

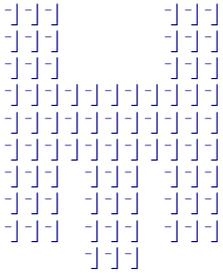
**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended
September 30, 2018
(with comparable totals for 2017)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
South Florida Science Center and Aquarium, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of South Florida Science Center and Aquarium, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, cash flows and functional expenses 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 South Florida Science Center and Aquarium, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of South Florida Science Center and Aquarium, Inc.'s internal control over financial reporting and on 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 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 South Florida Science Center and Aquarium, Inc.'s internal control over financial reporting and compliance.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenues and expenses – operations and capital project, schedule of program services, and graphs of current year revenues and current year expenses by department, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the September 30, 2017 financial statements, and our report dated April 2, 2018, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
March 19, 2019

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

STATEMENT OF FINANCIAL POSITION

As of September 30, 2018

(with comparable totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
ASSETS					
Cash and cash equivalents	\$ 843,161	\$ 245,323	\$ -	\$ 1,088,484	\$ 608,659
Accounts receivable	97,848	-	-	97,848	184,740
Contributions receivable, current	3,850	65,000	-	68,850	31,500
Inventory	10,142	-	-	10,142	13,177
Prepaid expenses	86,138	-	-	86,138	89,051
Deposits	234,519	-	-	234,519	181,291
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	1,275,658	310,323	-	1,585,981	1,108,418
Contributions receivable	-	210,000	-	210,000	75,000
Beneficial interest in trust	-	1,643	50,000	51,643	-
Property, equipment and exhibits, net	9,064,814	-	-	9,064,814	7,534,380
Collections	211,049	-	-	211,049	161,049
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 10,551,521</u>	<u>\$ 521,966</u>	<u>\$ 50,000</u>	<u>\$ 11,123,487</u>	<u>\$ 8,878,847</u>
 LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 144,553	\$ -	\$ -	\$ 144,553	\$ 159,107
Accrued expenses	56,260	-	-	56,260	77,517
Deferred revenue	51,106	-	-	51,106	22,233
Refundable advances	-	-	-	-	97,009
Current portion of notes payable	302,935	-	-	302,935	201,650
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	554,854	-	-	554,854	557,516
Notes payable	298,173	-	-	298,173	414,658
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	853,027	-	-	853,027	972,174
Net assets	9,698,494	521,966	50,000	10,270,460	7,906,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 10,551,521</u>	<u>\$ 521,966</u>	<u>\$ 50,000</u>	<u>\$ 11,123,487</u>	<u>\$ 8,878,847</u>

See accompanying notes to financial statements.

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

(with comparable totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
Support and revenues:					
Governmental support	\$ 510,614	\$ -	\$ -	\$ 510,614	\$ 615,548
Private gifts and grants	2,153,951	627,726	25,000	2,806,677	1,473,674
Special events	318,452	-	-	318,452	341,692
Educational programs	567,904	-	-	567,904	552,027
Admissions	1,172,025	-	-	1,172,025	1,512,440
Science Center store	171,645	-	-	171,645	166,710
Membership dues	296,542	-	-	296,542	263,070
Change in value of beneficial interest in trust	-	1,643	-	1,643	-
In-kind contributions	196,256	-	-	196,256	35,046
Other income	61,218	-	-	61,218	46,212
Total support and revenues	5,448,607	629,369	25,000	6,102,976	5,006,419
Net assets released from restrictions	301,012	(326,012)	25,000	-	-
	<u>5,749,619</u>	<u>303,357</u>	<u>50,000</u>	<u>6,102,976</u>	<u>5,006,419</u>
Expenses:					
Program services:					
Aquarium	285,592	-	-	285,592	295,194
Education	1,109,166	-	-	1,109,166	968,004
Exhibits	1,024,440	-	-	1,024,440	1,149,520
Guest services	300,049	-	-	300,049	292,075
Museum store	125,261	-	-	125,261	121,549
	<u>2,844,508</u>	<u>-</u>	<u>-</u>	<u>2,844,508</u>	<u>2,826,342</u>
Supporting activities:					
Management and general:					
Administration	396,346	-	-	396,346	524,776
Maintenance	100,104	-	-	100,104	98,906
Marketing	113,510	-	-	113,510	103,079
	<u>609,960</u>	<u>-</u>	<u>-</u>	<u>609,960</u>	<u>726,761</u>
Development/fundraising	225,701	-	-	225,701	296,790
Total expenses	3,680,169	-	-	3,680,169	3,849,893
Loss on disposal of exhibits	59,020	-	-	59,020	88,962
Total expenses and loss	3,739,189	-	-	3,739,189	3,938,855
Change in net assets	2,010,430	303,357	50,000	2,363,787	1,067,564
Net assets, beginning	7,688,064	218,609	-	7,906,673	6,839,109
Net assets, ending	\$ 9,698,494	\$ 521,966	\$ 50,000	\$ 10,270,460	\$ 7,906,673

