

**SOUTH CAROLINA AQUARIUM
CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Carolina Aquarium
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of South Carolina Aquarium (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Aquarium as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Carolina Aquarium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Carolina Aquarium's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 South Carolina Aquarium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Carolina Aquarium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Glaser and Company, LLC

Charleston, South Carolina

April 23, 2024

**SOUTH CAROLINA AQUARIUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 6,133,643	\$ 5,394,129
Accounts receivable	155,948	93,926
Unconditional promises to give, net, current	1,637,988	1,429,286
Grants receivable	-	1,243,291
Inventory	12,879	15,154
Prepaid expenses	359,844	324,540
Investments, short-term reserves	4,229,693	3,984,336
Total current assets	12,529,995	12,484,662
<u>Long-term Assets</u>		
Investments, long-term	15,609,260	14,869,807
Unconditional promises to give, net, net of current	1,625,672	2,487,431
Property and equipment, net	18,661,154	13,872,029
Total long-term assets	35,896,086	31,229,267
Total assets	\$ 48,426,081	\$ 43,713,929

See accompanying notes to the financial statements

**SOUTH CAROLINA AQUARIUM
STATEMENTS OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2023 AND 2022**

	2023	2022
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 1,355,841	\$ 1,060,809
Advanced deposits	306,730	285,084
Deferred revenues	9,304	266,717
Deferred membership fees	1,056,985	1,051,290
Lease termination fee payable, current	-	45,031
Bonds payable, current portion	225,000	225,000
Capital leases payable, current	57,475	65,379
Total current liabilities	3,011,335	2,999,310
<u>Long-term Liabilities</u>		
Capital leases payable, net of current portion	-	52,888
Bonds payable, net of current portion	450,000	675,000
Total long-term liabilities	450,000	727,888
Total liabilities	3,461,335	3,727,198
<u>Net Assets</u>		
Without donor restrictions		
Undesignated	26,183,135	16,521,787
Board designated for long-term purposes	8,273,730	6,645,673
Total without donor restrictions	34,456,865	23,167,460
With donor restrictions	10,507,881	16,819,271
Total net assets	44,964,746	39,986,731
Total liabilities and net assets	\$ 48,426,081	\$ 43,713,929

See accompanying notes to the financial statements

**SOUTH CAROLINA AQUARIUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Admissions	\$ 9,983,166	\$ -	\$ 9,983,166
Memberships	1,776,688	-	1,776,688
Contributed revenue	5,471,345	354,667	5,826,012
Special events	1,145,132	-	1,145,132
Concessions	1,016,590	-	1,016,590
Program revenues	97,471	-	97,471
Fundraising events, net of \$265,173 of expense	192,316	-	192,316
Supplemental	203,295	-	203,295
Investment income, net	1,209,993	-	1,209,993
Miscellaneous	50,567	-	50,567
Total support and revenues	<u>21,146,563</u>	<u>354,667</u>	<u>21,501,230</u>
<u>Net Assets Released from Restrictions</u>	<u>6,666,057</u>	<u>(6,666,057)</u>	<u>-</u>
<u>Expenses</u>			
Program services:			
Facilities	2,983,598	-	2,983,598
Guest programs	3,633,250	-	3,633,250
Animal care	2,418,828	-	2,418,828
Education	1,652,153	-	1,652,153
Conservation	958,953	-	958,953
Memberships	593,953	-	593,953
Total program services	<u>12,240,735</u>	<u>-</u>	<u>12,240,735</u>
Supporting services:			
Management and general	2,734,666	-	2,734,666
Annual campaign and fundraising	1,448,311	-	1,448,311
Membership development	99,503	-	99,503
Total supporting services	<u>4,282,480</u>	<u>-</u>	<u>4,282,480</u>
Total expenses from operations	<u>16,523,215</u>	<u>-</u>	<u>16,523,215</u>
Change in net assets	11,289,405	(6,311,390)	4,978,015
Net assets, beginning of year	<u>23,167,460</u>	<u>16,819,271</u>	<u>39,986,731</u>
Net assets, end of year	<u>\$ 34,456,865</u>	<u>\$ 10,507,881</u>	<u>\$ 44,964,746</u>

