

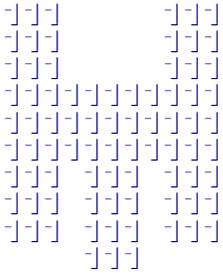
**SOUTH FLORIDA SCIENCE CENTER  
AND AQUARIUM, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended  
September 30, 2016  
(with comparable totals for 2015)**

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# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of South Florida Science Center and Aquarium, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Florida Science Center and Aquarium, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of South Florida Science Center and Aquarium, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Florida Science Center and Aquarium, Inc.'s internal control over financial reporting and compliance.

## **Other Matters**

### *Other Information*

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

## **Report on Summarized Comparative Information**

We have previously audited the September 30, 2015 financial statements, and our report dated March 10, 2016, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
March 2, 2017

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

**STATEMENT OF FINANCIAL POSITION**

***As of September 30, 2016***

***(with comparable totals for 2015)***

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 613,437	\$ 239,119	\$ 852,556	\$ 303,789
Accounts receivable	89,267	-	89,267	45,111
Contributions receivable, current	-	15,000	15,000	15,000
Inventory	12,388	-	12,388	11,743
Other assets	150,179	-	150,179	240,140
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	865,271	254,119	1,119,390	615,783
Contributions receivable	-	90,000	90,000	105,000
Deposits	-	-	-	3,710
Property, plant and equipment, net	4,541,641	-	4,541,641	4,227,864
Exhibits and collections	2,193,974	-	2,193,974	2,142,594
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 7,600,886</u>	<u>\$ 344,119</u>	<u>\$ 7,945,005</u>	<u>\$ 7,094,951</u>
 <b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 134,458	\$ -	\$ 134,458	\$ 144,898
Accrued expenses	69,568	-	69,568	54,613
Deferred revenue	21,349	-	21,349	34,679
Refundable advances	241,250	-	241,250	102,095
Current portion of notes payable	160,649	-	160,649	126,430
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	627,274	-	627,274	462,715
Notes payable	478,622	-	478,622	559,882
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,105,896	-	1,105,896	1,022,597
Net assets	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 7,600,886</u>	<u>\$ 344,119</u>	<u>\$ 7,945,005</u>	<u>\$ 7,094,951</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF ACTIVITIES**

***For the Year Ended September 30, 2016***

***(with comparable totals for 2015)***

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
Support and revenues:				
Governmental support	\$ 278,684	\$ -	\$ 278,684	\$ 561,372
Private gifts and grants	1,090,116	396,108	1,486,224	1,352,764
Special events	347,413	-	347,413	297,959
Educational programs	487,650	-	487,650	450,488
Admissions	1,164,573	-	1,164,573	856,628
Science Center store	165,647	-	165,647	127,584
Membership dues	220,283	-	220,283	129,881
In-kind contributions	35,335	-	35,335	137,825
Other income	51,248	-	51,248	43,079
Total support and revenues	<u>3,840,949</u>	<u>396,108</u>	<u>4,237,057</u>	<u>3,957,580</u>
Net assets released from restrictions	<u>320,339</u>	<u>(320,339)</u>	<u>-</u>	<u>-</u>
	<u>4,161,288</u>	<u>75,769</u>	<u>4,237,057</u>	<u>3,957,580</u>
Expenses:				
Program services:				
Aquarium	264,053	-	264,053	222,175
Education	835,394	-	835,394	748,020
Exhibits	1,057,308	-	1,057,308	1,194,447
Guest services	249,996	-	249,996	231,163
Museum store	115,726	-	115,726	93,886
	<u>2,522,477</u>	<u>-</u>	<u>2,522,477</u>	<u>2,489,691</u>
Supporting activities:				
Management and general:				
Administration	529,218	-	529,218	556,185
Maintenance	85,111	-	85,111	75,464
Marketing	93,409	-	93,409	49,631
	<u>707,738</u>	<u>-</u>	<u>707,738</u>	<u>681,280</u>
Development/fundraising	<u>240,087</u>	<u>-</u>	<u>240,087</u>	<u>272,001</u>
Total expenses	<u>3,470,302</u>	<u>-</u>	<u>3,470,302</u>	<u>3,442,972</u>
Loss on disposal of exhibits and collections	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,565</u>
Total expenses and loss	<u>3,470,302</u>	<u>-</u>	<u>3,470,302</u>	<u>3,576,537</u>
Change in net assets	690,986	75,769	766,755	381,043
Net assets, beginning	<u>5,804,004</u>	<u>268,350</u>	<u>6,072,354</u>	<u>5,691,311</u>
Net assets, ending	<u>\$ 6,494,990</u>	<u>\$ 344,119</u>	<u>\$ 6,839,109</u>	<u>\$ 6,072,354</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF CASH FLOWS**