See accompanying notes to financial statements.

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2018

(with comparable totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 510,614	\$ 541,780
Private gifts and grants	2,639,210	1,306,228
Program services	1,904,857	2,240,901
Membership and special events	610,584	595,922
Cash paid to vendors and employees	(3,393,776)	(3,712,393)
Interest paid	(27,908)	(32,108)
Other income	61,218	46,212
	<u>2,304,799</u>	<u>986,542</u>
Cash flows from investing activities:		
Contribution to beneficial interest in trust	(25,000)	-
Purchase of property, equipment and exhibits	(1,784,774)	(1,207,476)
	<u>(1,809,774)</u>	<u>(1,207,476)</u>
Cash flows from financing activities:		
Advances from notes payable	598,223	542,458
Repayments of notes payable	(613,423)	(565,421)
	<u>(15,200)</u>	<u>(22,963)</u>
Net change in cash	479,825	(243,897)
Cash and cash equivalents, beginning	<u>608,659</u>	<u>852,556</u>
Cash and cash equivalents, ending	<u>\$ 1,088,484</u>	<u>\$ 608,659</u>

See accompanying notes to financial statements.

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2018

(with comparable totals for 2017)

	<u>2018</u>	<u>2017</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,363,787	\$ 1,067,564
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	317,820	184,242
Donated assets	(172,500)	(25,542)
Loss on disposal of exhibits	59,020	88,962
Contribution to beneficial interest in trust	(25,000)	-
Change in value of beneficial interest in trust	(1,643)	-
(Increase) decrease in certain assets:		
Accounts receivable	86,892	(95,473)
Contributions receivable	(172,350)	(1,500)
Inventory	3,035	(789)
Prepaid expenses	2,913	(18,872)
Deposits	(53,228)	(101,291)
Increase (decrease) in certain liabilities:		
Accounts payable	(14,554)	24,649
Accrued expenses	(21,257)	7,949
Deferred revenue	28,873	884
Refundable advances	(97,009)	(144,241)
Net cash provided by operating activities	<u>\$ 2,304,799</u>	<u>\$ 986,542</u>

See accompanying notes to financial statements.

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2018

(with comparable totals for 2017)

	Supporting Activities			2018 Totals	2017 Totals
	Program Services	Management and General	Development / Fundraising		
Salaries	\$ 1,113,706	\$ 169,096	\$ 62,991	\$ 1,345,793	\$ 1,414,144
Employee benefits	175,579	48,755	10,191	234,525	223,753
Total salaries and related benefits	1,289,285	217,851	73,182	1,580,318	1,637,897
Advertising and marketing	104,299	15,496	2,395	122,190	128,349
Bank and credit card fees	-	80,979	-	80,979	83,763
Contract services	84,900	53,643	-	138,543	280,907
Cost of sales	71,922	-	-	71,922	66,556
Dues and subscriptions	-	11,975	-	11,975	9,113
Exhibit fees and rentals	236,608	-	-	236,608	233,900
Facility rentals and costs	-	-	143,520	143,520	185,968
Insurance	75,397	11,150	-	86,547	88,786
Interest	-	27,908	-	27,908	32,108
Maintenance and repairs	58,734	11,690	2,664	73,088	105,861
Materials and supplies	374,679	62,102	1,781	438,562	492,546
Other costs	29,197	9,586	430	39,213	37,533
Other fees and rentals	21,068	3,718	-	24,786	21,324
Postage and shipping	6,066	8,130	668	14,864	15,998
Printing	25,880	4,590	647	31,117	27,489
Professional fees	63,610	27,746	-	91,356	84,504
Telephone	13,452	2,374	-	15,826	11,131
Travel	9,016	10,427	414	19,857	14,194
Utilities	96,194	16,976	-	113,170	107,724
Total expenses before depreciation	2,560,307	576,341	225,701	3,362,349	3,665,651
Depreciation expense	284,201	33,619	-	317,820	184,242
Total functional expenses	<u>\$ 2,844,508</u>	<u>\$ 609,960</u>	<u>\$ 225,701</u>	<u>\$ 3,680,169</u>	<u>\$ 3,849,893</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2018