See accompanying notes to the financial statements

**SOUTH CAROLINA AQUARIUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Admissions	\$ 9,070,989	\$ -	\$ 9,070,989
Memberships	1,485,260	-	1,485,260
Contributed revenue	2,167,104	12,527,946	14,695,050
Special events	1,217,203	-	1,217,203
Concessions	946,538	-	946,538
Program revenues	99,909	-	99,909
Fundraising events, net of \$288,401 of expense	220,305	-	220,305
Supplemental	202,316	-	202,316
Investment losses, net	(429,779)	-	(429,779)
Miscellaneous	215,863	-	215,863
Total support and revenues	<u>15,195,708</u>	<u>12,527,946</u>	<u>27,723,654</u>
<u>Net Assets Released from Restrictions</u>	<u>2,044,043</u>	<u>(2,044,043)</u>	<u>-</u>
<u>Expenses</u>			
Program services:			
Facilities	2,499,582	-	2,499,582
Guest programs	3,154,969	-	3,154,969
Animal care	2,100,707	-	2,100,707
Education	1,387,344	-	1,387,344
Conservation	916,551	-	916,551
Memberships	553,066	-	553,066
Total program services	<u>10,612,219</u>	<u>-</u>	<u>10,612,219</u>
Supporting services:			
Management and general	2,149,610	-	2,149,610
Annual campaign and fundraising	1,315,940	-	1,315,940
Membership development	101,591	-	101,591
Total supporting services	<u>3,567,141</u>	<u>-</u>	<u>3,567,141</u>
Total expenses	<u>14,179,360</u>	<u>-</u>	<u>14,179,360</u>
Change in net assets	3,060,391	10,483,903	13,544,294
Net assets, beginning of year	<u>20,107,069</u>	<u>6,335,368</u>	<u>26,442,437</u>
Net assets, end of year	<u>\$ 23,167,460</u>	<u>\$ 16,819,271</u>	<u>\$ 39,986,731</u>

See accompanying notes to the financial statements.

**SOUTH CAROLINA AQUARIUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>						<u>Management and General</u>	<u>Annual Campaign and Fundraising</u>	<u>Membership Development</u>	<u>Total</u>
	<u>Facilities</u>	<u>Guest Programs</u>	<u>Animal Care</u>	<u>Education</u>	<u>Conservation</u>	<u>Membership</u>				
Expenses:										
Payroll and benefits	\$ 513,613	\$ 2,575,257	\$ 1,817,217	\$ 1,462,436	\$ 846,639	\$ 421,700	\$ 1,544,806	\$ 1,121,652	\$ 75,576	\$ 10,378,896
Occupancy	826,377	-	-	-	-	-	-	-	-	826,377
IT and communications	8,754	162,079	55,775	12,825	24,237	16,622	249,819	29,619	9,834	569,564
Public relations and marketing	-	442,574	-	28,185	28,829	74,233	1,002	17,379	14,093	606,295
Animal care	383	-	389,937	39	8,572	-	19,719	-	-	418,650
Repairs and maintenance	224,498	71,691	61,284	1,604	7,494	-	1,643	37	-	368,251
Loan interest and bank fees	-	218,667	3,759	-	-	31,238	43,545	23,429	-	320,638
Insurance (non-benefit)	101,766	-	3,259	-	-	-	151,148	-	-	256,173
Professional fees and consultants	18,562	12,318	-	-	-	-	150,103	94,553	-	275,536
General supplies	911	88,544	40,006	5,496	1,132	13,633	7,311	6,038	-	163,071
Miscellaneous	3,501	7,587	9,730	23,670	17,823	475	106,963	10,964	-	180,713
Programs and events	-	45,663	5	94,710	12,965	33,741	17,933	18,563	-	223,580
Fundraising and board engagement	-	81	-	-	-	-	72,293	94,836	-	167,210
Travel and professional development	-	369	36,623	20,188	11,202	1,085	29,309	22,480	-	121,256
Personnel support	524	8,420	1,191	3,000	-	1,226	71,671	1,964	-	87,996
Operating leases	-	-	-	-	-	-	10,741	-	-	10,741
Total operating expenses	<u>1,698,889</u>	<u>3,633,250</u>	<u>2,418,786</u>	<u>1,652,153</u>	<u>958,893</u>	<u>593,953</u>	<u>2,478,006</u>	<u>1,441,514</u>	<u>99,503</u>	<u>14,974,947</u>
Depreciation	911,265	-	-	-	-	-	43,909	4,796	-	959,970
Loss on disposal of fixed assets	2,164	-	42	-	60	-	154,712	-	-	156,978
Master planning	340,230	-	-	-	-	-	58,039	2,001	-	400,270
Bond interest	31,050	-	-	-	-	-	-	-	-	31,050
Total expenses	<u>\$ 2,983,598</u>	<u>\$ 3,633,250</u>	<u>\$ 2,418,828</u>	<u>\$ 1,652,153</u>	<u>\$ 958,953</u>	<u>\$ 593,953</u>	<u>\$ 2,734,666</u>	<u>\$ 1,448,311</u>	<u>\$ 99,503</u>	<u>\$ 16,523,215</u>

