

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended
September 30, 2019
(with comparable totals for 2018)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5-6
Statement of Functional Expenses	7
NOTES TO FINANCIAL STATEMENTS	8-18
REPORT ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	19-20
SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenses Operations and Capital Project	21
Schedule of Program Services	22
Graphs of Current Year Revenues and Current Year Expenses by Department	23-24



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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, 2019, 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, 2019, 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, 2020, 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, 2018 financial statements, and our report dated March 19, 2019, 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, 2018, 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, 2020

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

STATEMENT OF FINANCIAL POSITION

As of September 30, 2019

(with comparable totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
ASSETS				
Cash and cash equivalents	\$ 286,597	\$ 318,178	\$ 604,775	\$ 1,088,484
Accounts receivable	100,846	-	100,846	97,848
Contributions receivable, current	5,000	65,000	70,000	68,850
Inventory	15,043	-	15,043	10,142
Prepaid expenses	91,615	-	91,615	86,138
Deposits	241,038	-	241,038	234,519
Total current assets	740,139	383,178	1,123,317	1,585,981
Contributions receivable	-	145,000	145,000	210,000
Beneficial interest in trust	-	52,757	52,757	51,643
Property, equipment and exhibits, net	10,284,645	-	10,284,645	9,064,814
Collections	311,049	-	311,049	211,049
Total assets	<u>\$ 11,335,833</u>	<u>\$ 580,935</u>	<u>\$ 11,916,768</u>	<u>\$ 11,123,487</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 165,664	\$ -	\$ 165,664	\$ 144,553
Accrued expenses	87,760	-	87,760	56,260
Deferred revenue	20,331	-	20,331	51,106
Current portion of notes payable	135,725	-	135,725	302,935
Total current liabilities	409,480	-	409,480	554,854
Notes payable	188,317	-	188,317	298,173
Total liabilities	<u>597,797</u>	<u>-</u>	<u>597,797</u>	<u>853,027</u>
Net assets:				
Without donor restrictions	10,738,036	-	10,738,036	9,698,494
With donor restrictions	-	580,935	580,935	571,966
Total net assets	<u>10,738,036</u>	<u>580,935</u>	<u>11,318,971</u>	<u>10,270,460</u>
Total liabilities and net assets	<u>\$ 11,335,833</u>	<u>\$ 580,935</u>	<u>\$ 11,916,768</u>	<u>\$ 11,123,487</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

(with comparable totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Support and revenues:				
Governmental support	\$ 401,405	\$ -	\$ 401,405	\$ 510,614
Private gifts and grants	1,415,023	517,907	1,932,930	2,806,677
Special events	441,933	-	441,933	318,452
Educational programs	547,824	-	547,824	567,904
Admissions	1,675,499	-	1,675,499	1,172,025
Science Center store	213,736	-	213,736	171,645
Membership dues	416,146	-	416,146	296,542
Change in value of beneficial interest in trust	-	1,114	1,114	1,643
In-kind contributions	75,500	-	75,500	196,256
Other income	83,338	-	83,338	61,218
	<u>5,270,404</u>	<u>519,021</u>	<u>5,789,425</u>	<u>6,102,976</u>
Total support and revenues				
Net assets released from restrictions	510,052	(510,052)	-	-
	<u>5,780,456</u>	<u>8,969</u>	<u>5,789,425</u>	<u>6,102,976</u>
Expenses:				
Program services:				
Aquarium	343,310	-	343,310	285,592
Education	1,483,422	-	1,483,422	1,109,166
Exhibits	1,115,549	-	1,115,549	1,024,440
Guest services	331,693	-	331,693	300,049
Museum store	161,979	-	161,979	125,261
	<u>3,435,953</u>	<u>-</u>	<u>3,435,953</u>	<u>2,844,508</u>
Supporting activities:				
Management and general:				
Administration	703,898	-	703,898	396,346
Maintenance	142,758	-	142,758	100,104
Marketing	161,598	-	161,598	113,510
	<u>1,008,254</u>	<u>-</u>	<u>1,008,254</u>	<u>609,960</u>
Development/fundraising	296,707	-	296,707	225,701
Total expenses	<u>4,740,914</u>	<u>-</u>	<u>4,740,914</u>	<u>3,680,169</u>
Loss on disposal of exhibits	-	-	-	59,020
Total expenses and loss	<u>4,740,914</u>	<u>-</u>	<u>4,740,914</u>	<u>3,739,189</u>
Change in net assets	1,039,542	8,969	1,048,511	2,363,787
Net assets, beginning	9,698,494	571,966	10,270,460	7,906,673
Net assets, ending	<u>\$ 10,738,036</u>	<u>\$ 580,935</u>	<u>\$ 11,318,971</u>	<u>\$ 10,270,460</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2019