***For the Year Ended September 30, 2016***

***(with comparable totals for 2015)***

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 387,066	\$ 556,596
Private gifts and grants	1,487,841	1,366,020
Program services	1,814,210	1,539,465
Membership and special events	558,026	390,410
Cash paid to vendors and employees	(3,124,493)	(3,159,294)
Interest paid	(35,704)	(45,957)
Other income	51,248	43,079
	<u>1,138,194</u>	<u>690,319</u>
Cash flows from investing activities:		
Decrease in deposits	3,710	-
Purchase of property and equipment	(494,716)	(453,933)
Payments for exhibit and collection items	(51,380)	(280,961)
	<u>(542,386)</u>	<u>(734,894)</u>
Cash flows from financing activities:		
Advances from notes payable	130,710	594,568
Repayments of notes payable	(177,751)	(622,331)
	<u>(47,041)</u>	<u>(27,763)</u>
Net change in cash	548,767	(72,338)
Cash and cash equivalents, beginning	<u>303,789</u>	<u>376,127</u>
Cash and cash equivalents, ending	<u>\$ 852,556</u>	<u>\$ 303,789</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF CASH FLOWS**

***For the Year Ended September 30, 2016***

***(with comparable totals for 2015)***

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 766,755	\$ 381,043
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	180,939	164,113
Donated assets	-	(116,200)
Loss on disposal of exhibits and collections	-	133,565
Provision for doubtful accounts	-	17,000
(Increase) decrease in certain assets:		
Accounts receivable	(44,156)	(6,520)
Contributions receivable	15,000	15,000
Inventory	(645)	(273)
Other assets	89,961	195,425
Increase (decrease) in certain liabilities:		
Accounts payable	(10,440)	(163,454)
Accrued expenses	14,955	3,285
Deferred revenue	(13,330)	(34,760)
Refundable advances	<u>139,155</u>	<u>102,095</u>
Net cash provided by operating activities	<u>\$ 1,138,194</u>	<u>\$ 690,319</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF FUNCTIONAL EXPENSES**

***For the Year Ended September 30, 2016***

***(with comparable totals for 2015)***

	Program Services	Supporting Activities		2016 Totals	2015 Totals
		Management and General	Development / Fundraising		
Salaries	\$ 989,330	\$ 323,560	\$ 77,113	\$ 1,390,003	\$ 1,277,035
Employee benefits	158,191	40,943	8,552	207,686	203,600
Total salaries and related benefits	1,147,521	364,503	85,665	1,597,689	1,480,635
Advertising and marketing	83,213	38,706	289	122,208	74,148
Bank and credit card fees	69	64,152	-	64,221	78,080
Contract services	111,317	40,179	-	151,496	145,076
Cost of sales	67,716	-	-	67,716	48,471
Dues and subscriptions	85	10,887	445	11,417	4,740
Exhibit fees and rentals	310,760	-	-	310,760	516,668
Facility rentals and costs	-	-	136,149	136,149	146,289
Insurance	66,324	11,705	-	78,029	70,926
Interest	-	35,704	-	35,704	45,957
Maintenance and repairs	45,142	7,824	969	53,935	47,386
Materials and supplies	315,586	32,738	15,479	363,803	315,192
Other costs	19,835	12,528	-	32,363	26,399
Other fees and rentals	15,833	2,794	-	18,627	12,264
Postage and shipping	5,472	8,485	-	13,957	14,089
Printing	27,683	3,568	574	31,825	28,833
Professional fees	57,120	27,301	-	84,421	90,631
Provision for doubtful accounts	-	-	-	-	17,000
Telephone	10,479	1,849	-	12,328	13,040
Travel	3,588	3,392	517	7,497	13,161
Utilities	80,936	14,282	-	95,218	89,874
Total expenses before depreciation	2,368,679	680,597	240,087	3,289,363	3,278,859
Depreciation expense	153,798	27,141	-	180,939	164,113
Total functional expenses	<u>\$ 2,522,477</u>	<u>\$ 707,738</u>	<u>\$ 240,087</u>	<u>\$ 3,470,302</u>	<u>\$ 3,442,972</u>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2016*

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1. **Summary of Significant Accounting Policies**

*Nature of Organization*

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

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

*Basis of Accounting*

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

*Financial Statement Presentation*

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

The following paragraphs describe the three classes of net assets:

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

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

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by the Science Center in perpetuity. Permanently restricted net assets increase when the Science Center receives contributions for which donor-imposed restrictions limiting the Science Center's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Science Center meeting certain requirements. The Science Center had no permanently restricted net assets as of September 30, 2016.

