

South Carolina Aquarium

Report on Financial Statements

For the years ended December 31, 2020 and 2019

South Carolina Aquarium

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Independent Auditor's Report

Board of Directors
South Carolina Aquarium
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Aquarium (the "Aquarium"), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the Aquarium as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elliott Davis, LLC

Charleston, South Carolina
May 12, 2021

South Carolina Aquarium
Statements of Financial Position
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,543,034	\$ 2,978,048
Accounts receivable	302,529	212,679
Unconditional promises to give, net	1,129,824	1,176,253
Inventory	18,709	20,103
Prepaid expenses	249,334	394,644
Investments	107,427	111,920
Total current assets	<u>5,350,857</u>	<u>4,893,647</u>
Long-term assets		
Unconditional promises to give, net	559,380	543,420
Property and equipment, net	13,964,679	14,629,610
Total long-term assets	<u>14,524,059</u>	<u>15,173,030</u>
Total assets	<u>\$ 19,874,916</u>	<u>\$ 20,066,677</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 609,170	\$ 784,085
Advance deposits	373,124	248,113
Program agency funds	-	29,132
Deferred revenue	259,304	10,000
Deferred membership fees	502,340	584,056
Lease termination fee payable	40,471	38,367
Bonds payable	225,000	225,000
Capital leases payable	57,720	61,205
Line of credit	-	1,250,000
Promissory notes	3,160	19,027
Total current liabilities	<u>2,070,289</u>	<u>3,248,985</u>
Long-term liabilities		
Lease termination fee payable	87,721	128,192
Capital leases payable	183,316	241,036
Bonds payable	1,125,000	1,350,000
Promissory notes	-	1,848
Small business loan - EIDL	150,000	-
Total long-term liabilities	<u>1,546,037</u>	<u>1,721,076</u>
Total liabilities	<u>3,616,326</u>	<u>4,970,061</u>
Net assets		
Without donor restrictions		
Undesignated	11,547,225	10,470,095
Board designated	463,133	463,133
With donor restrictions	4,248,232	4,163,388
Total net assets	<u>16,258,590</u>	<u>15,096,616</u>
Total liabilities and net assets	<u>\$ 19,874,916</u>	<u>\$ 20,066,677</u>

See Notes to Financial Statements

South Carolina Aquarium**Statement of Activities****For the year ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Admissions	\$ 3,592,384	\$ -	\$ 3,592,384
Memberships	966,533	-	966,533
Contributed revenue	2,567,988	2,614,992	5,182,980
Special events	126,888	-	126,888
Concessions	277,869	-	277,869
Program revenues	38,636	-	38,636
Fundraising events, net of \$37,408 of expense	84,266	-	84,266
Supplemental	105,294	-	105,294
Other Income - Paycheck Protection Program	1,506,715	-	1,506,715
Miscellaneous	464,145	-	464,145
Total support and revenues	<u>9,730,718</u>	<u>2,614,992</u>	<u>12,345,710</u>
Net assets released from restrictions	<u>2,530,148</u>	<u>(2,530,148)</u>	<u>-</u>
Expenses			
Program services:			
Facilities	2,197,668	-	2,197,668
Guest programs	2,030,320	-	2,030,320
Animal Care	1,567,622	-	1,567,622
Education	1,076,998	-	1,076,998
Conservation	734,286	-	734,286
Memberships	164,992	-	164,992
Total program services	<u>7,771,886</u>	<u>-</u>	<u>7,771,886</u>
Supporting services:			
Management and general	2,615,638	-	2,615,638
Annual campaign and fundraising	691,740	-	691,740
Membership development	104,472	-	104,472
Total supporting services	<u>3,411,850</u>	<u>-</u>	<u>3,411,850</u>
Total expenses from operations	<u>11,183,736</u>	<u>-</u>	<u>11,183,736</u>
Change in net assets from operations	<u>1,077,130</u>	<u>84,844</u>	<u>1,161,974</u>
Net assets, beginning of year	<u>10,933,228</u>	<u>4,163,388</u>	<u>15,096,616</u>
Net assets, end of year	<u>\$ 12,010,358</u>	<u>\$ 4,248,232</u>	<u>\$ 16,258,590</u>

