

Force Blue Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 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 statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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



New York, New York
February 5, 2021

Force Blue Inc.

Statement of Financial Position
December 31, 2019

Assets

Cash	\$	22,263
Prepaid expenses		<u>1,846</u>
Total assets	\$	<u><u>24,109</u></u>

Liabilities and Net Deficit

Liabilities		
Accounts payable and accrued expenses	\$	49,214
Due to related party		<u>13,010</u>
Total liabilities		<u>62,224</u>
Commitments		
Net deficit		
Without donor restrictions		<u>(38,115)</u>
Total net deficit		<u>(38,115)</u>
Total liabilities and net deficit	\$	<u><u>24,109</u></u>

See Notes to Financial Statements.

Force Blue Inc.

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

Support and revenue	
Contributions	\$ 256,135
Service fees	383,806
Other income	<u>13,818</u>
Total support and revenue	<u>653,759</u>
Expenses	
Program services	610,730
Management and general	148,230
Fundraising expenses	<u>29,712</u>
Total expenses	<u>788,672</u>
Change in net assets	(134,913)
Net assets, beginning	<u>96,798</u>
Net deficit, end	<u><u>\$ (38,115)</u></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
Total	\$ 610,730	\$ 148,230	\$ 29,712	\$ 788,672

See Notes to Financial Statements.

Force Blue Inc.

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ (134,913)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in	
Contributions receivable	30,192
Prepaid expenses	(1,846)
Accounts payable and accrued expenses	<u>36,782</u>
Net cash used in operating activities	<u>(69,785)</u>
Cash flows from financing activities	
Proceeds from related party	40,000
Repayments to related party	<u>(40,000)</u>
Net cash provided by financing activities	<u>-</u>
Net decrease in cash	(69,785)
Cash, beginning	<u>92,048</u>
Cash, end	<u><u>\$ 22,263</u></u>

See Notes to Financial Statements.

Force Blue Inc.

Notes to Financial Statements December 31, 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, 2019, the Organization earns approximately 58% of its revenue from the State of Florida.

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 no net assets with donor restrictions at December 31, 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

Force Blue Inc.

Notes to Financial Statements December 31, 2019

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.

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 year ended December 31, 2019. The Organization did not recognize any interest and penalties associated with tax matters for the year ended December 31, 2019.

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

Adoption of new accounting pronouncement

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Force Blue Inc.

Notes to Financial Statements December 31, 2019

Recent accounting pronouncement

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities. The core principle of Topic 606, which replaces most existing revenue recognition guidance with a five-step framework, is that revenue from contracts with customers is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services. Upon its adoption, Topic 842 replaces existing lease accounting guidance and requires lessees to recognize right of use assets and corresponding lease liabilities for their leases on their balances sheets for all leases, including those classified as operating, except for short-term leases.

The Organization has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt Topic 606 for annual reporting periods starting after December 15, 2019. The Organization is currently evaluating the potential impacts of adopting Topic 606. Management has concluded that Topic 842 will have no impact.

Subsequent events

The Organization has evaluated subsequent events through February 5, 2021, the date on which the financial statements were available to be issued.

Subsequent to year end, 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 program operates through various deployment missions of divers. Because of advanced technology and ease of telecommunications, the Organization can continue business operations with minimal disruptions.

With a number of the Organization's projects having been postponed due to this pandemic, management refocused its efforts on securing payroll protection through the federal government by obtaining a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") Loan and an SBA Economic Injury Disaster Loan ("EIDL"), as more fully described in Note 6, in order to ensure the Organization's short-term sustainability. Management continues to monitor the impact of this pandemic on the financial condition and results of operations.

Note 3 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Due to the Organization being unable to deploy subsequent to year end, this limited abilities to fundraise in support of specific missions. The Organization routinely applies for and receives grants from donors to support the operations in deployment missions. Subsequent to year end, management applied for and received \$167,500 in contributions.

The Organization's financial assets as of December 31, 2019 that are available to meet cash needs for general expenditures within one year of the date of the statement of financial position consist of cash balances amounting to \$22,263.

Note 4 - Related party

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

Force Blue Inc.

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

Note 5 - Donated services

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 statement of activities and salaries and related expenses on the statement of functional expenses.

Note 6 - Commitments

Subsequent to year end, the Organization obtained a PPP loan from the SBA through Celtic Bank Corporation in the amount of \$40,000. The loan will carry a rate of 1% and is due and payable by June 1, 2022. The loan can be forgiven if the Organization meets the requirements of the PPP. Management intends to comply with the requirements of the PPP for the loan to be forgiven.

Subsequent to year end, the Organization entered into a loan agreement with the SBA for \$150,000 through its EIDL 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 will carry 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.



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