For the Year Ended September 30, 2016

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1. Summary of Significant Accounting Policies, continued

*Estimates*

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

*Fair Value of Financial Instruments*

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

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs. As of September 30, 2016, the Science Center did not have financial instruments measured at fair value on a recurring basis.

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

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

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

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

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

*Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Science Center's financial statements for the year ended September 30, 2015, from which the summarized information was derived. Certain 2015 amounts may have been reclassified to conform to 2016 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

*For the Year Ended September 30, 2016*

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

*Cash and Cash Equivalents*

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

*Accounts Receivable*

Accounts receivable consist of amounts due to the Science Center under a local government grant and promises to give from other agencies. Provisions for doubtful accounts as of September 30, 2016 was deemed unnecessary because the amounts are considered to be fully collectible.

*Contributions Receivable*

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

*Inventory*

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

*Other Assets*

Other assets consist of prepaid expenses and deposits made for future exhibits.

*Property, Plant, and Equipment*

The Science Center capitalizes property, plant and equipment that costs in excess of \$1,000 and that has a useful life of one year or more. Depreciation is computed on the straight-line method over the estimated useful lives of assets, ranging from 5 - 40 years. The value of property, plant and equipment acquired prior to 1973 is recorded based on the estimated historical cost, using a 1973 appraisal of the Science Center's property. Donated property, plant and equipment is recorded at the fair market value at date of donation. All other assets are recorded at cost.

*Exhibits and Collections*

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

*Accrued Expenses*

Accrued expenses consist of accrued payroll.

*For the Year Ended September 30, 2016*

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

*Refundable Advances*

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

*Support and Revenues*

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

Governmental support consists of \$92,493 from the Florida Department of State, Division of Cultural Affairs, and \$186,191 from the Palm Beach County Tourist Development Council and Cultural Council.

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

Membership dues are recognized when received.

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

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

*In-kind Contributions*

In accordance with FASB ASC 958-605, the Science Center records the value of those donated services that require specialized skills and that would typically need to be purchased if not provided by donation. These services support the major activities of the Science Center including education, planetarium and aquarium programs. During the year ended September 30, 2016, the Science Center received donated assets, such as materials and supplies and other non-cash donations, which are recorded as contributions at their estimated fair value at the date of donation. The total amount of donated services and assets received during the year ended September 30, 2016, amounted to \$35,335. This amount is recognized as both revenue, under the caption of in-kind contributions and various expenses in the Statement of Activities and Statement of Functional Expenses.

***For the Year Ended September 30, 2016***

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

*Expenses*

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

*Advertising*

The Science Center’s advertising is primarily non-direct, and such cost is expensed as incurred. During the year ended September 30, 2016, the Science Center incurred \$122,208 in advertising cost, which is reported as advertising and marketing in the Statement of Functional Expenses.

*Income Taxes*

The Science Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as publically supported organizations that are not private foundations under Section 509(a) of the Code. However, the Science Center is subject to tax on unrelated business income, which arises from a third party rental activity that is not related to the Science Center’s stated exempt purposes. The Science Center does not believe there is any material tax liability due in connection with this rental and there is no significant deferred income tax asset or liability as of September 30, 2016.

The Science Center follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. The Science Center assesses its income tax positions based on management’s evaluation of the facts, circumstances and information available at the reporting date. The Science Center uses the prescribed more likely than not threshold when making its assessment. For the year ended September 30, 2016, the Science Center did not accrue any interest expense or penalties related to tax positions, and there are no open Federal or State tax years currently under audit.

