

Force Blue Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2020 and 2019

Force Blue Inc.

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Independent Auditor's Report

To the Board of Directors
Force Blue Inc.

We have audited the accompanying financial statements of Force Blue Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Force Blue Inc. as of December 31, 2020 and 2019, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



New York, New York
October 7, 2021

Force Blue Inc.

**Statements of Financial Position
December 31, 2020 and 2019**

<u>Assets</u>		
	2020	2019
Cash	\$ 421,018	\$ 22,263
Investments	5,047	-
Prepaid expenses	-	1,846
Total assets	\$ 426,065	\$ 24,109
<u>Liabilities and Net Assets (Deficit)</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 6,786	\$ 49,214
Loan payable	150,000	-
Due to related party	13,010	13,010
Total liabilities	169,796	62,224
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions	(102,420)	(38,115)
With donor restrictions	358,689	-
Total net assets (deficit)	256,269	(38,115)
Total liabilities and net assets (deficit)	\$ 426,065	\$ 24,109

See Notes to Financial Statements.

Force Blue Inc.

**Statement of Activities
Year Ended December 31, 2020**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 223,552	\$ 421,300	\$ 644,852
Service fees	12,002	-	12,002
Other income	55,782	-	55,782
Net assets released from restriction	62,611	(62,611)	-
Total support and revenue	<u>353,947</u>	<u>358,689</u>	<u>712,636</u>
Expenses			
Program services	227,337	-	227,337
Management and general	177,418	-	177,418
Fundraising expenses	13,497	-	13,497
Total expenses	<u>418,252</u>	<u>-</u>	<u>418,252</u>
Change in net assets	(64,305)	358,689	294,384
Net deficit, beginning	<u>(38,115)</u>	<u>-</u>	<u>(38,115)</u>
Net assets (deficit), end	<u>\$ (102,420)</u>	<u>\$ 358,689</u>	<u>\$ 256,269</u>

See Notes to Financial Statements.

Force Blue Inc.

**Statement of Activities
Year Ended December 31, 2019**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 256,135	\$ -	\$ 256,135
Service fees	383,806	-	383,806
Other income	13,818	-	13,818
	<u>653,759</u>	<u>-</u>	<u>653,759</u>
Total support and revenue			
Expenses			
Program services	610,730	-	610,730
Management and general	148,230	-	148,230
Fundraising expenses	29,712	-	29,712
	<u>788,672</u>	<u>-</u>	<u>788,672</u>
Total expenses			
Change in net assets	(134,913)	-	(134,913)
Net assets, beginning	<u>96,798</u>	<u>-</u>	<u>96,798</u>
Net deficit, end	<u>\$ (38,115)</u>	<u>\$ -</u>	<u>\$ (38,115)</u>

See Notes to Financial Statements.

Force Blue Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 94,776	\$ 73,524	\$ -	\$ 168,300
Fringe benefits	8,046	5,813	-	13,859
Consultants	22,750	-	3,000	25,750
Per diem	2,628	-	-	2,628
Equipment and supplies rentals	8,220	-	-	8,220
Travel	19,724	-	1,952	21,676
Professional fees	-	39,316	-	39,316
Production costs	36,473	-	-	36,473
Advertising	552	-	4,913	5,465
Public relations	30,887	-	-	30,887
Strategy and development	-	38,500	-	38,500
Office expense	220	590	2,184	2,994
Computer and website expenses	235	8,337	-	8,572
Credit card interest expense	-	1,954	-	1,954
Interest expense	-	1,375	-	1,375
Processing fees	604	3,133	1,362	5,099
Events, meals and entertainment	802	-	86	888
Insurance expense	-	3,968	-	3,968
Dues and subscriptions	1,000	908	-	1,908
Contributions	420	-	-	420
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 227,337</u>	<u>\$ 177,418</u>	<u>\$ 13,497</u>	<u>\$ 418,252</u>

See Notes to Financial Statements.

Force Blue Inc.