See accompanying notes to the financial statements.

**SOUTH CAROLINA AQUARIUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services						Management and General	Annual Campaign and Fundraising	Membership Development	Total Expenses
	Facilities	Guest Programs	Animal Care	Education	Conservation	Membership				
Expenses:										
Payroll and benefits	\$ 511,286	\$ 2,004,889	\$ 1,543,886	\$ 1,262,460	\$ 810,090	\$ 394,562	\$ 1,295,554	\$ 1,093,239	\$ 78,562	\$ 8,994,528
Occupancy	747,416	-	-	-	-	-	-	-	-	747,416
IT and communications	8,945	141,962	60,883	12,917	27,035	14,134	231,486	23,057	9,089	529,508
Public relations and marketing	-	434,392	-	27,879	27,879	68,344	1,019	16,859	13,940	590,312
Animal care	-	-	354,272	-	20,880	-	49,051	-	-	424,203
Repairs and maintenance	234,285	71,041	67,890	2,767	8,256	-	11,925	21	-	396,185
Loan interest and bank fees	-	200,432	6,363	-	-	28,633	40,601	21,475	-	297,504
Insurance (non-benefit)	72,708	-	4,854	-	-	-	114,570	-	-	192,132
Professional fees and consultants	18,316	24,569	2,126	3,746	-	-	116,069	28,138	-	192,964
General supplies	968	78,725	28,428	6,468	4,229	11,657	9,219	6,018	-	145,712
Miscellaneous	205	44,858	8,284	17,563	4,116	290	74,339	5,528	-	155,183
Programs and events	-	146,420	-	35,636	7,680	29,581	224	11,562	-	231,103
Fundraising and board engagement	-	-	-	-	-	-	59,440	56,503	-	115,943
Travel and professional development	-	194	22,735	13,193	6,386	5,037	42,464	11,494	-	101,503
Personnel support	258	7,487	986	4,715	-	828	26,963	1,605	-	42,842
Operating leases	-	-	-	-	-	-	8,571	-	-	8,571
Total operating expenses	1,594,387	3,154,969	2,100,707	1,387,344	916,551	553,066	2,081,495	1,275,499	101,591	13,165,609
Depreciation	864,333	-	-	-	-	-	4,741	40,441	-	909,515
Disaster expenses and other losses	2,612	-	-	-	-	-	6,194	-	-	8,806
Bad debts	-	-	-	-	-	-	57,180	-	-	57,180
Bond interest	38,250	-	-	-	-	-	-	-	-	38,250
Total expenses	<u>\$ 2,499,582</u>	<u>\$ 3,154,969</u>	<u>\$ 2,100,707</u>	<u>\$ 1,387,344</u>	<u>\$ 916,551</u>	<u>\$ 553,066</u>	<u>\$ 2,149,610</u>	<u>\$ 1,315,940</u>	<u>\$ 101,591</u>	<u>\$ 14,179,360</u>