See Notes to Financial Statements

South Carolina Aquarium**Statement of Activities****For the year ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Admissions	\$ 6,847,621	\$ -	\$ 6,847,621
Memberships	1,353,575	-	1,353,575
Contributed revenue	744,534	3,814,520	4,559,054
Special events	495,673	-	495,673
Concessions	660,442	-	660,442
Program revenues	80,339	-	80,339
Fundraising events, net of \$179,620 of expense	327,873	-	327,873
Supplemental	154,370	-	154,370
Miscellaneous	126,033	-	126,033
Total support and revenues	<u>10,790,460</u>	<u>3,814,520</u>	<u>14,604,980</u>
Net assets released from restrictions	<u>2,628,503</u>	<u>(2,628,503)</u>	<u>-</u>
Expenses			
Program services:			
Facilities	2,461,097	-	2,461,097
Guest programs	2,177,525	-	2,177,525
Animal Care	1,642,650	-	1,642,650
Education	1,319,117	-	1,319,117
Conservation	834,677	-	834,677
Memberships	214,821	-	214,821
Total program services	<u>8,649,887</u>	<u>-</u>	<u>8,649,887</u>
Supporting services:			
Management and general	2,769,303	-	2,769,303
Annual campaign and fundraising	805,655	-	805,655
Membership development	112,346	-	112,346
Total supporting services	<u>3,687,304</u>	<u>-</u>	<u>3,687,304</u>
Total expenses from operations	<u>12,337,191</u>	<u>-</u>	<u>12,337,191</u>
Change in net assets from operations	<u>1,081,772</u>	<u>1,186,017</u>	<u>2,267,789</u>
Net assets, beginning of year	<u>9,851,456</u>	<u>2,977,371</u>	<u>12,828,827</u>
Net assets, end of year	<u>\$ 10,933,228</u>	<u>\$ 4,163,388</u>	<u>\$ 15,096,616</u>

See Notes to Financial Statements

South Carolina Aquarium
Statement of Functional Expenses
For the year ended December 31, 2020

	Program						Management and General	Annual Campaign and Fundraising	Membership Development	Total Expenses
	Facilities	Guest Programs	Animal Care	Education	Conservation	Memberships				
Expenses:										
Payroll and benefits	\$ 433,957	\$ 1,694,223	\$ 1,210,430	\$ 1,019,175	\$ 657,275	\$ 117,224	\$ 1,430,397	\$ 583,785	\$ 87,870	\$ 7,234,336
Occupancy	652,046	-	-	-	-	-	-	-	-	652,046
IT and communication	12,375	156,422	31,860	23,009	25,459	17,860	114,471	26,834	8,581	416,871
Public relations and marketing	-	14,203	-	6,875	6,875	8,375	281,335	10,368	6,875	334,906
Animal Care	5,995	-	261,566	-	6,929	-	4,735	-	-	279,225
Repairs and maintenance	186,243	46,687	26,332	443	3,849	377	1,404	377	94	265,806
Loan interest and bank fees	-	-	11,794	-	-	-	165,291	-	-	177,085
Insurance (non-benefit)	-	-	-	-	-	-	168,898	-	-	168,898
Professional fees and consultants	9,448	43,296	-	350	350	1,400	57,814	525	349	113,532
General supplies	141	43,442	12,908	3,101	389	6,918	2,399	9,536	82	78,916
Miscellaneous	84	5,822	6,130	1,109	321	371	60,058	2,555	249	76,699
Programs and events	-	15,163	-	20,862	23,522	5,900	4,298	3,493	156	73,394
Fundraising and board engagement	-	-	-	-	-	6,164	-	48,949	-	55,113
Travel and professional development	-	2,470	6,477	1,260	9,177	153	4,811	626	153	25,127
Personnel support	8	4,843	4	572	80	8	9,901	8	3	15,427
Operating leases	242	363	121	242	60	242	5,617	242	60	7,189
Total operating expenses	1,300,539	2,026,934	1,567,622	1,076,998	734,286	164,992	2,311,429	687,298	104,472	9,974,570
Depreciation	843,851	3,386	-	-	-	-	41,220	4,442	-	892,899
Disaster expense and other losses	2,990	-	-	-	-	-	147,975	-	-	150,965
Bad debt expense	-	-	-	-	-	-	115,014	-	-	115,014
Bond interest	50,288	-	-	-	-	-	-	-	-	50,288
Total expenses	<u>\$ 2,197,668</u>	<u>\$ 2,030,320</u>	<u>\$ 1,567,622</u>	<u>\$ 1,076,998</u>	<u>\$ 734,286</u>	<u>\$ 164,992</u>	<u>\$ 2,615,638</u>	<u>\$ 691,740</u>	<u>\$ 104,472</u>	<u>\$ 11,183,736</u>

See Notes to Financial Statements

South Carolina Aquarium
Statement of Functional Expenses
For the year ended December 31, 2019