(with comparable totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 350,133	\$ 510,614
Private gifts and grants	2,010,054	2,639,210
Program services	2,430,134	1,904,857
Membership and special events	869,229	610,584
Cash paid to vendors and employees	(4,326,207)	(3,393,776)
Interest paid	(18,640)	(27,908)
Other income	83,338	61,218
Net cash provided by operating activities	<u>1,398,041</u>	<u>2,304,799</u>
Cash flows from investing activities:		
Contribution to beneficial interest in trust	-	(25,000)
Purchase of property, equipment and exhibits	<u>(1,604,684)</u>	<u>(1,784,774)</u>
Net cash used in investing activities	<u>(1,604,684)</u>	<u>(1,809,774)</u>
Cash flows from financing activities:		
Advances from notes payable	157,109	598,223
Repayments of notes payable	<u>(434,175)</u>	<u>(613,423)</u>
Net cash used in financing activities	<u>(277,066)</u>	<u>(15,200)</u>
Net change in cash	(483,709)	479,825
Cash and cash equivalents, beginning	<u>1,088,484</u>	<u>608,659</u>
Cash and cash equivalents, ending	<u>\$ 604,775</u>	<u>\$ 1,088,484</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2019

(with comparable totals for 2018)

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,048,511	\$ 2,363,787
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	360,353	317,820
Donated assets	(75,500)	(172,500)
Loss on disposal of exhibits	-	59,020
Contribution to beneficial interest in trust	-	(25,000)
Change in value of beneficial interest in trust	(1,114)	(1,643)
(Increase) decrease in certain assets:		
Accounts receivable	(2,998)	86,892
Contributions receivable	63,850	(172,350)
Inventory	(4,901)	3,035
Prepaid expenses	(5,477)	2,913
Deposits	(6,519)	(53,228)
Increase (decrease) in certain liabilities:		
Accounts payable	21,111	(14,554)
Accrued expenses	31,500	(21,257)
Deferred revenue	(30,775)	28,873
Refundable advances	-	(97,009)
Net cash provided by operating activities	<u>\$ 1,398,041</u>	<u>\$ 2,304,799</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2019

(with comparable totals for 2018)