**2. Contributions Receivable**

Contributions receivable are recorded for unconditional promises to be collected in subsequent years. Contributions receivable as of September 30, 2016, relate to the Science Center’s capital campaign and are collectible over the next ten years. All of the contributions receivable are recorded as temporarily restricted assets in the Statement of Financial Position and consisted of the following amounts:

Receivables due in less than one year	\$ 15,000
Receivable in one to five years	60,000
Receivable in more than five years	<u>30,000</u>
Contributions receivable, net	<u>\$ 105,000</u>

***For the Year Ended September 30, 2016***

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**2. Contributions Receivable, continued**

As of September 30, 2016, the allowance for doubtful accounts was \$12,000. No discount is recorded for receivables due in more than one year as the amount of such discount is considered immaterial.

**3. Property, Plant and Equipment**

As of September 30, 2016, the Science Center's property, plant and equipment consisted of the following:

Building and land improvements	\$ 4,591,317
Equipment and machinery	398,280
Furniture and fixtures	32,524
Planetarium	649,378
Vehicle	90,678
Construction in progress	<u>335,914</u>
Total property, plant and equipment	6,098,091
Less accumulated depreciation	<u>1,556,450</u>
Property, plant and equipment, net	<u>\$ 4,541,641</u>

As of September 30, 2016, the Science Center's construction in progress consisted of the accumulated costs associated with the Garden Club and Backyard project.

**4. Exhibits and Collections**

Exhibits and collections consists of permanent exhibits (including the Aquarium, Science on a Sphere Exhibit, Florida Exhibit Hall, HAM Radio Station, and a Hurricane Simulator) and various displays and holdings of shells, gems and minerals, art works, and other miscellaneous items that have been either purchased, constructed, or received as donations. When these items are accessioned into the collection they are capitalized at cost or fair market value at date of donation and are nondepreciable in nature.

**5. Notes Payable**

The Science Center has a \$500,000 line of credit extended by TD Bank. The line of credit carries an interest rate of 1% over the lender's prime rate (4.50% as of September 30, 2016) and is secured by all the Science Center's personal and real property. The line of credit expires on May 20, 2017, and management expects to renew this line for another year. As of September 30, 2016, there is \$448,644 available under this line of credit.

\$ 51,356

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

202,569

***For the Year Ended September 30, 2016***

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**5. Notes Payable, continued**

The Science Center also has a \$3,000,000 note payable due to TD Bank used to finance the expansion of its current facility. The note requires monthly installments of \$4,693, including principal and interest at a rate of 4.98%. The note is due on May 1, 2021, and is secured by all the Science Center's personal and real property. \$ 326,440

The Science Center has a note payable to a financing institution, secured by a vehicle. The note requires monthly installments of \$390, including principal and interest at a rate of 7.65%. The note is due on September 2, 2020. 15,789

Note due to insurance premium finance company requiring monthly payments of principal and interest. The note is unsecured and requires monthly installments of \$6,261, including principal and interest at a rate of 4.99%. The note matures on May 1, 2017. 43,117

Total notes payable	639,271
Less current portion	<u>160,649</u>

Long term portion	<u>\$ 478,622</u>
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Approximate maturities of the notes payable during the next five years are as follows:

Year ended <u>September 30,</u>	
2017	\$ 160,649
2018	69,949
2019	73,664
2020	77,537
2021	<u>257,472</u>
Long term portion	<u>\$ 639,271</u>

**6. Temporarily Restricted Net Assets**

As of September 30, 2016, the Science Center held the temporarily restricted net assets for the purposes specified below. These programs and purposes are to be completed in future periods through use of segregated funds, other resources and normal Science Center operations.

Use Restriction:	
Education outreach programs	\$ 122,348
Capital projects	<u>116,771</u>
	239,119
Time Restriction	
Contributions receivable	<u>105,000</u>
Total restricted net assets	<u>\$ 344,119</u>

*For the Year Ended September 30, 2016*

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**7. Pension Plan**

The Science Center offers a tax sheltered annuity plan that complies with the provisions of Section 403(b) of the Internal Revenue Code. Substantially all employees are eligible to participate in this employee contributory plan. The Science Center did not make a contribution to this plan during the year ended September 30, 2016.

**8. Leases**

In June 2010, the Science Center renewed and extended its lease agreement with the City of West Palm Beach for the land on which the Science Center operates. The term of the lease is for fifty (50) years, expiring in July 2060, and requires a lease payment of ten dollars per year.

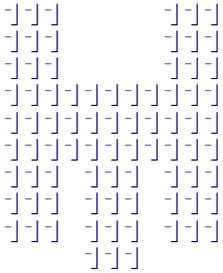
No in-kind contribution is recorded in the Statement of Activities to reflect the fair market value of this property rental because no objective basis is available for measurement.