	Program						Management and General	Annual Campaign and Fundraising	Membership Development	Total Expenses
	Facilities	Guest Programs	Animal Care	Education	Conservation	Memberships				
Expenses:										
Payroll and benefits	\$ 477,217	\$ 1,875,188	\$ 1,233,704	\$ 1,143,532	\$ 679,199	\$ 114,150	\$ 1,463,868	\$ 639,680	\$ 81,034	\$ 7,707,572
Public relations and marketing	-	106,352	-	23,070	19,221	22,083	495,182	29,172	19,163	714,243
Occupancy	673,351	-	-	-	-	-	-	-	-	673,351
Repairs and maintenance	239,741	89,091	64,637	3,600	6,343	2,072	7,254	2,072	519	415,329
IT and communication	32,018	48,653	16,009	32,085	8,071	32,085	112,297	32,118	8,071	321,407
Animal Care	-	-	226,611	-	47,274	-	-	-	-	273,885
Loan interest and bank fees	24,496	107	14,828	-	-	-	227,774	4	-	267,209
General supplies	21,425	15,633	53,682	4,344	11,577	527	52,471	2,312	348	162,319
Insurance (non-benefit)	-	-	-	-	-	-	155,408	-	-	155,408
Programs and events	-	74	-	79,257	41,360	18,604	258	3,484	74	143,111
Fundraising and board engagement	-	-	-	-	1,030	6,511	37,813	79,499	-	124,853
Miscellaneous	1,220	25,107	20,579	14,522	5,079	15,335	22,690	-	-	104,532
Travel and professional development	4	13,651	12,423	14,076	13,469	1,132	35,429	9,467	1,084	100,735
Professional fees and consultants	21,258	1,925	-	1,925	1,925	1,925	45,739	2,888	1,924	79,509
Personnel support	-	1,214	-	2,352	41	43	23,143	62	41	26,896
Operating leases	354	530	177	354	88	354	3,804	354	88	6,103
Total operating expenses	1,491,084	2,177,525	1,642,650	1,319,117	834,677	214,821	2,683,130	801,112	112,346	11,276,462
Depreciation	863,182	-	-	-	-	-	40,887	4,543	-	908,612
Bond interest	56,869	-	-	-	-	-	-	-	-	56,869
Disaster expense and other losses	49,962	-	-	-	-	-	444	-	-	50,406
Tax expense	-	-	-	-	-	-	26,212	-	-	26,212
Bad debt expense	-	-	-	-	-	-	18,630	-	-	18,630
Total expenses	\$ 2,461,097	\$ 2,177,525	\$ 1,642,650	\$ 1,319,117	\$ 834,677	\$ 214,821	\$ 2,769,303	\$ 805,655	\$ 112,346	\$ 12,337,191

See Notes to Financial Statements

South Carolina Aquarium

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Change in net assets	\$ 1,161,974	\$ 2,267,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of discount on unconditional promises to give	35,162	-
Amortization of deferred interest on operating lease termination	9,133	11,127
Allowance for doubtful accounts	3,986	18,630
(Gain) loss on disposal of property and equipment	147,975	(2,450)
Depreciation	892,899	908,612
Changes in:		
Accounts receivable	(89,850)	(79,201)
Unconditional promises to give, net	(8,679)	251,689
Inventory	1,394	(7,746)
Prepaid expenses	145,310	(141,355)
Accounts payable and accrued expenses	(174,915)	(52,435)
Advance deposits	125,011	40,664
Program agency funds	(29,132)	(106,656)
Deferred revenue	249,304	10,000
Deferred membership fees	(81,716)	2,874
Net cash provided by operating activities	<u>2,387,856</u>	<u>3,121,542</u>
Investing activities		
Purchase of property and equipment	(375,943)	(1,103,263)
Proceeds from sale of investments	4,493	461,660
Net cash used for investing activities	<u>(371,450)</u>	<u>(641,603)</u>
Financing activities		
Net borrowings (payments) on line of credit	(1,250,000)	-
Payments on bonds payable	(225,000)	(225,000)
Payments on promissory notes	(17,715)	(29,530)
Payments on lease termination fee payable	(47,500)	(47,500)
Payments on capital leases payable	(61,205)	(58,912)
Proceeds from small business loan - EIDL	150,000	-
Net cash provided (used) for financing activities	<u>(1,451,420)</u>	<u>(360,942)</u>
Net increase in cash and cash equivalents	564,986	2,118,997
Cash and cash equivalents, beginning of year	<u>2,978,048</u>	<u>859,051</u>
Cash and cash equivalents, end of year	<u>\$ 3,543,034</u>	<u>\$ 2,978,048</u>
Supplemental cash flow information		
Interest paid	\$ 114,826	\$ 155,484
Taxes paid	\$ -	\$ 26,212

See Notes to Financial Statements

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Organization:

The South Carolina Aquarium is a non-profit organization incorporated in 1992. The Aquarium is devoted to the understanding and conservation of South Carolina's natural aquatic habitats. The Aquarium's primary objective is to inspire conservation of the natural world by exhibiting and caring for animals, by excelling in education and research, and by providing an exceptional visitor experience. The Aquarium's facility, which is located in Charleston, South Carolina, opened May 19, 2000 and is leased from the City of Charleston. The Aquarium's support comes primarily from admission fees, memberships, grants and contributions.

Basis of accounting:

The Aquarium's financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets:

The Aquarium's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Aquarium's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Aquarium or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor stipulates the funds be maintained in perpetuity. The Aquarium does not have any donor restrictions that are perpetual in nature as of December 31, 2020 or 2019.

Revenue recognition:

Contributions: Contributions that are with or without donor restrictions are earned and recognized when the donation is received or unconditionally pledged, as long as there is no performance requirement attached to the contribution. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged.

