sponsored Coastal Ocean Research- Coastal Ocean Program					
Passed through FFWCC		11.478	NA11NOS4780058	20,414	20,414
Coral Reef Conservation Program					
		11.482	NA13NOS4520145	10,000	10,000
Environmental Protection Agency					
Office of Water					
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act					
		66.436	00D03812	30,699	30,699
National Science Foundation					
Geosciences					
		47.050	GEO-1461393	33,461	
		47.050	OCE-1156580	88,872	
		47.050	OCE-1156141	116,113	
		47.050	1452538	64,183	
		47.050	1460800	1,553	304,182
Biological Sciences					
Passed through New College of Florida		47.074	DBI-1418890	222,371	222,371
National Aeronautics and Space Administration					
Science					
		43.001	NMX15AN76G	6,612	6,612

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Grantor	Match	CFDA# or CSFA#	Grant Number	Total Expenditures	
Federal Contracts and Grants (Continued)					
Department of the Interior Fish and Wildlife Service Wildlife Without Borders - Mexico		15.641	F15A900279	5	5
National Park Service Natural Resource Stewardship		15.944	P13AC01104	68,835	68,835
Department of Defense U.S. Army Medical Command Military Medical Research and Development Passed through USAMRAA		12.420	W81XWH-11-2-0110	145,255	145,255
Total Federal Contracts and Grants				\$ 1,305,394	
State and Local Contracts and Grants					
State of Florida Florida Fish & Wildlife Conservation Commission Cooperative Red Tide Research Program - Reduction of Harmful Impacts from Red Tide		77.010	07041	10,705	
		77.010	12054	768,546	
		77.010	15003	422,509	1,201,760
Marine Fisheries Assessment		77.023	13029	283,813	283,813
Department of Highway Safety & Motor Vehicles Protect our Reefs License Plate Project		76.069	POR	926,381	926,381
Sea Turtle License Plate Project		76.070	14-046C	843	
Passed through Sea Turtle Conservancy		76.070	14-038C	5,583	
Passed through Sea Turtle Conservancy		76.070	15-012C	6,210	
Passed through Sea Turtle Conservancy		76.070	15-034R	9,035	21,671
Department of Agriculture and Consumer Services Aquaculture Development Projects Passed through University of South Florida		42.015		4,000	4,000
Total State and Local Contracts and Grants				\$ 2,437,625	
Total Financial Assistance				\$ 3,743,019	

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal and state granting activity of Mote Marine Laboratory, Inc. and Subsidiaries, and is presented on the Generally Accepted Accounting Principles basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Indirect Cost Election

Mote Marine Laboratory, Inc. and Subsidiaries has not elected to use the 10% de minimis cost rate as covered in 2 CFR section 200.414 and has a federally negotiated rate with their cognizant agency.

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE (CONTINUED)
 YEAR ENDED DECEMBER 31, 2015

Of the federal expenditures presented in the schedule, Mote Marine Laboratory, Inc. provided federal awards to subrecipients as follows:

Program Number	Subrecipient / Program Title	Federal CFDA Number	Amount Awarded to Subrecipient	2015 Disbursements
185-651	University of South Florida National Oceanic and Atmospheric Administration - Sea Grant Support	11.417	57,482	31,345
107-545	Daemen College U.S. Army Medical Command - Military Medical Research and Development	12.420	223,261	56,808
107-547	Clemson University U.S. Army Medical Command - Military Medical Research and Development	12.420	62,516	23,743
106-419A	Florida Fish & Wildlife Conservation Commission Environmental Protection Agency - Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	42,046	5,187
106-419B	University of North Florida Environmental Protection Agency - Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	10,122	10,122
Total Federal Funding / Disbursements to Subrecipients:			\$ 395,427	\$ 127,205

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Of the state expenditures presented in the schedule, Mote Marine Laboratory, Inc. provided state awards to subrecipients as follows:

Program Number	Subrecipient / Program Title	State CSFA Number	Amount Awarded to Subrecipient	2015 Disbursements
POR 2014 13	REEF			
	DHSMV - Protect Our Reefs	76.069	\$ 10,000	\$ 7,500
POR 2014 2	University of North Florida			
	DHSMV - Protect Our Reefs	76.069	10,541	7,906
POR 2014 4	Smithsonian Institution			
	DHSMV - Protect Our Reefs	76.069	10,229	5,115
POR 2014 6	Smithsonian Institution			
	DHSMV - Protect Our Reefs	76.069	9,836	4,918
POR 2014 10	Smithsonian Institution			
	DHSMV - Protect Our Reefs	76.069	9,932	4,966
POR 2014 8	Marine Resources Development Foundation			
	DHSMV - Protect Our Reefs	76.069	4,785	2,393
POR 2013 1	Reef Relief			
	DHSMV - Protect Our Reefs	76.069	9,500	2,375
POR 2013 6	University of Miami			
	DHSMV - Protect Our Reefs	76.069	9,500	3,832
POR 2014 11	University of Miami			
	DHSMV - Protect Our Reefs	76.069	9,420	7,065
POR 2014 12	University of Miami			
	DHSMV - Protect Our Reefs	76.069	8,284	4,142
POR 2014 16	Nova Southeastern University			
	DHSMV - Protect Our Reefs	76.069	9,886	4,943
POR 2012 6	Florida Institute of Technology			
	DHSMV - Protect Our Reefs	76.069	24,000	6,000
POR 2013 13	University of Miami			
	DHSMV - Protect Our Reefs	76.069	9,500	4,750
POR 2012 22	University of Miami			
	DHSMV - Protect Our Reefs	76.069	15,000	3,750
POR 2013 16	Nova Southeastern University			
	DHSMV - Protect Our Reefs	76.069	9,500	1,185
POR 2013 20	University of North Florida			
	DHSMV - Protect Our Reefs	76.069	9,500	1,889
POR 2013 24	Marine Resources Development Foundation			
	DHSMV - Protect Our Reefs	76.069	4,000	968
POR 2014 1	Florida International University			
	DHSMV - Protect Our Reefs	76.069	9,905	7,429
POR 2014 3	Florida Atlantic University			
	DHSMV - Protect Our Reefs	76.069	<u>13,330</u>	<u>6,665</u>