**9. Concentration of Credit Risk**

The Science Center maintains its cash and cash equivalents in several accounts at select financial institution, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was approximately \$456,004 of cash and cash equivalents that exceeded the federal insurance limit or that was uninsured as of September 30, 2016. The Science Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and equivalents.

**10. Subsequent Events**

Management has evaluated subsequent events through March 2, 2017, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.



# Holyfield & Thomas, LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Florida Science Center and Aquarium, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Florida Science Center and Aquarium, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Florida Science Center and Aquarium, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Florida Science Center and Aquarium, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

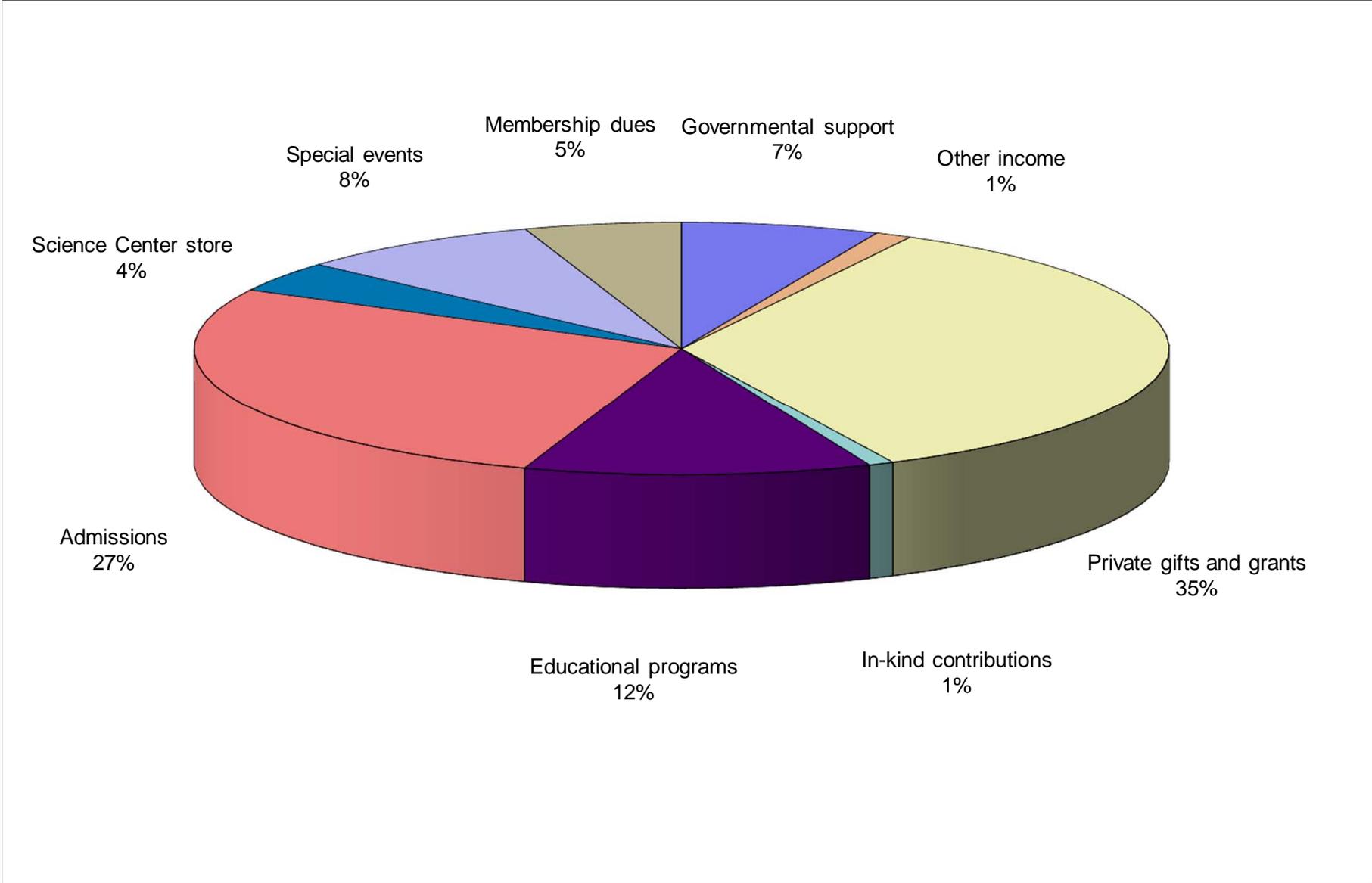
## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