Grants: Grants are earned and recorded as revenue when the grant funds are received or unconditionally pledged, if there is no performance requirement in the grant agreement. At that time, any grantor restrictions are considered when recording the revenue. For any grant agreements that include performance obligations, the Aquarium determines when the performance obligations will be met (i.e. at a certain point in time or over time). Revenue is recognized accordingly when the related performance obligation is met. Grant funds with a performance requirement which are received in advance are recorded as deferred revenue and are recognized as revenue when performance requirements are met.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition, continued:

Fundraising event revenue: Fundraising event revenue is recorded as contributed revenue and recognized on the day of the event. While some benefit is received by attendees, it is considered immaterial relative to the amount paid. Any payment received before the event (tickets, sponsorship) is recorded as advanced deposits and released at the time of the event.

Admissions and memberships: Admission revenue is recorded as earned and recognized as revenue on the day of the sale. The majority of tickets are purchased at the ticket window immediately before entrance into the Aquarium, and these tickets are only good for the day. Therefore, the performance obligation, entry to the Aquarium, is fulfilled the same day.

Admission tickets sold online can be used for up to one year, they are recognized at time of sale rather than when redeemed. The web-sale tickets comprise a small percentage of total ticket sales and a majority of the sales are used within 1 week. Therefore, the timing difference between purchase and use is considered immaterial for revenue recognition purposes.

Admission revenue also includes group tours. This revenue is also recognized day of visit. Groups pay a deposit prior to coming, which is recorded to advanced deposits and recognized on the day of their visit.

Membership revenue is recorded as earned revenue. The benefits of the membership, including admission, are deemed to be equivalent to the cost. The cash is received in full up front, while the revenue is recognized evenly throughout the membership period as the benefits are delivered, and the performance obligation is met.

Special events and building rentals: Special event revenue, which includes non-fundraising ticketed events hosted by the Aquarium, is recorded as earned revenue and recognized at the time of the event, when the performance obligation is met. Any payment received before the event for tickets or deposits is recorded as deferred revenue and released when the event occurs.

Building rental revenue is also recorded as earned revenue and recognized at the time of the event. Security deposits for building rentals are recorded as advance deposits and either returned or recognized as revenue when the building rental occurs.

Concessions: Concession revenue, which includes a percentage of net sales (or commission) from third party vendors that manage the gift shop, snack bar and photography station is recorded as earned revenue and recognized on a monthly basis. The third-party vendors pay the commission to the Aquarium each month approximately ten days after the close of the month and revenue is recorded by the Aquarium in the month of the activity.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition, continued:

Disaggregation of revenue: In the following table, net revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 9,872,462	\$ 13,253,855
Performance obligations satisfied over time	<u>966,533</u>	<u>1,353,575</u>
	<u>\$ 10,838,995</u>	<u>\$ 14,607,430</u>

Contract liabilities: The following table presents the beginning and ending balances of contract liabilities as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contract liabilities (deferred revenue and advanced deposits) beginning of the year	\$ 842,169	\$ 788,631
Revenue recognized for performance obligations completed in year	(842,169)	(788,631)
Revenues deferred until performance obligations are completed	<u>1,134,768</u>	<u>842,169</u>
Contract liabilities (deferred revenue and advanced deposits) end of year	<u>\$ 1,134,768</u>	<u>\$ 842,169</u>

Cash and cash equivalents:

The Aquarium considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Availability of funds for general expenditures:

The Aquarium has certain net assets that are available for general expenditures within one year of December 31, 2020 and 2019 based on conducting the normal activities of its programs 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 (see Note 2).

Accounts receivable:

Accounts receivable relate primarily to concession revenues and group ticket sales. Management evaluates the collectability of outstanding balances based on historical collection experience and the specific accounts outstanding, and establishes an allowance for doubtful accounts based on management's estimate of amounts that will not be collected. Accounts receivable are determined to be past due on contractual terms, which are unsecured and are non-interest bearing. Management does not accrue interest or finance charges on overdue balances. It is the Aquarium's policy to charge off uncollectible amounts when management determines the receivable will not be collected. As of December 31, 2020 and 2019, management estimated all accounts receivable to be fully collectible, and thus no allowance has been recorded.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Unconditional promises to give, net and grants receivable:

Contributions are recognized when the donor makes a promise to give to the Aquarium that is in substance, unconditional. Grant revenue is recognized when the grant has been awarded and any related performance objectives have been met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a discount rate of 3.25% for the years ended December 31, 2020 and 2019. Amortization of the discount is presented with contributed revenue.

The Aquarium uses the allowance method to account for uncollectible amounts based on management's estimate of the collectability of the amount receivable. Receivables are considered impaired if payments are not received in accordance with the terms of the receivable. It is the Aquarium's policy to charge off uncollectible amounts when management determines the receivable will not be collected. The allowance for doubtful accounts was \$30,000 and \$33,986 as of December 31, 2020 and 2019, respectively.

Property and equipment, net:

Property and equipment are recorded at cost, or, if donated, at estimated fair market value at the date of donation. It is the policy of the Aquarium to capitalize assets costing \$5,000 or more with a useful life exceeding one year.