	Program Services	Supporting Activities		2019 Totals	2018 Totals
		Management and General	Development / Fundraising		
Salaries	\$ 1,233,591	\$ 413,503	\$ 76,621	\$ 1,723,715	\$ 1,345,793
Employee benefits	204,959	56,393	11,133	272,485	234,525
Total salaries and related benefits	1,438,550	469,896	87,754	1,996,200	1,580,318
Advertising and marketing	171,135	27,318	2,024	200,477	122,190
Bank and credit card fees	-	106,505	-	106,505	80,979
Contract services	80,347	91,036	-	171,383	138,543
Cost of sales	87,364	-	-	87,364	71,922
Dues and subscriptions	-	11,025	3,905	14,930	11,975
Exhibit fees and rentals	235,748	-	-	235,748	236,608
Facility rentals and costs	-	1,000	193,059	194,059	143,520
Insurance	89,089	15,722	-	104,811	86,547
Interest	-	18,640	-	18,640	27,908
Maintenance and repairs	205,090	38,561	150	243,801	73,088
Materials and supplies	453,045	104,359	7,589	564,993	438,562
Other costs	33,563	13,931	415	47,909	39,213
Other fees and rentals	58,515	5,268	-	63,783	24,786
Postage and shipping	14,508	1,210	464	16,182	14,864
Printing	25,948	3,547	180	29,675	31,117
Professional fees	65,315	3,585	-	68,900	91,356
Telephone	20,269	3,577	-	23,846	15,826
Travel	7,080	13,594	1,167	21,841	19,857
Utilities	144,087	25,427	-	169,514	113,170
Total expenses before depreciation	3,129,653	954,201	296,707	4,380,561	3,362,349
Depreciation expense	306,300	54,053	-	360,353	317,820
Total expenses	<u>\$ 3,435,953</u>	<u>\$ 1,008,254</u>	<u>\$ 296,707</u>	<u>\$ 4,740,914</u>	<u>\$ 3,680,169</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2019

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth under FASB Accounting Standards Codification (FASB ASC) 958-205 "*Presentation of Financial Statements*." Accordingly, the net assets of the Science Center are reported in each of the following classes:

Net assets without donor restrictions: 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.

Net assets with donor restrictions: 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. Other donor-imposed restrictions are perpetual in nature, where 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.

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.

For the Year Ended September 30, 2019

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

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, 2018, from which the summarized information was derived. Certain 2018 amounts may have been reclassified to conform to 2019 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, 2019 was deemed unnecessary because the amounts are considered to be fully collectible.

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.

For the Year Ended September 30, 2019

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

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 include direct labor and benefits for employees specifically identified with the project. These 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.

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.

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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

For the Year Ended September 30, 2019

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

Support and Revenues, continued

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, 2019, 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 received during the year ended September 30, 2019, amounted to \$75,500. This amount is recognized as both revenue, under the caption of in-kind contributions, and as property, equipment and exhibits in the Statement of Financial Position.

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, 2019, the Science Center incurred \$200,477 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, 2019.

For the Year Ended September 30, 2019

1. Summary of Significant Accounting Policies, continued

Income Taxes, continued

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, 2019, 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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. Management is currently evaluating the standard and does not anticipate it will have a material impact on the Science Center’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2021. Management is currently evaluating the magnitude and other potential impacts on the Science Center’s financial statements.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for net asset classification, Board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. The Science Center has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively. The new standards change the following aspects of the Science Center’s financial statements:

- The temporarily restricted and permanently restricted net asset class have been combined in to a single net assets class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

For the Year Ended September 30, 2019

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 changed the beginning net assets for the year ended September 30, 2019, follows:

As originally stated:

Unrestricted	\$ 9,698,494
Temporarily restricted	521,966
Permanently restricted	<u>50,000</u>
Total beginning net assets, October 1, 2018	<u>\$ 10,270,460</u>

As restated:

Without donor restrictions	\$ 9,698,494
With donor restrictions	<u>571,966</u>
Total beginning net assets, October 1, 2018	<u>\$ 10,270,460</u>

2. Liquidity and Availability of Resources

The Science Center's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, are as follows:

Cash and cash equivalents	\$ 604,775
Accounts receivable	100,846
Contributions receivable	<u>5,000</u>
Total financial assets available within one year	710,621
Amounts unavailable for general expenditures within one year due to:	
Amounts restricted for capital projects	<u>(125,164)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 585,457</u>

The Science Center is substantially supported by admissions, contributions that are without donor and with donor restrictions, and other sources. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Science Center must maintain sufficient resources to meet those responsibilities to its donors. Some of the Science Center's net assets with donor restrictions are available for general expenditure within one year of September 30, 2019 because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Science Center in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Furthermore, the Science Center has a \$500,000 line of credit of which management may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need (See Note 7). The Science Center forecasts its future cash flows and monitors liquidity on a monthly basis.