1. **Summary of Significant Accounting Policies**

Nature of Organization

The South Florida Science Center and Aquarium, Inc. (Science Center) was founded in 1959 in order to meet a growing need for science and technology education in Palm Beach County. The Science Center's mission statement is "To open every mind to science." To that end, the Science Center provides many hands-on type exhibits from its permanent collection, hosts many temporary and traveling exhibits, and houses a planetarium and a gallery of aquariums.

The Science Center's programs also include many outreach activities, as well as summer camp and home school classes.

Basis of Accounting

The financial statements of the Science Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support is recognized when received, revenues are recognized when earned, and expenses are recognized when incurred. The significant accounting policies followed by the Science Center are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

In accordance with FASB Accounting Standards Codification (FASB ASC) 958-605, *Not-for-Profit Entities, Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The following paragraphs describe the three classes of net assets:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by the Science Center has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by the Science Center in perpetuity. Permanently restricted net assets increase when the Science Center receives contributions for which donor-imposed restrictions limiting the Science Center's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Science Center meeting certain requirements.

For the Year Ended September 30, 2018

1. *Summary of Significant Accounting Policies, continued*

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Science Center follows FASB ASC 820-10, *Fair Value Measurement and Disclosures*, which provides a common definition of fair value, establish a framework to measure fair value within accounting principles generally accepted in the United States of America, and expand the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Science Center's financial statements for the year ended September 30, 2017, from which the summarized information was derived. Certain 2017 amounts may have been reclassified to conform to 2018 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Science Center considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due to the Science Center under a local government grant and promises to give from other agencies. Provisions for doubtful accounts as of September 30, 2018 was deemed unnecessary because the amounts are considered to be fully collectible.

For the Year Ended September 30, 2018

1. **Summary of Significant Accounting Policies, continued**

Contributions Receivable

Contributions receivable are recognized as support and as assets in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable arise from various donors and are deemed fully collectible.

Inventory

Inventories consist of items held for resale in the Science Center store, and are stated at the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

Prepaid expenses consist of advance payments for insurance and software licenses.

Deposits

Deposits consist of payments made for future exhibits and events.

Property, Equipment, and Exhibits

The Science Center capitalizes property, equipment and exhibits that costs in excess of \$1,000 and that has a useful life of one year or more. Depreciation is computed on the straight-line method over the estimated useful lives of assets, ranging from 5 - 40 years. Property, equipment and exhibits are carried at cost or, if donated, at the approximate fair market value at the date of the donation.

Capitalized costs for self-constructed property, equipment, and exhibits assets include direct labor and benefits for employees specifically identified with the project. The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The costs of purchasing or collecting live animals are expensed as incurred.

During 2018, management revised its accounting for exhibits and collections to better reflect the capitalization policy of fixed assets. As a result, exhibits, which used to be reported with collections, are now reported as property, equipment and exhibits in the Statement of Financial Position. This change in practice resulted in approximately \$93,700 in additional depreciation expense for the year ended September 30, 2018.

Collections

The Science Center capitalizes its collections that are held for public exhibition and educational purposes. The items in the collection are recorded at cost if purchased, or at fair value if donated. In accordance with common policies regarding museum collections, these items are not depreciated.

For the Year Ended September 30, 2018

1. *Summary of Significant Accounting Policies, continued*

Refundable Advances

The Science Center has reimbursement arrangements with various grantors whereby the Science Center receives funds ahead of the expenditures. In accordance with the terms of these arrangements, any funds that are not spent within the contract period must be refunded to the grantors.

Support and Revenues

In accordance with FASB ASC 958-605, contributions received, including unconditional promises, are recognized as income when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Governmental support consists of \$325,638 from the Florida Department of State, Division of Cultural Affairs, and \$184,976 from the Palm Beach County Tourist Development Council and Cultural Council.