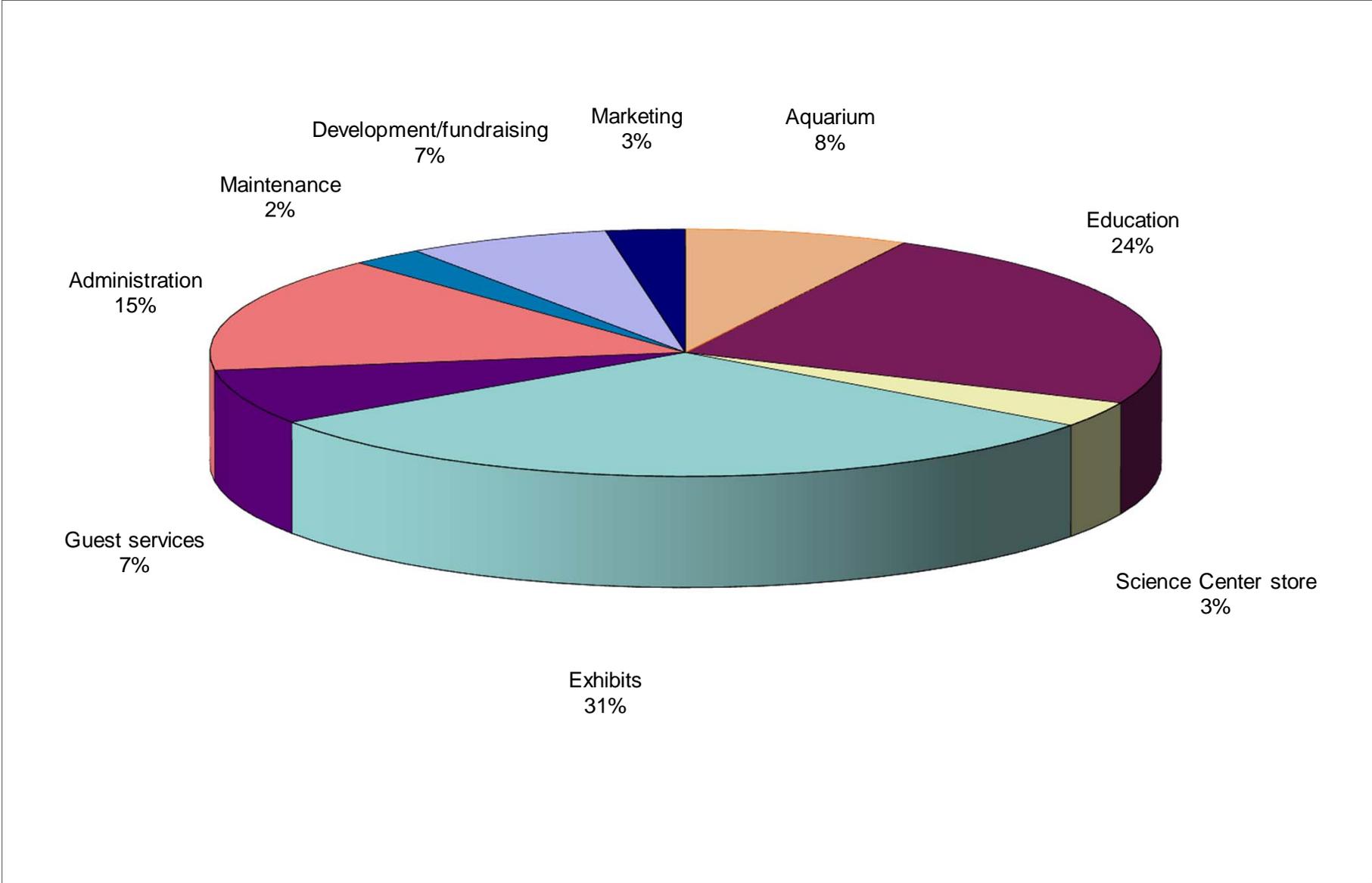
*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
March 2, 2017

## **SUPPLEMENTARY INFORMATION**



*See independent auditor's report.*



*See independent auditor's report.*