For the Year Ended September 30, 2019

3. 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, 2019.

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, 2019

3. 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, 2019.

Beneficial interest in trust:	
Balance, beginning of year	\$ 51,643
Issuances/contributions	-
Settlements/collections	-
Change in present value	<u>1,114</u>
Balance, end of year	<u>\$ 52,757</u>

4. 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	\$ 70,000
Receivable in one to five years	<u>145,000</u>
Total contributions receivable	<u>\$ 215,000</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.

5. Property, Equipment, and Exhibits

As of September 30, 2019, the Science Center's property, equipment and exhibits consisted of the following:

Building and land improvements	\$ 5,322,050
Equipment and machinery	378,216
Exhibits	5,452,278
Furniture and fixtures	43,454
Planetarium	372,302
Vehicle	95,557
Construction in progress	<u>52,717</u>
Total property, equipment and exhibits	11,716,574
Less accumulated depreciation	<u>1,431,929</u>
Property, equipment and exhibits, net	<u>\$ 10,284,645</u>

As of September 30, 2019, the Science Center's construction in progress consisted of the accumulated costs associated with the Amphitheater.

For the Year Ended September 30, 2019

6. 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, 2019, the Science Center did not receive any distributions from the Fund.

7. 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 (6.00% 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, 2020, and management expects to renew this line for another year. As of September 30, 2019, there is \$500,000 available under this line of credit.

\$ -

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.

132,852

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.

126,066

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.

10,440

Note due to insurance premium finance company requiring monthly payments of principal and interest. The note is unsecured and requires monthly installments of \$8,045, including principal and interest at a rate of 7.25%. The note matures on May 1, 2020.

54,684

Total notes payable
Less current portion

324,042
135,725

Long term portion

\$ 188,317

For the Year Ended September 30, 2019

7. Notes Payable, continued

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

Year ended <u>September 30,</u>	
2020	\$ 135,725
2021	186,229
2022	<u>2,088</u>
	<u>\$ 324,042</u>

8. Net Assets With Donor Restrictions

Restrictions on assets are imposed by the donor and include restrictions for specified programs or purposes, or for a specified time when the assets may be used. As of September 30, 2019, the Science Center held net assets with donor restrictions for the following purposes or periods:

Subject to expenditures for a specific purpose:	
Education outreach programs	\$ 193,014
Capital projects	<u>125,164</u>
Total purpose restricted	<u>318,178</u>
Subject to the passage of time:	
Contributions receivable	210,000
Beneficial interest in trust	<u>2,757</u>
Total time restriction	<u>212,757</u>
Perpetual in nature:	
Beneficial interest in trust	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 580,935</u>

9. 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, 2019

9. 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:

Year ended <u>September 30,</u>	
2020	\$ 25,025
2021	25,775
2022	26,550
2023	<u>13,470</u>
	<u>\$ 90,820</u>

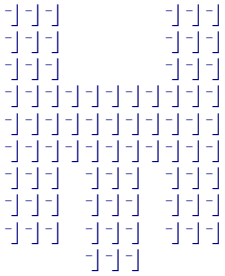
Operating lease expense amounted to approximately \$28,660 for the year ended September 30, 2019, and is included in other fees and rentals in the Statement of Functional Expenses.

10. 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 \$319,000 of cash and cash equivalents that exceeded the federal insurance limit or that was uninsured as of September 30, 2019. 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.

11. Subsequent Events

Management has evaluated subsequent events through March 19, 2020, 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, 2019, 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, 2020.