Program service fees are recognized as revenue in the period in which the related services commence. Fees collected prior to the commencement of the program are recorded as deferred revenue.

Membership dues are recognized when received.

Admission revenue is recognized when tickets are sold. Special events revenue is recognized as revenue at the time of the event. Tickets sold prior to the event are recorded as deferred revenue.

The Science Center receives various grants from federal, state, local and private agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenues from grants are deemed earned and recognized in the Statement of Activities when expenditures are incurred for the purposes specified.

In-kind Contributions

In accordance with FASB ASC 958-605, the Science Center records the value of those donated services that require specialized skills and that would typically need to be purchased if not provided by donation. These services support the major activities of the Science Center including education, planetarium and aquarium programs. During the year ended September 30, 2018, the Science Center received donated assets, such as materials and supplies and other non-cash donations, which are recorded as contributions at their estimated fair value at the date of donation. The total amount of donated services and assets received during the year ended September 30, 2018, amounted to \$196,256. This amount is recognized as both revenue, under the caption of in-kind contributions, and as property, equipment and exhibits (\$122,500) and collections (\$50,000) in the Statement of Financial Position and various expenses (\$23,756) in the Statement of Activities and Statement of Functional Expenses.

For the Year Ended September 30, 2018

1. *Summary of Significant Accounting Policies, continued*

Expenses

Expenses are summarized according to program services and supporting services in the Statement of Activities, and according to functional classification in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Science Center's advertising is primarily non-direct, and such cost is expensed as incurred. During the year ended September 30, 2018, the Science Center incurred \$122,190 in advertising cost, which is reported as advertising and marketing in the Statement of Functional Expenses.

Income Taxes

The Science Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as publically supported organizations that are not private foundations under Section 509(a) of the Code. However, the Science Center is subject to tax on unrelated business income, which arises from a third-party rental activity that is not related to the Science Center's stated exempt purposes. The Science Center does not believe there is any material tax liability due in connection with this rental and there is no significant deferred income tax asset or liability as of September 30, 2018.

The Science Center follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Science Center assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Science Center uses the prescribed more likely than not threshold when making its assessment. For the year ended September 30, 2018, the Science Center did not accrue any interest expense or penalties related to tax positions, and there are no open Federal or State tax years currently under audit.

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued several Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2016-02, *Leases* (Topic 842), which does not take effect until the Science Center's fiscal year ending September 30, 2021, and provides new guidance for leases, such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain transactions of the Science Center. ASU 2016-14, *Not-for-Profit Entities* (Topic 958), imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU will be effective for the Science Center's fiscal year ending September 30, 2019. Management is evaluating the effect that these updated standards will have on the financial statements.

For the Year Ended September 30, 2018

2. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Science Center has the ability to access.
- Level 2* – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Fair Value of Financial Instruments: The following methods and assumptions were used by the Science Center in estimating fair value of financial instruments that are not disclosed under ASC 820-10.

Cash and Cash Equivalents: The carrying amount reported approximates fair value.

Accounts and Contributions Receivable: The carrying amount approximates fair value due to the relative size, timing and amounts to be collected.

Accounts Payable and Accrued Expenses: The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Notes Payable: The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Items Measured at Fair Value on a Recurring Basis: The following is a description of the valuation methodologies used for assets measured at fair value (Level 3). There have been no changes in the methodologies used as of September 30, 2018.

Beneficial Interest in Trust: Valued by the 3rd party custodian at the current fair value of underlying investment assets in the account, which provides a perpetual stream of income to the Science Center.

For the Year Ended September 30, 2018

2. Fair Value Measurements, continued

The table below sets forth a summary of changes in the fair value of the Science Center's Level 3 assets for the year ended September 30, 2018.

Beneficial interest in trust:	
Balance, beginning of year	\$ -
Issuances/contributions	50,000
Settlements/collections	-
Change in present value	<u>1,643</u>
Balance, end of year	<u>\$ 51,643</u>

3. Contributions Receivable

Contributions receivable are recorded at face value if due in less than one year, or at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions, if due more than one year after the date of receipt. Contributions receivable consist of the following amounts:

Receivables due in less than one year	\$ 68,850
Receivable in one to five years	<u>210,000</u>
Total contributions receivable	<u>\$ 278,850</u>

Management believes that contributions receivable are fully collectible and, therefore, no allowance for uncollectible receivables was considered necessary. No discount is recorded for receivables due in more than one year as the amount of such discount is considered immaterial.