See accompanying notes to the financial statements

**SOUTH CAROLINA AQUARIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<u>Cash Flows from Operating Activities</u>		
Changes in net assets	\$ 4,978,015	\$ 13,544,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions received restricted for long-term purposes	(2,931,814)	(11,811,391)
Amortization of discount on unconditional promises to give	(38,699)	168,395
Amortization of deferred interest on operating lease termination payable	2,469	4,810
Bad debts	-	57,180
Depreciation	959,970	909,515
Unrealized and realized (gains) losses on investments	(418,889)	477,534
Changes in:		
Accounts receivable	(62,022)	(24,082)
Unconditional promises to give	(353,709)	257,342
Grants receivable	1,243,291	42,969
Inventory	2,275	1,709
Prepaid expenses	(35,304)	(43,845)
Accounts payable and accrued expenses	295,032	367,404
Advance deposits	21,646	1,757
Deferred revenue	(257,413)	(2,618)
Deferred membership fees	5,695	230,978
Net cash provided by operating activities	3,410,543	4,181,951
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales of investments	9,338,752	-
Purchases of investments	(9,904,673)	(9,563,291)
Purchase of property and equipment	(5,749,095)	(902,310)
Net cash used for investing activities	(6,315,016)	(10,465,601)
<u>Cash Flows from Financing Activities</u>		
Contribution collected restricted for long-term purposes	3,977,279	8,547,137
Payments on bonds payable	(225,000)	(225,000)
Payments on lease termination fee payable	(47,500)	(47,500)
Payments on capital lease	(60,792)	(60,216)
Net cash provided by financing activities	3,643,987	8,214,421
Net increase in cash and cash equivalents	739,514	1,930,771
Cash and cash equivalents, beginning of year	5,394,129	3,463,358
Cash and cash equivalents, end of year	\$ 6,133,643	\$ 5,394,129

See accompanying notes to the financial statements

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The South Carolina Aquarium (the “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 primary 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, 2023 or 2022.

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.

Fundraising Events

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.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 19,294,299	\$ 26,238,394
Performance obligations satisfied over time	<u>1,776,688</u>	<u>1,485,260</u>
Total performance obligations	<u>\$ 21,070,987</u>	<u>\$ 27,723,654</u>

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contract Liabilities

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

	2023	2022
Contract liabilities (deferred revenue and advanced deposits), beginning of the year	\$ 1,603,091	\$ 1,372,974
Revenue recognized for performance obligations completed during the year	(1,603,091)	(1,372,974)
Revenues deferred until performance obligations are completed	1,373,019	1,603,091
Contract liabilities (deferred revenue and advanced deposits), end of year	\$ 1,373,019	\$ 1,603,091

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, 2023 and 2022 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, 2023 and 2022, management estimated all accounts receivable to be fully collectible, and thus no allowance has been recorded.

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 2.20 to 3.25% for the years ended December 31, 2023 and 2022. 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 as of December 31, 2023 and 2022.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2023 and 2022. Purchases of non-capitalized collection items were \$48,904 and \$33,288 for the years ended December 31, 2023 and 2022, respectively.

Advertising

The Aquarium expenses advertising costs as incurred. Advertising costs totaled \$465,036 and \$455,974 for the years ended December 31, 2023 and 2022, 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 2023 and 2022 include animal and animal care supplies, and are recognized in the animal care program. In-kind contributions totaled \$24,208 and \$35,549 for the years ended December 31, 2023 and 2022, 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, 2023 or 2022.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Expense Allocations

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.