Depreciation is calculated over the estimated useful lives of the assets using the straight-line method as follows:

Software	2 years
Transportation equipment	5-7 years
Furniture, fixtures and equipment	7 years
Exhibits	2-10 years
Leasehold improvements	7-40 years
Projects under construction and land	Non-depreciable

Animal and plant collections:

The costs of purchasing or collecting live animals and plants are expensed as incurred. Donated specimens are not valued and, therefore, are not reflected in the financial statements. There were no proceeds received related to the sale of non-capitalized collection items during the year ended December 31, 2019 and December 31, 2020. Purchases of non-capitalized collection items were \$29,525 and \$32,967 for the years ended December 31, 2020 and 2019, respectively.

Agency funds:

The Aquarium is the administrating entity for a \$583,000 study provided by the South Carolina Ports Authority. The Aquarium will disburse funds to participating partners in the study. Amounts remaining to be disbursed under the grant totaled \$29,132 as of December 31, 2019. All remaining funds were disbursed during 2020.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Advertising:

The Aquarium expenses advertising costs as incurred. Advertising costs totaled \$257,272 and \$428,115 for the years ended December 31, 2020 and 2019, respectively, and are included in public relations and marketing on the Statement of Functional Expenses.

Donated services, equipment and assets:

The Aquarium records various types of in-kind support including donated professional services, supplies, equipment and other assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Supplies donated in 2020 and 2019 include animal and animal care supplies, and are recognized in the animal care program. In-kind contributions totaled \$51,638 and \$68,876 for the years ended December 31, 2020 and 2019, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time and performed a variety of tasks that assisted the Aquarium with its operation but do not meet the two recognition criteria described above. Accordingly, the value of this donated time is not reflected in the financial statements.

Income taxes:

The Aquarium is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, if any, as defined by the Code, is subject to federal income tax. The Aquarium is classified by the Internal Revenue Service as other than a private foundation.

The Aquarium's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. Management has evaluated the tax positions of the Aquarium and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2020 or 2019.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Aquarium's program services are classified within the following:

Facilities maintain the building and animal life support systems.

Guest Programs includes admissions, security staff and environmental services.

Animal Care collects and maintains plants and animals for the exhibits.

Education designs and implements the complete Education Master Plan.

Conservation leads conservation efforts for the wildlife and wild spaces and inspires the public for these initiatives.

Memberships include management of the membership program.

The Aquarium's supporting services include:

Management and General provides accounting, human resources, marketing, administration and information services support.

Annual Campaign and Fundraising conducts fundraising activities through donor education, fulfillment and management.

Membership Development activities include soliciting for prospective members and membership dues, membership relations, and similar activities.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation, continued:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense type</u>	<u>Method of allocation</u>
Payroll and benefits	Time and effort
IT and communication	Direct costs to programs; Time and effort for remaining
Public relations and marketing	Direct costs for advertising; Time and effort for remaining
Animal care	Direct costs to programs
Repairs and maintenance	Direct costs to programs
Loan interest and bank fees	Direct costs to programs
Professional fees and consultants	Direct costs to programs; Time and effort for remaining
General supplies	Direct costs to programs; Time and effort for remaining
Miscellaneous	Direct costs to programs; Time and effort for remaining
Programs and events	Direct costs to programs; Time and effort for remaining
Fundraising and board engagements	Direct cost to programs
Travel and professional development	Direct costs to programs; Time and effort for remaining
Personnel support	Direct costs to programs; Time and effort for remaining
Operating leases	Direct costs to programs
Depreciation	Square footage
Disaster expense and other losses	Direct costs

New accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Subtopic 842)*, which will require entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about the leasing arrangements. For non-profit organizations, this standard is effective for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. The Aquarium is currently evaluating the impact of this standard.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Aquarium's net assets or changes in net assets.

Reclassifications:

Certain items in the prior year have been reclassified to conform to current year presentation.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Risks and uncertainties:

The COVID-19 pandemic has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent and duration to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Aquarium's and its customers' costs, demand for the Aquarium's services, and the U.S. economy. Furthermore, there is a possibility of closure by government or state order for a period of time in response to COVID-19. The full impact on the operational and financial activity cannot be estimated at this time.

Subsequent events:

In preparing these financial statements, the Aquarium has evaluated events and transactions for potential recognition or disclosure through May 12, 2021, the date the financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditures that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Total assets at year end	\$ 19,874,916	\$ 20,066,677
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	249,334	394,644
Property and equipment, net	<u>13,964,679</u>	<u>14,629,610</u>
	<u>14,214,013</u>	<u>15,024,254</u>
Less amounts not available to be used within one year due to availability:		
Non-current unconditional promises to give, net	559,380	543,420
Donor imposed restrictions, long-term	<u>2,519,369</u>	<u>2,664,038</u>
	<u>3,078,749</u>	<u>3,207,458</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,582,154</u>	<u>\$ 1,834,965</u>

The Aquarium's goal is to maintain financial assets to cover operating expenses over a reasonable period of time. Any funds in excess of the adequate operating expense coverage are invested with the objectives of preserving capital and long-term growth. The Aquarium has a \$1,250,000 line of credit. As of December 31, 2020, there was no outstanding balance. As of December 31, 2019, the line was fully drawn to meet cash flow needs due to the seasonality of its guest visitation.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 3. Unconditional Promises to Give, Net