4. Property, Equipment, and Exhibits

As of September 30, 2018, the Science Center's property, equipment and exhibits consisted of the following:

Building and land improvements	\$ 4,759,571
Equipment and machinery	376,958
Exhibits	3,536,195
Furniture and fixtures	43,454
Planetarium	372,302
Vehicle	95,557
Construction in progress	<u>957,895</u>
Total property, equipment and exhibits	10,141,932
Less accumulated depreciation	<u>1,077,118</u>
Property, equipment and exhibits, net	<u>\$ 9,064,814</u>

As of September 30, 2018, the Science Center's construction in progress consisted of the accumulated costs associated with the Brain Exhibit.

For the Year Ended September 30, 2018

5. Beneficial Interest in Trust

The Science Center is the income beneficiary of a perpetual trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties, Inc. (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. During the year ended September 30, 2018, the Science Center did not receive any distributions from the Fund.

6. Notes Payable

The Science Center has a \$500,000 line of credit extended by TD Bank. The line of credit carries an interest rate of 1% over the lender's prime rate (6.25% as of September 30, 2018) and is secured by all the Science Center's personal and real property. The line of credit expires on May 20, 2019, and management expects to renew this line for another year. As of September 30, 2018, there is \$332,153 available under this line of credit.

\$ 167,847

The Science Center has a \$250,000 note payable due to TD Bank. The note requires monthly installments of \$2,645, including principal and interest at a rate of 4.95%. The note is due on May 1, 2021, and is secured by all the Science Center's personal and real property.

159,106

The Science Center also has a \$3,000,000 note payable due to TD Bank used to finance the expansion of its current facility. The note requires monthly installments of \$4,693, including principal and interest at a rate of 4.98%. The note is due on May 1, 2021, and is secured by all the Science Center's personal and real property.

207,281

The Science Center has a note payable to a financing institution, secured by a vehicle. The note requires monthly installments of \$348 principal only. The note is due on March 28, 2022.

14,616

Note due to insurance premium finance company requiring monthly payments of principal and interest. The note is unsecured and requires monthly installments of \$6,892, including principal and interest at a rate of 6.25%. The note matures on May 1, 2019.

52,258

Total notes payable

601,108

Less current portion

302,935

Long term portion

\$ 298,173

For the Year Ended September 30, 2018

6. Notes Payable, continued

Approximate maturities of the notes payable during the next five years are as follows:

<u>Year ended September 30,</u>	
2019	\$ 302,935
2020	79,449
2021	216,636
2022	<u>2,088</u>
	<u>\$ 601,108</u>

7. Restricted Net Assets

As of September 30, 2018, the Science Center held restricted net assets for the following purposes:

Temporarily Restricted Net Assets:

Use Restriction:	
Education outreach programs	\$ 203,526
Capital projects	<u>41,797</u>
	245,323
Time Restriction:	
Contributions receivable	275,000
Beneficial interest in trust	<u>1,643</u>
Total restricted net assets	<u>\$ 521,966</u>

Permanently restricted net assets:

Beneficial interest in trust	<u>\$ 50,000</u>
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8. Leases

In June 2010, the Science Center renewed and extended its lease agreement with the City of West Palm Beach for the land on which the Science Center operates. The term of the lease is for fifty (50) years, expiring in July 2060, and requires a lease payment of ten dollars per year. No in-kind contribution is recorded in the Statement of Activities to reflect the fair market value of this property rental because no objective basis is available for measurement.

For the Year Ended September 30, 2018

8. Leases, continued

In December 2017, the Science Center entered into a sub-lease agreement for a STEM studio located in Jupiter. The term of the lease is for five years, expiring in March 2023. Future minimum payments under this lease are as follows:

<u>Year ended</u> <u>September 30,</u>	
2019	\$ 19,530
2020	25,025
2021	25,775
2022	26,550
2023	<u>13,470</u>
	<u>\$ 110,350</u>

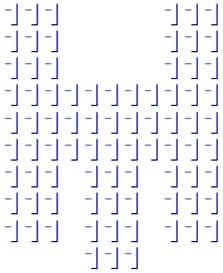
Operating lease expense amounted to approximately \$7,200 for the year ended September 30, 2018, and is included in other fees and rentals in the Statement of Functional Expenses.