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:

<i>Expense type</i>	<i>Method of allocation</i>
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 costs to programs

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expense Allocation, continued

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

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Aquarium has evaluated events and transactions for potential recognition or disclosure through April 23, 2024, the date the financial statements were available to be issued.

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, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Total assets at end of year	\$ 48,426,081	\$ 43,713,929
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	359,844	324,540
Property and equipment, net	<u>18,661,154</u>	<u>13,872,029</u>
	<u>19,020,998</u>	<u>14,196,569</u>
Less amounts not available to be used within one year due to availability:		
Non-current unconditional promises to give, net	1,625,672	2,487,431
Board imposed restriction, long-term	4,044,037	2,661,337
Donor imposed restrictions, long-term	<u>9,547,873</u>	<u>12,966,328</u>
	<u>15,217,582</u>	<u>18,115,096</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,187,501</u>	<u>\$ 11,402,264</u>

In accordance with the Aquarium's policies, the board has designated certain amounts to be used for future activities and programs. These board designations can be drawn upon if the governing board approves this action.

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, 2023 and 2022, there was no outstanding balance.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

3. UNCONDITIONAL PROMISES TO GIVE, NET

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

	2023	2022
Unconditional promises to give	\$ 3,467,019	\$ 4,158,775
Less: Unamortized discount	(173,359)	(212,058)
Present value of unconditional promises to give	3,293,660	3,946,717
Less: Allowance for uncollectible promises to give	(30,000)	(30,000)
Unconditional promises to give, net	\$ 3,263,660	\$ 3,916,717

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

2024	\$ 1,637,988
2025	1,085,488
2026	393,543
2027	180,000
2028	80,000
Thereafter	90,000
	\$ 3,467,019

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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:

	2023			
	Level 1	Level 2	Level 3	Total
Investments, short-term	\$ 4,229,693	\$ -	\$ -	\$ 4,229,693
Investments, long-term	15,609,260	-	-	15,609,260
	\$ 19,838,953	\$ -	\$ -	\$ 19,838,953
	2022			
	Level 1	Level 2	Level 3	Total
Investments, short-term	\$ 3,984,336	\$ -	\$ -	\$ 3,984,336
Investments, long-term	14,869,807	-	-	14,869,807
	\$ 18,854,143	\$ -	\$ -	\$ 18,854,143

5. PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Software	\$ 120,150	\$ 120,150
Transportation equipment	729,210	544,479
Furniture, fixtures and equipment	3,381,383	3,376,442
Exhibits	14,271,078	14,271,078
Leasehold improvements	9,267,698	8,889,798
Projects under construction and land	5,976,502	794,979
	33,746,021	27,996,926
Accumulated depreciation	(15,084,867)	(14,124,897)
	\$ 18,661,154	\$ 13,872,029

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$959,970 and \$909,515 respectively.

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%, with a floor of 5.00%. The balance was \$0 as of December 31, 2023 and 2022. During 2023, the Aquarium's revolving line of credit was amended and extended. The new terms allow for the Aquarium to borrow \$1,250,000. The line bears interest at 1% plus the Base Rate, with a floor of 5.00% and is effective through May 31, 2024.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

7. CAPITAL LEASE 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.

Future minimum lease payments under these agreements as of December 31, 2023, are as follows:

2024	\$	57,475
Thereafter		-
Total minimum lease payments		57,475
Less: amount representing interest		-
Total capital leases	\$	57,475

The combined interest expense paid on the revolving line of credit, promissory notes and capital leases payable was \$8,256 and \$11,173 for the years ended December 31, 2023 and 2022, respectively (also see note 6 and 7).

8. 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, 2023 and 2022, the balance of the bonds payable was \$675,000 and \$900,000, 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%.