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, 2020

SUPPLEMENTARY INFORMATION

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

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

For the Year Ended September 30, 2019

	Operations	Capital Project	Totals
Revenues:			
Governmental support	\$ 201,405	\$ 200,000	\$ 401,405
Private gifts and grants	1,271,930	661,000	1,932,930
Special events	441,933	-	441,933
Educational programs	547,824	-	547,824
Admissions	1,675,499	-	1,675,499
Museum store	213,736	-	213,736
Membership dues	416,146	-	416,146
Change in value of beneficial interest in trust	1,114	-	1,114
In-kind contributions	-	75,500	75,500
Other income	83,338	-	83,338
Total	4,852,925	936,500	5,789,425
Expenses:			
Salaries	1,723,715	-	1,723,715
Employee benefits	272,485	-	272,485
Total salaries and related benefits	1,996,200	-	1,996,200
Advertising and marketing	200,477	-	200,477
Bank and credit card fees	106,505	-	106,505
Contract services	171,383	-	171,383
Cost of sales	87,364	-	87,364
Dues and subscriptions	14,930	-	14,930
Exhibit fees and rentals	235,748	-	235,748
Facility rentals and costs	194,059	-	194,059
Insurance	104,811	-	104,811
Interest	18,640	-	18,640
Maintenance and repairs	243,801	-	243,801
Materials and supplies	564,993	-	564,993
Other costs	47,909	-	47,909
Other fees and rentals	63,783	-	63,783
Postage and shipping	16,182	-	16,182
Printing	29,675	-	29,675
Professional fees	68,900	-	68,900
Telephone	23,846	-	23,846
Travel	21,841	-	21,841
Utilities	169,514	-	169,514
Total	4,380,561	-	4,380,561
Excess of revenues over expenses before depreciation expense	472,364	936,500	1,408,864
Depreciation expense	360,353	-	360,353
Excess of revenues over expenses	\$ 112,011	\$ 936,500	\$ 1,048,511

See independent auditor's report.