9. Concentration of Credit Risk

The Science Center maintains its cash and cash equivalents in several accounts at select financial institution, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was approximately \$764,000 of cash and cash equivalents that exceeded the federal insurance limit or that was uninsured as of September 30, 2018. The Science Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and equivalents.

10. Subsequent Events

Management has evaluated subsequent events through March 19, 2019, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.



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

To the Board of Trustees of
South Florida Science Center and Aquarium, Inc.
West Palm Beach, 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, the financial statements of South Florida Science Center and Aquarium, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Florida Science Center and Aquarium, Inc.'s financial statements are free from 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
March 19, 2019

SUPPLEMENTARY INFORMATION

**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

**SCHEDULE OF REVENUES AND EXPENSES
- OPERATIONS AND CAPITAL PROJECT**

For the Year Ended September 30, 2018

	Operations	Capital Project	Totals
Revenues:			
Governmental support	\$ 210,614	\$ 300,000	\$ 510,614
Private gifts and grants	904,668	1,902,009	2,806,677
Special events	318,452	-	318,452
Educational programs	567,904	-	567,904
Admissions	1,172,025	-	1,172,025
Museum store	171,645	-	171,645
Membership dues	296,542	-	296,542
Change in value of beneficial interest in trust	1,643	-	1,643
In-kind contributions	73,756	122,500	196,256
Other income	61,218	-	61,218
Total	3,778,467	2,324,509	6,102,976
Expenses:			
Salaries	1,345,793	-	1,345,793
Employee benefits	234,525	-	234,525
Total salaries and related benefits	1,580,318	-	1,580,318
Advertising and marketing	122,190	-	122,190
Bank and credit card fees	80,979	-	80,979
Contract services	138,543	-	138,543
Cost of sales	71,922	-	71,922
Dues and subscriptions	11,975	-	11,975
Exhibit fees and rentals	236,608	-	236,608
Facility rentals and costs	143,520	-	143,520
Insurance	86,547	-	86,547
Interest	27,908	-	27,908
Maintenance and repairs	73,088	-	73,088
Materials and supplies	438,562	-	438,562
Other costs	39,213	-	39,213
Other fees and rentals	24,786	-	24,786
Postage and shipping	14,864	-	14,864
Printing	31,117	-	31,117
Professional fees	91,356	-	91,356
Telephone	15,826	-	15,826
Travel	19,857	-	19,857
Utilities	113,170	-	113,170
Total	3,362,349	-	3,362,349
Excess of revenues over expenses before depreciation expense and loss on disposals	416,118	2,324,509	2,740,627
Depreciation expense	(317,820)	-	(317,820)
Loss on disposal of exhibits	(59,020)	-	(59,020)
Excess of revenues over expenses	\$ 39,278	\$ 2,324,509	\$ 2,363,787

See independent auditor's report.