Unconditional promises to give, net consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 1,739,250	\$ 1,808,867
Less: unamortized discount	<u>(20,046)</u>	<u>(55,208)</u>
Present value of unconditional promises to give	1,719,204	1,753,659
Less: allowance for uncollectible promises to give	<u>(30,000)</u>	<u>(33,986)</u>
	<u>\$ 1,689,204</u>	<u>\$ 1,719,673</u>

Amounts expected to be collected for the years ended December 31, are as follows:

2021	\$ 1,129,824
2022	359,395
2023	150,031
2024	<u>100,000</u>
	<u>\$ 1,739,250</u>

Note 4. Fair Value Measurements

The Aquarium's investments are stated at fair market value. Fair market value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 4. Fair Value Measurements, Continued

The following table presents the Aquarium's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 107,427	\$ -	\$ -	\$ 107,427
	<u>\$ 107,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,427</u>

	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 111,920	\$ -	\$ -	\$ 111,920
	<u>\$ 111,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,920</u>

Note 5. Property and Equipment, Net

Property and equipment, net consisted of the following at December 31:

	2020	2019
Software	\$ 120,150	\$ 202,221
Transportation equipment	493,282	494,182
Furniture, fixtures and equipment	3,173,573	3,278,615
Exhibits	13,921,487	13,926,813
Leasehold improvements	8,184,451	8,184,451
Projects under construction and land	590,989	437,509
	<u>26,483,932</u>	<u>26,523,791</u>
Accumulated depreciation	<u>(12,519,253)</u>	<u>(11,894,181)</u>
	<u>\$ 13,964,679</u>	<u>\$ 14,629,610</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$892,899 and \$908,612, respectively.

Note 6. Revolving Line of Credit

The Aquarium has a revolving line of credit in the amount of \$1,250,000, which was originally effective through August 19, 2020 and bears interest at a base rate plus 1% (5.00% at December 31, 2020), with a floor of 5.00%. The balance was \$1,250,000 as of December 31, 2019 and was paid off on July 31, 2020. See Subsequent Events Note 18 for renewal terms.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 7. Promissory Notes

On February 15, 2017, the Aquarium signed a \$72,000 term loan for the acquisition of a boat. The note bears interest at 3.95% and matures on January 25, 2021. Principal and interest payments of \$1,626 are due monthly. The note is secured by the boat and a blanket lien on other assets. The note has a balance of \$3,160 at December 31, 2020 and is due within the next 12 months.

Note 8. Capital Leases Payable

On November 24, 2017, the Aquarium signed a master lease agreement for the acquisition of a CT scanner for the sea turtle recovery center. The agreement requires 84 payments of \$5,548 and carries an implied interest rate of 4.135%. The agreement has a bargain purchase option at the end of the lease term in the amount of \$100. The lease is collateralized with the underlying equipment.

On August 10, 2018, the Aquarium signed a capital lease for the acquisition of computer equipment. The agreement requires 36 payments of \$449 and has a bargain purchase option at the end of the lease term.

Future minimum lease payments under these agreements as of December 31, 2020, are as follows:

2021	\$	60,516
2022		69,860
2023		69,376
2024		<u>52,471</u>
Total minimum lease payments		252,223
Less: amounts representing interest		(57,720)
Less: capital leases - current		<u>(11,187)</u>
Total capital leases – long-term	\$	<u>183,316</u>

The combined interest expense paid on the revolving line of credit, promissory notes and capital leases payable was \$62,851 and \$96,984 for the years ended December 31, 2020 and 2019, respectively (also see note 6 and 7).

Note 9. Bonds Payable

On October 1, 2014, the Aquarium issued a note to evidence its obligation to the South Carolina Jobs Economic Development Authority (the "Authority") arising from the Authority's loan to the Aquarium of the proceeds of the South Carolina Jobs - Economic Development Authority Economic Development Revenue Bond (SC Aquarium Project) Series 2014 in the amount of \$2,700,000. The net proceeds of the bonds were primarily used to finance the construction and improvements of the Aquarium's existing facilities. The bonds are secured by the Aquarium's personal property.

At December 31, 2020 and 2019, the balance of the bonds payable was \$1,350,000 and \$1,575,000, respectively. Amounts are due in installments of \$225,000 each on October 1st with interest due semiannually at rates ranging from 2.5% to 3.6%.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 9. Bonds Payable, Continued

Future payments on bonds payable at December 31, 2020 are as follows:

2021	\$	225,000
2022		225,000
2023		225,000
2024		225,000
2025		225,000
Thereafter		<u>225,000</u>
	\$	<u>1,350,000</u>

Interest expense incurred on bonds payable for the years ended December 31, 2020 and 2019 was \$50,288 and \$56,869.