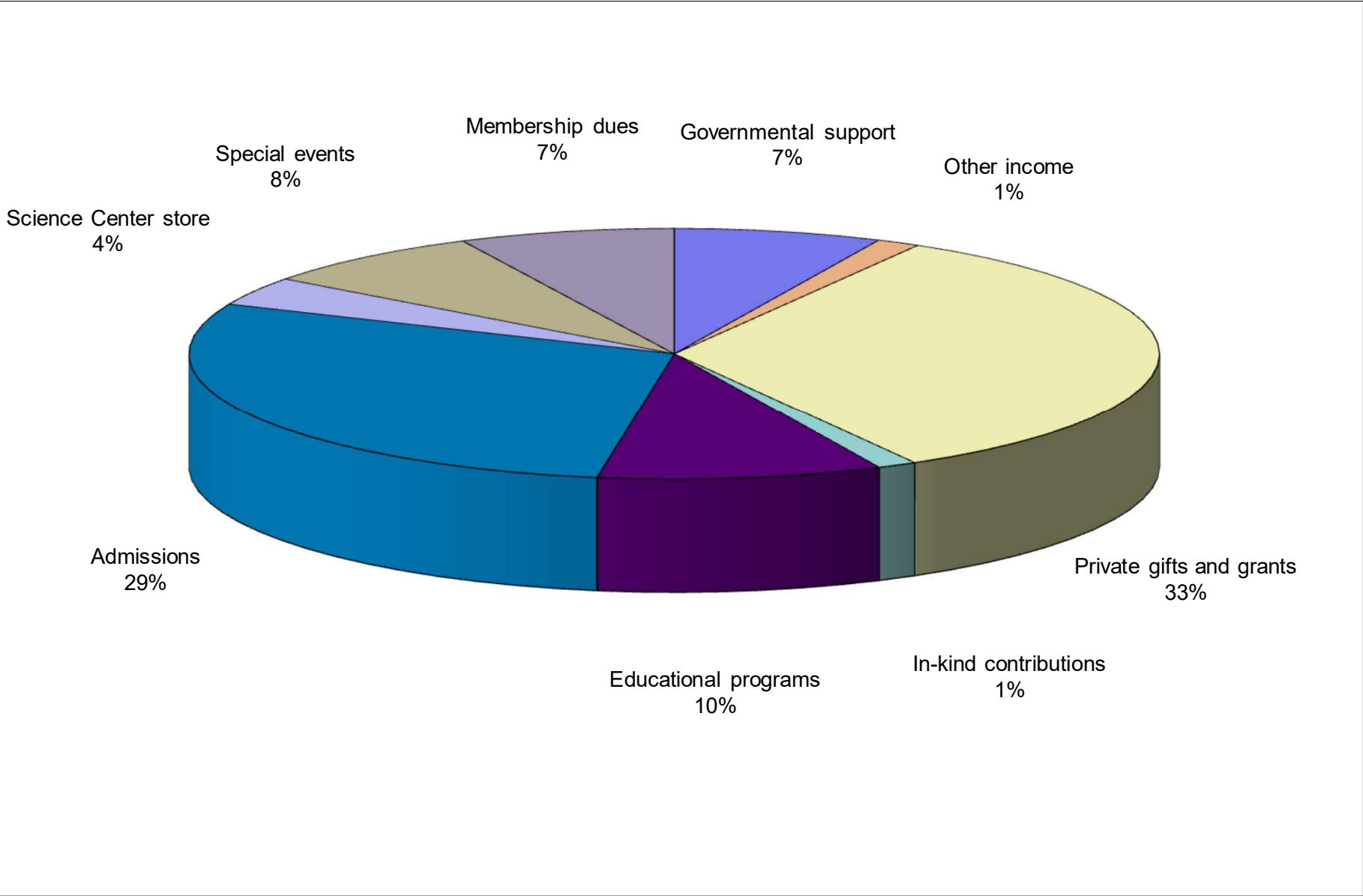
**SOUTH FLORIDA SCIENCE CENTER
AND AQUARIUM, INC.**

**SCHEDULE OF
PROGRAM SERVICES**

For the Year Ended September 30, 2019

	Aquarium	Education	Exhibits	Guest Services	Museum Store	Totals
Salaries	\$ 140,830	\$ 490,441	\$ 330,787	\$ 227,152	\$ 44,381	\$ 1,233,591
Employee benefits	29,438	81,337	59,908	31,483	2,793	204,959
Total salaries and related benefits	170,268	571,778	390,695	258,635	47,174	1,438,550
Advertising and marketing	18,571	78,283	64,997	7,428	1,856	171,135
Contract services	7,639	42,155	25,891	3,561	1,101	80,347
Cost of sales	-	-	-	-	87,364	87,364
Exhibit fees and rentals	-	-	235,748	-	-	235,748
Insurance	10,480	36,684	36,684	4,192	1,049	89,089
Maintenance and repairs	21,698	81,046	90,998	8,680	2,668	205,090
Materials and supplies	43,184	379,318	20,387	9,514	642	453,045
Other costs	214	8,759	750	10,841	12,999	33,563
Other fees and rentals	3,512	40,954	12,292	1,405	352	58,515
Postage and shipping	1,626	6,371	5,697	650	164	14,508
Printing	3,030	10,605	10,605	1,405	303	25,948
Professional fees	7,684	26,894	26,894	3,074	769	65,315
Telephone	2,385	8,346	8,346	954	238	20,269
Travel	32	6,775	111	160	2	7,080
Utilities	16,952	59,330	59,330	6,780	1,695	144,087
Total expenses before depreciation	307,275	1,357,298	989,425	317,279	158,376	3,129,653
Depreciation expense	36,035	126,124	126,124	14,414	3,603	306,300
Total functional expenses	\$ 343,310	\$ 1,483,422	\$ 1,115,549	\$ 331,693	\$ 161,979	\$ 3,435,953