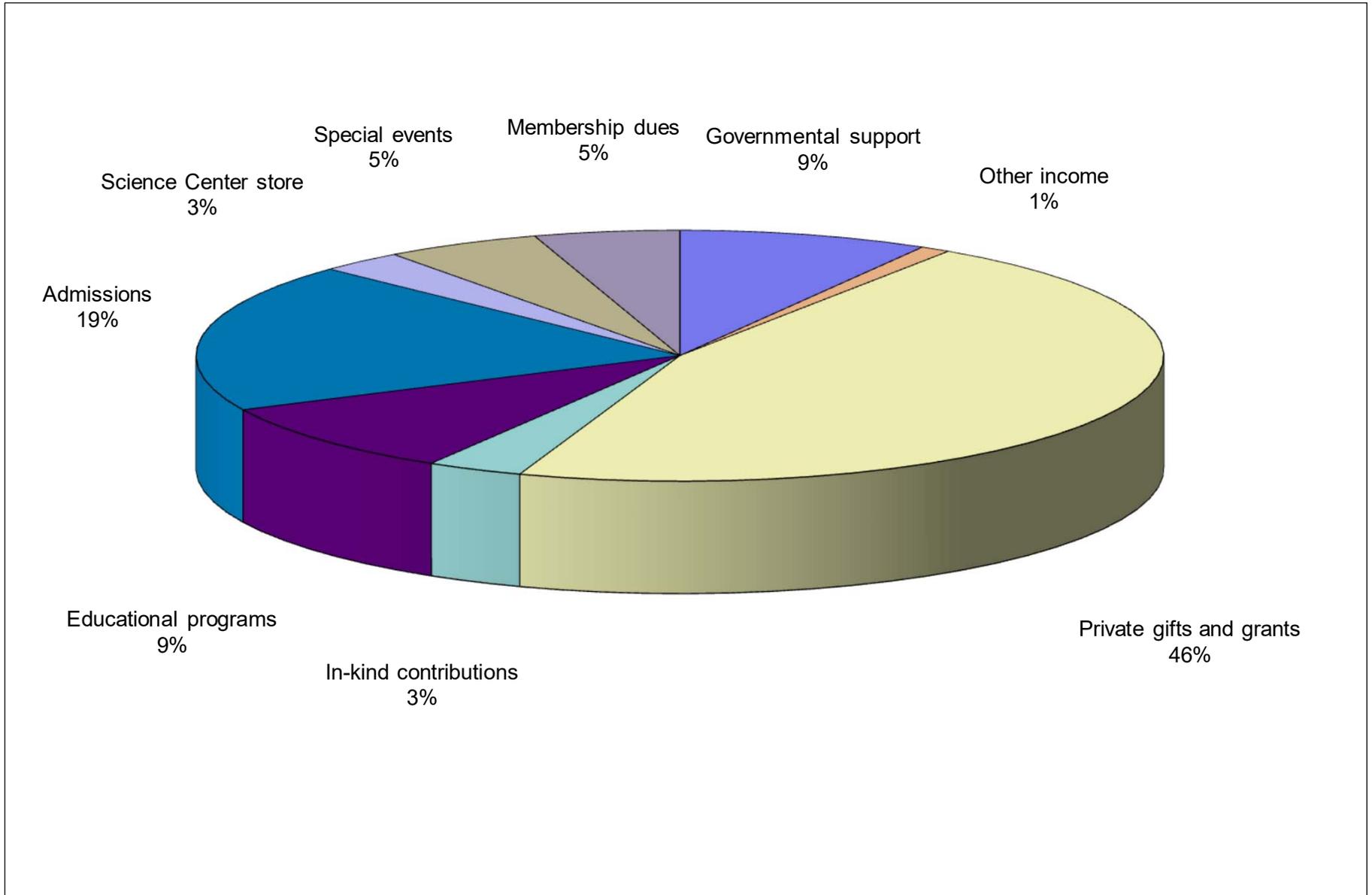
**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

