

**THE NORTH CAROLINA AQUARIUM SOCIETY**

Raleigh, North Carolina

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**(With Comparative Totals for the  
Year Ended December 31, 2015)**



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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
The North Carolina Aquarium Society  
Raleigh, North Carolina

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The North Carolina Aquarium Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows 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.

**BLACKMAN & SLOOP, CPAS, P.A.**

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***Opinion***

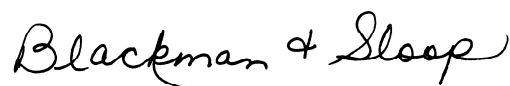
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Aquarium Society as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited The North Carolina Aquarium Society's 2015 financial statements, and our report dated April 8, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Report on Additional Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

A handwritten signature in cursive script that reads "Blackman & Sloop".

Chapel Hill, North Carolina  
April 17, 2017

**THE NORTH CAROLINA AQUARIUM SOCIETY**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2016 and 2015**

**EXHIBIT A**

**Page 1 of 2**

**ASSETS**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 1,161,553	\$ 2,909,903
Certificates of deposit	1,700,355	-
Promises to give - current, net	93,590	101,562
Sales tax and other receivables	181,998	290,573
Investments	3,193,638	2,858,769
Inventory	529,767	568,678
Other current assets	<u>126,973</u>	<u>125,613</u>
<b>TOTAL CURRENT ASSETS</b>	<u>6,987,874</u>	<u>6,855,098</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Aquarium expansion project	26,001,951	26,001,951
Equipment, furniture, and fixtures	656,381	536,802
Leasehold improvements	<u>144,087</u>	<u>35,600</u>
	26,802,419	26,574,353
Less: accumulated depreciation	<u>(7,478,515)</u>	<u>(6,816,405)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>19,323,904</u>	<u>19,757,948</u>
<b>OTHER ASSETS:</b>		
Cash and investments held with bond trustee	3,448,295	3,407,332
Investment return receivable	17,628	1,476
Bond issuance costs, net of amortization	118,078	130,618
Promises to give - noncurrent, net	<u>224,093</u>	<u>241,890</u>
<b>TOTAL OTHER ASSETS</b>	<u>3,808,094</u>	<u>3,781,316</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 30,119,872</u></u>	<u><u>\$ 30,394,362</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