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program services	Management and general	Fundraising	Total
Salaries and related expenses	\$ 129,648	\$ 64,742	\$ -	\$ 194,390
Fringe benefits	8,498	4,062	-	12,560
Consultants	98,669	7,000	-	105,669
Per diem	39,651	-	-	39,651
Equipment and supplies rentals	125,310	-	-	125,310
Travel	79,503	1,301	4,828	85,632
Research	79,682	-	-	79,682
Professional fees	-	43,662	-	43,662
Production costs	25,545	-	9,635	35,180
Advertising	13,344	-	8,302	21,646
Office expense	750	6,030	4,779	11,559
Computer and website expenses	629	6,367	-	6,996
Credit card interest expense	-	7,795	-	7,795
Processing fees	634	2,680	1,349	4,663
Training	4,992	-	-	4,992
Events, meals and entertainment	3,365	-	819	4,184
Insurance expense	-	3,439	-	3,439
Dues and subscriptions	510	756	-	1,266
Repairs and maintenance	-	396	-	396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 610,730</u>	<u>\$ 148,230</u>	<u>\$ 29,712</u>	<u>\$ 788,672</u>

See Notes to Financial Statements.

Force Blue Inc.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 294,384	\$ (134,913)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Gifts of donated securities	(5,047)	-
Forgiveness of debt	(40,000)	-
Changes in		
Contributions receivable	-	30,192
Prepaid expenses	1,846	(1,846)
Accounts payable and accrued expenses	(42,428)	36,782
	208,755	(69,785)
Net cash provided by (used in) operating activities		
Cash flows from financing activities		
Proceeds from loans payable	190,000	-
Proceeds from related party	-	40,000
Repayments to related party	-	(40,000)
	190,000	-
Net cash provided by financing activities		
Net increase (decrease) in cash	398,755	(69,785)
Cash, beginning	22,263	92,048
Cash, end	\$ 421,018	\$ 22,263

See Notes to Financial Statements.

Force Blue Inc.

Notes to Financial Statements December 31, 2020 and 2019

Note 1 - Organization and nature of activities

Force Blue Inc. (the "Organization") is incorporated under the laws of the State of New York and is exempt under 501(c)(3) of the Internal Revenue Code. The Organization was established as a means of addressing two seemingly unrelated problems - the rapidly declining health of our oceans and the difficulty of far too many servicemen and women have adjusting to civilian life once their service ends. Force Blue Inc. retrains and redeploys former Special Operations veterans and military-trained combat divers to work alongside scientists and environmentalists on marine conservation missions.

Note 2 - Significant accounting policies

Basis of accounting

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to nonprofit entities.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and other disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of risk

For the year ended December 31, 2020, the Organization earned approximately 56% of its revenue from three contributors.

For the year ended December 31, 2019, the Organization earned approximately 58% of its revenue from the State of Florida.

Investments

Investments consist of equity securities and are stated at fair value. Investments in equity securities with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized resulting from increases or decreases in the fair value of investments are reflected in the statement of activities as increases or decrease in net assets without donor restrictions unless the use was restricted by explicit donor stipulations. For the year ending December 31, 2020 and 2019, no gains or losses are reported on the statement of activities.

The Organization applies the US GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Force Blue Inc.

Notes to Financial Statements December 31, 2020 and 2019

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the years ended December 31, 2020 and 2019.

At December 31, 2020 and 2019, investments, at fair value totaled \$5,047 and \$0, respectively and were fair valued using level 1 inputs.

Net assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor or board-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported in two categories of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restrictions and current funds without donor restriction.

Net assets with donor restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Net assets may also be subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had net assets with donor restrictions of \$358,689 and \$0, respectively, at December 31, 2020 and 2019.

Revenue recognition

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized as support in the period the unconditional promise is given. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Service fees are recognized in connection with dive missions in the period that the service is provided.

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills and would otherwise be purchased by the Organization.

Force Blue Inc.

Notes to Financial Statements December 31, 2020 and 2019

Functional expenses

Expenses are reported as decreases in net assets without donor restrictions. The costs of providing program and supporting services of the Organization have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between program services, management and general, and fundraising on a basis as determined by management.

Program services consist of costs directly incurred in connection with services provided and in conducting the programs.

Management and general consist of costs directly incurred in connection with overall activities of the Organization or based on estimates made by management, which are not allocable to program services.

Fundraising consist of costs directly incurred in connection with activities related to fundraising campaigns and other solicitations for contributions.

Income taxes

The Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state and local taxes.

The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Tax positions include the tax-exempt status of the Organization, among others. There are no uncertain tax positions identified or recorded as liabilities for the years ended December 31, 2020 and 2019. The Organization did not recognize any interest and penalties associated with tax matters for the years ended December 31, 2020 and 2019.

The Organization files Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service annually.

Adoption of new accounting pronouncement

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted ASU 2014-09 on January 1, 2020 and had no impact on the Organization's financial statements.