Note 10. Lease Termination Fee Payable

On December 20, 2013, the Aquarium signed an operating lease termination agreement with its landlord for property leased under an agreement dated February 1, 2000. The agreement required the Aquarium (or subtenant therein) to vacate the property before December 31, 2013. Accordingly, the lease agreement was terminated and a \$475,000 termination fee was payable. The fee is due in 10 equal non-interest-bearing installments of \$47,500 on September 15th each year. The Aquarium had imputed interest under this agreement and had recorded a lease termination fee of \$395,959 during the year ended March 31, 2014.

Future minimum payments at December 31 under this agreement are as follows:

2021	\$	47,500
2022		47,500
2023		<u>47,500</u>
Total minimum payments		142,500
Less: amount representing interest		<u>(14,308)</u>
	\$	<u>128,192</u>

Note 11. Paycheck Protection Program and Small Business Loan

In April 2020, the Aquarium received a loan in the amount of \$1,506,715 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable after the applicable time period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP Loan is unsecured and guaranteed by the United States Small Business Administration ("SBA"). The unforgiven portion of the Company's PPP loan is payable in monthly installments at an interest rate of 1.00%.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 11. Paycheck Protection Program and Small Business Loan, Continued

The Aquarium performed calculations for loan forgiveness in accordance with the terms of the CARES Act and, based on such calculations, expects that the PPP loan will be forgiven in full. Further, the Aquarium has determined that it has met all the conditions of the loan required under the CARES Act as of December 31, 2020 and has elected to account for the PPP loan in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, which allows the Aquarium to recognize the loan forgiveness as a contribution when the conditions for loan forgiveness have been substantially met. Therefore, the Aquarium recognized the full amount borrowed under the PPP loan on the accompanying statement of activities for the year ended December 31, 2020.

The Aquarium submitted a timely application for forgiveness with the SBA, and the loan was forgiven in full subsequent to year-end (see Note 18).

In June 2020, the Aquarium received an Economic Injury Disaster Loan (“EIDL”) in the amount of \$150,000 from the U.S Small Business Association. The EIDL, established in response to COVID-19, provides for loans to small business owners, including agricultural businesses, and nonprofit organizations in all U.S. states, Washington D.C., and territories. The 30-year loan includes principal and interest payments in the amount of \$641 monthly beginning 12 months from the date of the note. Interest accrued at a rate of 2.75% for the year ended December 31, 2020. The balance on the loan was \$150,000 as of December 31, 2020.

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
<i>Restrictions for the passage of time:</i>	\$ 301,035	\$ 363,810
<i>Restrictions for specific purposes:</i>		
Education programs	437,018	360,694
Exhibit development	105,954	106,164
Sea turtle hospital	60,000	5,187
Sea turtle conservation and research program	150,000	210,000
Capital and maintenance programs	114,421	200,000
Conservation	143,937	73,947
Other programs	86,205	153,968
Building fortification	1,454,067	1,500,000
Monsters	-	27,000
Maritime Center Learning Lab	1,095,497	877,500
Donor recognition	300,098	285,118
	<u>\$ 4,248,232</u>	<u>\$ 4,163,388</u>

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 13. Defined Contribution Plan

The Aquarium maintains a defined contribution 401(k) plan (the "Plan") covering substantially all the full time salaried employees with one year or more of service. Under the Plan, the Aquarium makes matching contributions equal to 100% of the first 3% of the employee's contribution and 50% of the next 2% of the employee's contribution, for a total match of up to 4%. Contribution expense relating to the Plan for the years ended December 31, 2020 and 2019 was \$128,296 and \$142,435, respectively.

Note 14. Concentration of Credit Risk

From time to time, the Aquarium has operating accounts and other demand accounts with financial institutions in excess of the Federal Depository Insurance Company ("FDIC") limit of \$250,000 per bank. The Aquarium has not experienced any losses associated with these financial institutions.

Note 15. Operating Leases

Facility and warehouses:

The Aquarium leases two warehouses under two operating lease agreements. One of the agreements expired September 16, 2018, and a new agreement for the same space was signed with an expiration date of September 30, 2021. The initial monthly lease payment is \$2,272 with payment increases of 3% per year and contains one three-year renewal option. In addition, the agreement requires the Aquarium to pay certain executory costs such as taxes, maintenance and insurance, where applicable, which approximated \$11,044 for the year ended December 31, 2020.

The second agreement originally commenced in June 2012 and was renewed in May 2017 for another five year term, expiring on May 31, 2022. The initial monthly lease payment of the renewal is \$2,029 with payment increases of 3% per year. In addition, the agreement requires the Aquarium to pay for certain costs above and beyond general maintenance, where applicable, as incurred.

The Aquarium has three equipment leases that mature between 2021 through 2025, with monthly minimum lease payments ranging between \$195 and \$274.

Rent expense for these leases totaled \$79,608 and \$63,208 for the years ended December 31, 2020 and 2019, respectively.