EXHIBIT A

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LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 117,905	\$ 76,909
Accrued expenses	570,015	533,433
Bond loan accrued expenses	22,853	15,795
Deferred rent	-	1,782
Deferred revenue - current	754,401	675,834
Bond loan payable - current	<u>1,330,000</u>	<u>1,275,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,795,174</u>	<u>2,578,753</u>
<b>NONCURRENT LIABILITIES:</b>		
Deferred revenue - noncurrent	61,896	83,687
NCA security deposit	1,495,488	1,495,488
Unearned aquarium lease revenue	1,350,047	1,271,176
Bond loan payable - noncurrent	<u>14,715,000</u>	<u>16,045,000</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>17,622,431</u>	<u>18,895,351</u>
<b>TOTAL LIABILITIES</b>	<u>20,417,605</u>	<u>21,474,104</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Board designated	1,343,067	1,242,668
Undesignated	<u>7,795,323</u>	<u>7,123,212</u>
Total unrestricted	9,138,390	8,365,880
Temporarily restricted	543,877	534,378
Permanently restricted	<u>20,000</u>	<u>20,000</u>
<b>TOTAL NET ASSETS</b>	<u>9,702,267</u>	<u>8,920,258</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 30,119,872</u></u>	<u><u>\$ 30,394,362</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>SUPPORT AND REVENUE:</b>					
Gift shop sales	\$ 4,202,752	\$ -	\$ -	\$ 4,202,752	\$ 4,342,090
Less: cost of goods sold	(1,628,838)			(1,628,838)	(1,703,128)
Net gift shop sales	2,573,914	-	-	2,573,914	2,638,962
Concessions	333,443	-	-	333,443	383,421
Membership	1,368,581	-	-	1,368,581	1,228,945
In-kind contributions	311,073	-	-	311,073	478,403
Contributions, grants, and sponsorships	736,100	541,805	-	1,277,905	1,005,724
NCA lease revenue	1,271,176	-	-	1,271,176	1,216,838
Other income	3,234			3,234	16,604
Investment return	288,401	-	-	288,401	(204,778)
	6,885,922	541,805	-	7,427,727	6,764,119
Net assets released from restrictions	532,240	(532,240)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>7,418,162</b>	<b>9,565</b>	<b>-</b>	<b>7,427,727</b>	<b>6,764,119</b>
<b>EXPENSES:</b>					
Program services:					
Aquarium/Pier support	3,435,669	-	-	3,435,669	3,901,427
Gift shop	1,813,987	-	-	1,813,987	1,816,991
Total program services	5,249,656	-	-	5,249,656	5,718,418
Supporting services:					
Management and general	580,635	-	-	580,635	631,063
Fundraising	356,326	-	-	356,326	366,945
Membership development	420,127	-	-	420,127	401,621
Total Supporting Services	1,357,088	-	-	1,357,088	1,399,629
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>6,606,744</b>	<b>-</b>	<b>-</b>	<b>6,606,744</b>	<b>7,118,047</b>
Loss on disposal of property and equipment	36,608	-	-	36,608	-
Bad debt expense	2,300	66	-	2,366	8,000
<b>TOTAL OTHER EXPENSES</b>	<b>38,908</b>	<b>66</b>	<b>-</b>	<b>38,974</b>	<b>8,000</b>
<b>TOTAL EXPENSES</b>	<b>6,645,652</b>	<b>66</b>	<b>-</b>	<b>6,645,718</b>	<b>7,126,047</b>
<b>CHANGES IN NET ASSETS</b>	<b>772,510</b>	<b>9,499</b>	<b>-</b>	<b>782,009</b>	<b>(361,928)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>8,365,880</b>	<b>534,378</b>	<b>20,000</b>	<b>8,920,258</b>	<b>9,282,186</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,138,390</b>	<b>\$ 543,877</b>	<b>\$ 20,000</b>	<b>\$ 9,702,267</b>	<b>\$ 8,920,258</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## STATEMENTS OF CASH FLOWS

## EXHIBIT C

For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 782,009	\$ (361,928)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	731,854	720,868
Amortization of bond issuance cost	12,540	12,540
Loss on disposal of property and equipment	36,608	-
Realized loss on sale of investments	173,869	65,300
Unrealized (gain) loss on investments	(347,677)	288,188
Increase (decrease) in cash arising from changes in assets and liabilities:		
Promises to give	25,769	18,334
Sales tax and other receivables	108,575	(56,279)
Inventory	38,911	(18,161)
Other current assets	(1,360)	4,560
Cash and investments held under deferred compensation plan	-	136,021
Accounts payable	40,996	(69,675)
Accrued expenses	36,582	19,739
Bond loan accrued expenses	7,058	(1,458)
Deferred rent	(1,782)	1,782
Deferred revenue	56,776	76,994
Unearned aquarium lease revenue	78,871	54,338
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,779,599</b>	<b>891,163</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(334,418)	(25,955)
Purchase of certificates of deposit	(1,700,355)	-
Purchase of investments	(3,236,731)	(6,778,480)
Proceeds from sale of investments	3,074,757	8,997,690
Change in investment return receivable	(16,152)	2,315
Change in cash and investments held with bond trustee	(40,050)	(70,634)
<b>NET CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(2,252,949)</b>	<b>2,124,936</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payment on bond loan	(1,275,000)	(1,225,000)
<b>NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<b>(1,748,350)</b>	<b>1,791,099</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,909,903</b>	<b>1,118,804</b>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,161,553</b>	<b>\$ 2,909,903</b>
<b>Supplemental Information:</b>		
Cash paid during the year for interest	\$ 67,633	\$ 12,924
Cash paid during the year for income taxes	\$ 10,760	\$ 8,120
In-kind contributions	\$ 311,073	\$ 478,403

The accompanying Notes to Financial Statements are an integral part of these financial statements.