**SCHEDULE OF
PROGRAM SERVICES**

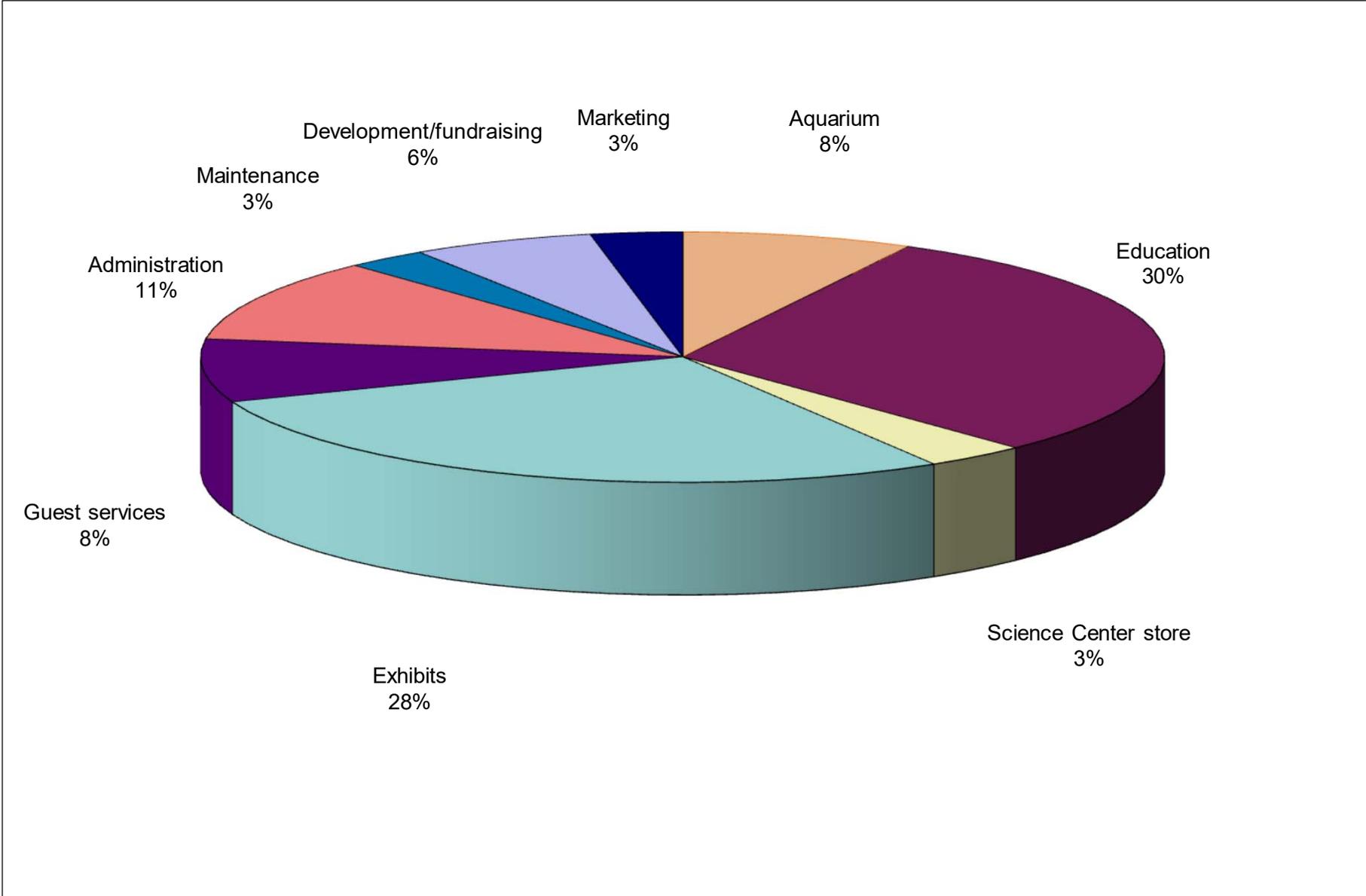
For the Year Ended September 30, 2018

	Aquarium	Education	Exhibits	Guest Services	Museum Store	Totals
Salaries	\$ 117,432	\$ 452,410	\$ 294,306	\$ 220,729	\$ 28,829	\$ 1,113,706
Employee benefits	22,115	69,039	53,056	29,482	1,887	175,579
Total salaries and related benefits	139,547	521,449	347,362	250,211	30,716	1,289,285
Advertising and marketing	12,250	42,876	42,876	5,072	1,225	104,299
Bank and credit card fees	-	-	-	-	-	-
Contract services	7,305	45,207	27,866	3,444	1,078	84,900
Cost of sales	-	-	-	-	71,922	71,922
Dues and subscriptions	-	-	-	-	-	-
Exhibit fees and rentals	-	-	236,608	-	-	236,608
Facility rentals and costs	-	-	-	-	-	-
Insurance	10,644	19,515	39,916	3,548	1,774	75,397
Interest	-	-	-	-	-	-
Maintenance and repairs	11,145	21,130	23,440	2,415	604	58,734
Materials and supplies	48,726	301,429	17,381	6,647	496	374,679
Other costs	1,766	7,425	996	8,717	10,293	29,197
Other fees and rentals	2,479	8,675	8,675	991	248	21,068
Postage and shipping	714	2,498	2,498	285	71	6,066
Printing	3,002	10,869	10,508	1,200	301	25,880
Professional fees	7,484	26,193	26,192	2,993	748	63,610
Telephone	1,583	5,539	5,539	633	158	13,452
Travel	735	7,444	424	401	12	9,016
Utilities	11,317	39,609	39,609	4,527	1,132	96,194
Total expenses before depreciation	258,697	1,059,858	829,890	291,084	120,778	2,560,307
Depreciation expense	26,895	49,308	194,550	8,965	4,483	284,201
Total functional expenses	\$ 285,592	\$ 1,109,166	\$ 1,024,440	\$ 300,049	\$ 125,261	\$ 2,844,508

See independent auditor's report.



See independent auditor's report.



See independent auditor's report.