Future minimum payments at December 31 under these agreement are as follows:

2021	\$	54,476
2022		17,056
2023		2,342
2024		2,342
2025		<u>1,171</u>
	\$	<u>77,387</u>

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 15. Operating Leases, Continued

The Aquarium has an agreement with the City of Charleston to sublease the land and facilities that house the Aquarium operations for annual rent of \$1. This property is owned by the National Park Service and used by the City, which in turn leases it to the Aquarium. The Aquarium's agreement with the City includes a clause which states that the excess annual revenues over expenses, including provision for debt service and reserve for depreciation, will be split evenly as follows:

Fifty percent (50%) will be placed in a fund for the future capital improvements and a reserve for operating shortfalls in the sum of \$2,000,000 to be maintained during the term of the lease.

Fifty percent (50%) will be paid annually to the City of Charleston to reduce the City Bond indebtedness in the principal amount of \$9,500,000 until such debt has been paid in full.

Under the terms of the agreement, the Aquarium did not make any lease payments to the City of Charleston for the years ended December 31, 2020, or 2019.

Note 16. Commitments and Contingencies

In May 2005, the Aquarium entered into a contract to lease retail space to a vendor to operate the gift shop for a term of five years. This agreement was amended on January 13, 2010, extending the term of the agreement for an additional five-year period through June 2, 2015. On June 22, 2015, the Aquarium signed the third amendment to this agreement. The agreement provides for (2) five-year extension terms through June 2, 2025. The agreement also provides for a guaranteed investment of \$150,000 in capital improvements to the utilized space during the lease term, but focusing on the food concession area. Rent is paid to the Aquarium monthly in arrears, is calculated based upon a percentage of gross receipts collected, and is guaranteed to exceed \$310,000 annually provided annual attendance does not fall below 390,000 visitors. The annual payment guarantee to the Aquarium shall be reduced by the same percentage as the attendance shortfall. Amounts received by the Aquarium under this agreement for the years ended December 31, 2020 and 2019 were \$224,322 and \$470,220, respectively. Amounts received are included in concessions revenue in the Statement of Activities.

In April 2006, the Aquarium signed a services agreement with a vendor to provide photographic and imaging services to patrons in the facility. The agreement was for an initial term of three years, with an automatic renewal of an additional three years if either of the parties did not notify each other of termination. The agreement was extended through 2020. In February 2020, the Aquarium signed another extension to this agreement. The extension is for one year and matures in March 2021; see Note 18 for subsequent renewal. The Aquarium receives a percentage of net sales revenues as defined within the agreement. Amounts received by the Aquarium under this agreement for the years ended December 31, 2020 and 2019 were \$46,150 and \$136,644, respectively. Amounts received are included in concessions revenue in the Statement of Activities.

On May 21, 2007, the Aquarium signed a concession agreement with a vendor to operate a food concession area in the facility. The agreement was amended on January 13, 2010, extending the term for an additional five years through June 2, 2015. On June 22, 2015, the Aquarium signed the third amendment to this agreement. The agreement provides for (2) five-year extension terms through June 2, 2025. The Aquarium receives rent based upon an agreed percentage of gross sales as defined within the agreement. Amounts received by the Aquarium under this agreement for the years ended December 31, 2020 and 2019 were \$7,397 and \$49,659, respectively. Amounts received are included in concessions revenue in the Statement of Activities.

South Carolina Aquarium

Notes to Financial Statements

December 31, 2020 and 2019

Note 16. Commitments and Contingencies, Continued

During 2019, the Aquarium had additional food concession agreements with short term agreements less than a year. Food concession revenue from these short-term agreements for the year ended December 31, 2019 was \$3,919. The Aquarium had no short term food concession agreements during 2020.

Note 17. Related Party Transactions

Members of the Board of Directors made contributions and unconditional promises to give totaling approximately \$1,569,875 and \$1,421,070 during the years ended December 31, 2020 and 2019, respectively. Outstanding balances of unconditional promises to give from board members, totaled \$1,329,888 and \$919,500 at December 31, 2020 and 2019, respectively.

The Aquarium's bonds payable are held by a related party and had a balance of \$1,350,000 and \$1,575,000 at December 31, 2020 and 2019. Interest incurred under these bonds was \$50,288 and \$56,869 for the years ended December 31, 2020 and 2019, respectively.

Note 18. Subsequent Events

The Aquarium's PPP loan of \$1,506,715 and accrued interest of \$12,891 were forgiven by the Small Business Administration on February 25, 2021. See Note 11.

On February 17, 2021, the Aquarium received a second PPP loan in the amount of \$1,401,690. The loan carries a 1% fixed interest rate and matures in five years from the date of the note if not forgiven. The Aquarium expects to use the proceeds of the loan in accordance with loan provisions that will allow for full forgiveness.

On February 25, 2021, the Aquarium's revolving line of credit was amended. The new terms allow for the Aquarium to borrow the lesser of 1) \$1,250,000 and 2) the aggregate amount of outstanding promises to give. The line bears interest at 1% plus the Base Rate, with a floor of 5.00% and is effective through May 31, 2021. The line of credit is secured by the Aquarium's outstanding promises to give.

In February 2021, the Aquarium extended their agreement with a vendor to provide photographic and imaging services to patrons in the facility. The extension is for one year, maturing September 2021 (see Note 15).