**THE NORTH CAROLINA AQUARIUM SOCIETY****NOTES TO FINANCIAL STATEMENTS**

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**ORGANIZATION**

The North Carolina Aquarium Society (the “Society”), a nonprofit corporation, was formed on February 26, 1986. The purpose of the Society is to develop, encourage and promote public awareness of, interest in, and support for the North Carolina Aquariums (the “Aquariums”) and to serve as a philanthropic society for the continued maintenance, support and promotion of the educational and scientific purposes of the Aquariums.

In May 2011, the State of North Carolina (the “State”) opened Jennette’s Pier located at Nags Head, North Carolina. The Society was instrumental in helping to raise the funds necessary for the construction of the Pier and assisting with the management of the construction project. The State is responsible for opening gift shops. The Society is responsible for providing the merchandise for the gift shops, concession stands, and bait shop, and providing staff training and overall financial administration.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting.**

The Society’s financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets outside of the fiscal year in which they are received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**B. Cash and Equivalents.**

Cash and equivalents consist of monies on deposit at financial institutions and other highly liquid investments with initial maturities of three months or less. At times, the Society places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Society has not experienced any financial loss related to such deposits.

**C. Promises to Give.**

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially 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.

**THE NORTH CAROLINA AQUARIUM SOCIETY****NOTES TO FINANCIAL STATEMENTS**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Promises to Give (Continued).**

The Society provides an allowance for uncollectible accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing promises to give.

**D. Sales Tax and Other Receivables.**

Sales tax and other receivables are recorded at their net realizable value. The Society provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of existing receivables. As of December 31, 2016 and 2015, all receivables were deemed collectible by management.

**E. Investments.**

Investments in marketable securities are stated at fair market value based on readily available published fair market values. The resulting unrealized gain or loss is reflected in the statement of activities.

**F. Inventory.**

Inventory is stated at the lower of cost (average cost) or market, and consists of gift shop inventory.

**G. Property and Equipment.**

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds \$3,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty-nine years.

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. The cost and related accumulated depreciation of property and equipment are removed from the accounts upon disposition and any resulting gain or loss is reflected in the statement of activities.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## H. Impairment of Long-Lived Assets.

The Society reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique. There were no impairment losses recognized for the years ended December 31, 2016 and 2015.

## I. Deferred Revenue.

Membership revenue, soft drink sponsorship, and other program fees which are paid in advance are deferred and subsequently recognized in the periods to which they relate.

## J. Net Assets.

U.S. GAAP requires the Society to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources of the Society that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Temporarily restricted net assets are resources that carry a donor-imposed restriction that permits the Society to use or expend the donated assets as specified. The restrictions are satisfied by the passage of time or by actions of the Society.

Permanently restricted net assets are resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Society to use or expend part or all of the income derived from the donated assets.

## K. Donated Assets, Materials, and Services.

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the years ended December 31, 2016 and 2015, the value of donated space totaled \$264,528.

# THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### K. Donated Assets, Materials, and Services (Continued).

The Society recognizes donated services which create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2016 and 2015, donated marketing services, supplies, and equipment totaled \$46,545 and \$213,875, respectively.

#### L. Advertising and Marketing.

Advertising and marketing costs are expensed as incurred and totaled \$308,390 and \$559,235, for the years ended December 31, 2016 and 2015, respectively.

#### M. Income Tax Status.

The North Carolina Aquarium Society is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(3) of the Internal Revenue Code. If applicable, penalties and interest assessed by income taxing authorities related to uncertain tax positions are included as interest expense in the statement of activities.