Note 3 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. While the Organization was still somewhat limited in its ability to fundraise subsequent to year end, owing to the ongoing pandemic, the Organization has nonetheless applied for and received grants and donation commitments totaling approximately \$400,000 in 2020.

Force Blue Inc.

**Notes to Financial Statements
December 31, 2020 and 2019**

The Organization's financial assets as of December 31, 2020 and 2019 that are available to meet cash needs for general expenditures within one year of the date of the statements of financial position consist of the following:

	2020	2019
Financial assets at year-end		
Cash	\$ 421,018	\$ 22,263
Investments	5,047	-
Total financial assets	426,065	22,263
Less amounts not available to meet general expenditures		
Net assets with donor restrictions	(358,689)	-
Total financial assets available to meet general expenditures over the next 12 months	\$ 67,376	\$ 22,263

Note 4 - Loan payable

On June 2020, the Organization entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$40,000 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). During the year ended December 31, 2020, the Organization believes it met all applicable SBA requirements, including having used loan proceeds for eligible expenses. Accordingly, the Organization recognized a gain of \$40,000, which is included in other income on the Organization's statements of activities, on the expected forgiveness of the PPP Loan and therefore has excluded contractual PPP Loan repayments from the below table of debt maturities. See Subsequent Events Footnote for related subsequent events.

During 2020, the Organization entered into a loan agreement with the SBA for \$150,000 through its Economic Injury Disaster Loan program. The purpose of this loan is to provide the Organization with proceeds for working capital to alleviate economic injury caused by COVID-19. The loan carries a rate of 2.75% per annum and is payable in monthly installment payments of \$641 commencing on June 15, 2021. The loan matures on June 15, 2050 and is collateralized by all tangible and intangible property that the Organization owns, acquires or creates immediately upon acquisition of the loan. At December 31, 2020 and 2019, the balance outstanding on the loan payable is \$150,000 and \$0, respectively. For the years ended December 31, 2020 and 2019, the Organization incurred interest expense of \$1,375 and \$0, respectively, of which \$1,375 and \$0, respectively, is outstanding and reported as accounts payable and accrued expenses on the statements of financial position.

Force Blue Inc.

Notes to Financial Statements December 31, 2020 and 2019

The following schedule represents scheduled payments of principal on the loan payable over the next five years and thereafter:

2021	\$	-
2022		1,878
2023		3,665
2024		3,767
2025		3,872
Thereafter		<u>136,818</u>
	\$	<u>150,000</u>

Note 5 - Related party

The Organization's management regularly lend funds to the Organization. At December 31, 2020 and 2019, the amount due to management is \$13,010 and is included in due to related party on the statements of financial position. There is no stated maturity date or interest rate.

Note 6 - Donated services

During the year ended December 31, 2020, an unrelated entity provided services to assist and support the Organization's mission. The value of these services amounted to \$15,000 for the year ended December 31, 2020 and is reported in other income on the statements of activities and strategy and development expense on the statements of functional expenses.

During the year ended December 31, 2019, the management team donated their time in performing a variety of tasks to assist the Organization's operations. The value of these services amounts to \$13,818 for the year ended December 31, 2019 and is reported in other income on the statements of activities and salaries and related expenses on the statements of functional expenses.

Note 7 - Commitments and contingencies

During 2020, the World Health Organization ("WHO") declared the COVID-19 virus as a pandemic and the federal government declared a national emergency. The spread of the virus has caused business disruptions as the Organization operates through various deployment missions of divers. Many of those missions were delayed until the Organization's fiscal year-end 2021. Management continues to monitor the impact of this pandemic on the financial condition and results of operations.

Note 8 - Subsequent events

The Organization has evaluated subsequent events through October 7, 2021, the date on which the financial statements were available to be issued.

The Organization submitted its application for PPP Loan forgiveness subsequent to December 31, 2020 and received notice from its lender in June 2021 that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. There is a six-year period during which the SBA can review the Organization's forgiveness calculation.

Force Blue Inc.

**Notes to Financial Statements
December 31, 2020 and 2019**

In February 2021, the Organization obtained a 2nd draw PPP loan ("2nd draw loan") and entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$33,750 pursuant to the PPP Loan. The outstanding borrowings from the 2nd draw loan bear interest at a rate of 1% per year and have a maturity of February 2026. The Organization submitted its application for loan forgiveness and received notice from its lender in August 2021 that the SBA approved forgiveness of the 2nd draw loan and the related interest thereon.



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