Future payments on bonds payable at December 31, 2023 are as follows:

2024	\$	225,000
2025		225,000
2026		225,000
Thereafter		-
	\$	675,000

Interest expense incurred on bonds payable for the years ended December 31, 2023 and 2022 was \$31,050 and \$38,250.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

9. 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 was due in 10 equal non-interest-bearing installments of \$47,500 on September 15th each year. The Aquarium made its final payment under this agreement during 2023.

10. FEDERAL FINANCIAL ASSISTANCE

During 2021, the Aquarium filed for a \$1,286,260 Employee Retention Credit (ERC) with the Internal Revenue Service (IRS). The tax credit was established to encourage businesses to retain employees during the COVID-19 pandemic. The Aquarium has complied with the provisions of this tax credit and has recorded a grant receivable associated with the ERC in 2021. The Aquarium received the final payment on this credit during the year ended December 31, 2023.

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Restricted as to time:	\$ 161,000	\$ 56,412
Restricted as to purpose:		
Education programs	386,067	649,432
Exhibit development	133,552	132,404
Sea turtle hospital	-	214,279
Sea Turtle conservation and research program	131,781	117,236
Capital and maintenance programs	47,842	92,842
Conservation	99,766	102,907
Building fortification	4,976,206	10,141,425
Boeing Learning Lab	4,201,064	4,662,334
Other capital	370,603	650,000
	<u>\$ 10,507,881</u>	<u>\$ 16,819,271</u>

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

12. BOARD DESIGNATED NET ASSETS

The Aquarium’s Board of Directors has designated certain amounts for the following purposes at December 31:

	2023	2022
Board designated for endowment	\$ 463,133	\$ 463,133
Board designated for operating reserve	4,229,693	3,984,336
Board designated for short-term capital replacement	2,196,100	1,145,958
Board designated for future growth	1,384,804	1,052,246
	\$ 8,273,730	\$ 6,645,673

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, 2023 and 2022 was \$166,170 and \$141,417, respectively.

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.

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.

The second agreement originally commenced in June 2012 and was renewed in May 2017 for another five-year term, expiring on May 31, 2022 (extended to May 31, 2027). 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 lease that matures in 2025 with monthly minimum lease payments of \$195.

Rent expense for these leases totaled \$74,446 and \$68,225 for the years ended December 31, 2023 and 2022, respectively.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

15. OPERATING LEASES - CONTINUED

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

2024	\$	61,202
2025		61,801
2026		54,509
2027		13,235
Thereafter		-
	\$	190,747

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, 2023 or 2022.

16. COMMITMENTS

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 December 7, 2021, the Aquarium signed the fifth amendment to this agreement. The agreement extends the terms through June 30, 2030. 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, 2023 and 2022 were \$747,766 and \$694,933, 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 and 2021, the Aquarium signed extensions to this agreement. The extension is for one year and matures in September 2022; 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, 2023 and 2022 were \$240,607 and \$231,198, respectively. Amounts received are included in concessions revenue in the Statement of Activities.

**SOUTH CAROLINA AQUARIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

16. COMMITMENTS - CONTINUED

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 30, 2030. 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, 2023 and 2022 were \$28,217 and \$20,407, respectively. Amounts received are included in concessions revenue in the Statement of Activities.

17. RELATED PARTY TRANSACTIONS

Members of the Board of Directors made contributions and unconditional promises to give totaling approximately \$582,691 and \$570,293 during the years ended December 31, 2023 and 2022, respectively. Outstanding balances of unconditional promises to give from board members, totaled \$454,249 and \$380,756 at December 31, 2023 and 2022, respectively.

The Aquarium's bonds payable are held by a related party and had a balance of \$675,000 and \$900,000 at December 31, 2023 and 2022. Interest incurred under these bonds was \$31,050 and \$38,250 for the years ended December 31, 2023 and 2022, respectively.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2024, the date which the financial statements were available to be issued. Based upon that review, no further adjustments were made to these financial statements.