#### N. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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. Accordingly, actual results could differ from those estimates.

### **PROMISES TO GIVE**

Promises to give consist of the following at December 31:

	2016	2015
Receivable in less than one year	\$ 93,590	\$ 105,562
Receivable in one to five years	240,848	246,832
Receivable in more than five years	-	20,000
Total gross promises to give	334,438	372,394
Discount at a rate of 2.2%	(16,755)	(20,942)
Allowance for uncollectible promises to give	-	(8,000)
Net present value of promises to give	<u>\$ 317,683</u>	<u>\$ 343,452</u>

## THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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**INVESTMENTS**

Investments consist of the following at December 31, 2016:

	<u>Cost</u>	<u>Market</u>
Investments:		
Equity securities	\$ 2,726,261	\$ 2,937,599
Mutual funds	258,829	256,039
Government securities held with bond loan trustee	<u>1,948,476</u>	<u>1,907,693</u>
	<u><u>\$ 4,933,566</u></u>	<u><u>\$ 5,101,331</u></u>

Investments consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Market</u>
Investments:		
Equity securities	\$ 2,855,392	\$ 2,750,554
Mutual funds	118,480	108,215
Government securities held with bond loan trustee	<u>1,982,135</u>	<u>1,917,326</u>
	<u><u>\$ 4,956,007</u></u>	<u><u>\$ 4,776,095</u></u>

The market value of investments exceeded cost by \$167,765 at December 31, 2016, and the cost value of investments exceeded market value by \$179,912 at December 31, 2015. Realized losses of (\$173,869) and (\$65,300), were recorded for the years ended December 31, 2016 and 2015, respectively. Net unrealized gains of \$347,677 and net unrealized losses of (\$288,188) were recorded during the years ended December 31, 2016 and 2015, respectively, to properly state investments at market value. Investment fees of \$31,216 and \$43,760, were recorded for the years ended December 31, 2016 and 2015, respectively.

The Society invested in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

# THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### INVESTMENT RETURN

The components of investment return as presented in the statements of activities for the year ended December 31, 2016, are as follows:

	<u>Investments</u>	<u>Investments held under deferred compensation plan</u>	<u>Investments held with bond trustee</u>	<u>Total investment returns</u>
Interest and dividends	\$ 66,105	\$ -	\$ 48,488	\$ 114,593
Realized gains/(losses)	(149,702)	-	(24,167)	(173,869)
Unrealized gains/(losses)	322,599	-	25,078	347,677
	<u>\$ 239,002</u>	<u>\$ -</u>	<u>\$ 49,399</u>	<u>\$ 288,401</u>

The components of investment return as presented in the statements of activities for the year ended December 31, 2015, are as follows:

	<u>Investments</u>	<u>Investments held under deferred compensation plan</u>	<u>Investments held with bond trustee</u>	<u>Total investment returns</u>
Interest and dividends	\$ 113,615	\$ 28	35,067	\$ 148,710
Realized gains/(losses)	(56,055)	(2,044)	(7,201)	(65,300)
Unrealized gains/(losses)	(268,878)	(574)	(18,736)	(288,188)
	<u>\$ (211,318)</u>	<u>\$ (2,590)</u>	<u>\$ 9,130</u>	<u>\$ (204,778)</u>

### FAIR VALUE OF ASSETS

U.S. GAAP defines fair value 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. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets that are not active, or determined through the use of models or other valuation methodologies.

**THE NORTH CAROLINA AQUARIUM SOCIETY****NOTES TO FINANCIAL STATEMENTS**

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**FAIR VALUE OF ASSETS (CONTINUED)**

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the asset, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The Society's investments are classified as Level 1. No assets or liabilities are classified as Level 2 or Level 3.

There were no changes during the years ending December 31, 2016 and 2015, to the Society's valuation techniques used to measure asset values on a recurring basis.