Total State Funding/ Disbursements to Subrecipients:

\$ 196,648 \$ 87,791

CONTRACT COMPLIANCE

**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATING FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Mote Marine Laboratory, Inc. and Subsidiaries
Sarasota, 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 and Chapter 10.650, *Rules of the Auditor General*, the consolidating financial statements of Mote Marine Laboratory Inc. and Subsidiaries (Laboratory), which comprise the consolidating statement of financial position as of and for the year ended December 31, 2015, and the related consolidating statement of activities, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated May 5, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Laboratory'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 consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Laboratory's internal control. Accordingly, we do not express an opinion on the effectiveness of the Laboratory'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidating financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

The Board of Trustees
Mote Marine Laboratory, Inc. and Subsidiaries
Sarasota, Florida

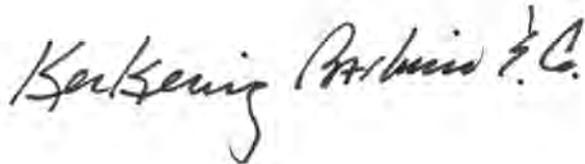
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Laboratory's consolidating financial statements are free of 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 consolidating 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.

Sarasota, Florida
May 5, 2016



**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE
OF FLORIDA**

The Board of Trustees
Mote Marine Laboratory, Inc. and Subsidiaries
Sarasota, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Mote Marine Laboratory, Inc. and Subsidiaries' (Laboratory) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services Statements Projects Compliance Supplement that could have a direct and material effect on each of the Laboratory's major federal programs and state financial assistance projects for the year ended December 31, 2015. The Laboratory's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Laboratory's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards, and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Laboratory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the Laboratory's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Laboratory 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 and state financial assistance projects for the year ended December 31, 2015.

Report on Internal Control Over Compliance

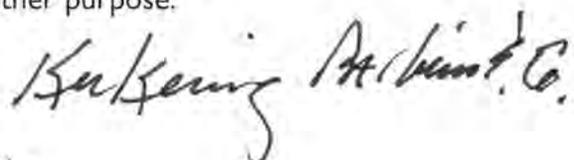
Management of the Laboratory is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Laboratory's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650 *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Laboratory's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 or state financial assistance project 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 or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and the Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Sarasota, Florida
May 5, 2016



MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major programs and projects:

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

Type of auditors' report issued on compliance for major programs and projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) and the provisions of the Florida Single Audit Act in accordance with Chapter 10.650 of the Rules of the Auditor General yes no

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results (Continued)

Identification of major programs and projects:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
11.012	Integrated Ocean Observing System (IOOS)
11.417	Sea Grant Support
11.432	NOAA Cooperative Institutes
11.433	Marine Fisheries Initiative
11.439	Marine Mammal Data Program
11.454	Unallied Management Projects
ARRA 11.463	ARRA - Habitat Conservation
11.472	Unallied Science Program
11.478	Center for Sponsored Coastal Ocean Research -Coastal Ocean Program
11.482	Coral Reef Conservation Program
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act
47.050	Geosciences
47.074	Biological Sciences
43.001	Science
15.641	Wildlife Without Borders - Mexico
15.944	National Resource Stewardship
12.420	Military Medical Research and Development

MOTE MARINE LABORATORY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results (Continued)

<u>CSFA Numbers</u>	<u>Name of State Projects</u>
77.010	Cooperative Red Tide Research Program – Reduction of Harmful Impacts from Red Tide
77.023	Marine Fisheries Assessment

Dollar threshold used to distinguish between type A and type B Federal programs: \$ 750,000

Dollar threshold used to distinguish between type A and type B State projects: \$ 300,000

Auditee qualified as low-risk auditee? x yes no

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings and Questioned Costs

No prior audit findings or questioned costs to be addressed

Section V - Other

No management letter is required because there were no findings to be reported in a management letter as required by Section 215.97 (9)(f) and 215.97 (10)(d) of the Florida Statutes, Auditor General Rule 10.654 (1)(e) or 10.656 (3)(e).