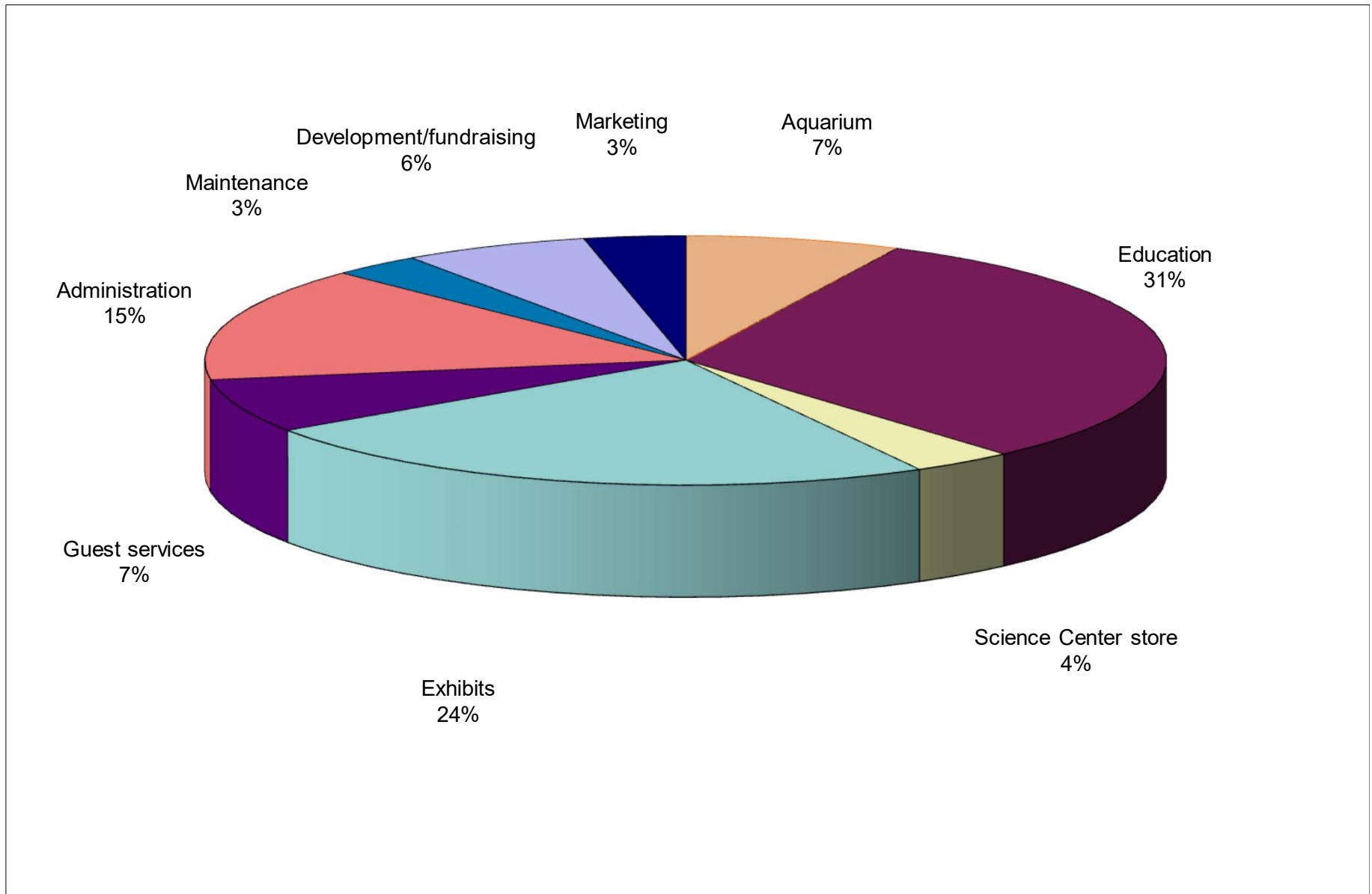
See independent auditor's report.



See independent auditor's report.

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

**CURRENT YEAR EXPENSES -
BY DEPARTMENT**



See independent auditor's report.