The following table summarizes the assets of the Society for which fair value is determined on a recurring basis as of December 31, 2016. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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**FAIR VALUE OF ASSETS (CONTINUED)**

Investments held with bond trustee do not include cash and equivalents totaling \$1,540,602 at December 31, 2016.

	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<i>Equity securities:</i>				
Basic materials	\$ 120,770	\$ -	\$ -	\$ 120,770
Consumer goods	794,058	-	-	794,058
Energy	186,575	-	-	186,575
Financial	522,812	-	-	522,812
Healthcare	273,908	-	-	273,908
Industrial goods	434,896	-	-	434,896
Real estate	104,285	-	-	104,285
Telecommunication services	109,858	-	-	109,858
Utilities	67,734	-	-	67,734
Information tech	322,703	-	-	322,703
<i>Total equity securities</i>	<u>2,937,599</u>	<u>-</u>	<u>-</u>	<u>2,937,599</u>
<i>Mutual funds:</i>				
Fixed income	83,844	-	-	83,844
Equity	172,195	-	-	172,195
<i>Total mutual funds</i>	<u>256,039</u>	<u>-</u>	<u>-</u>	<u>256,039</u>
<b>Total investments</b>	<u>3,193,638</u>	<u>-</u>	<u>-</u>	<u>3,193,638</u>
<b>Investments held with bond trustee:</b>				
U.S. Government bonds	1,907,693	-	-	1,907,693
	<u>\$ 5,101,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,101,331</u>



## THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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**FAIR VALUE OF ASSETS (CONTINUED)**

The following table summarizes the assets of the Society for which fair value is determined on a recurring basis as of December 31, 2015. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investments held with bond trustee do not include cash and equivalents totaling \$1,490,006 at December 31, 2015.

	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<i>Equity securities:</i>				
Basic materials	\$ 128,693	\$ -	\$ -	\$ 128,693
Consumer goods	697,397	-	-	697,397
Energy	214,283	-	-	214,283
Financial	550,699	-	-	550,699
Healthcare	377,957	-	-	377,957
Industrial goods	237,849	-	-	237,849
Telecommunication services	104,057	-	-	104,057
Technology	352,193	-	-	352,193
Utilities	87,426	-	-	87,426
<i>Total equity securities</i>	<u>2,750,554</u>	<u>-</u>	<u>-</u>	<u>2,750,554</u>
<i>Mutual funds:</i>				
Fixed income	50,646	-	-	50,646
Equity	44,822	-	-	44,822
Alternative	12,747	-	-	12,747
<i>Total mutual funds</i>	<u>108,215</u>	<u>-</u>	<u>-</u>	<u>108,215</u>
<b>Total investments</b>	<u>2,858,769</u>	<u>-</u>	<u>-</u>	<u>2,858,769</u>
<b>Investments held with bond trustee:</b>				
U.S. Government bonds	<u>1,917,326</u>	<u>-</u>	<u>-</u>	<u>1,917,326</u>
	<u>\$ 4,776,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,776,095</u>

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## NOTES TO FINANCIAL STATEMENTS

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### DEFERRED REVENUE

Membership revenue is recognized monthly over the membership term. Deferred membership dues represent monies received for memberships as of December 31, 2016 and 2015, for membership terms that extend beyond the fiscal year. Deferred membership revenue as of December 31, 2016 and 2015, totaled \$816,297 and \$759,521, respectively.

### BOND LOAN PAYABLE

On January 1, 2004, the Society entered into a loan agreement with the North Carolina Capital Facilities Finance Agency (the "Agency") in which the Agency committed to make a loan to the Society in the principal amount of \$26,745,000. The funds were provided from the proceeds of the Agency's issuance of \$26,745,000 Revenue Bonds (North Carolina Aquarium Society Project) Series 2004 (the "Bonds"). The Society used these funds to finance the renovations, construction, and equipping of an expansion of the North Carolina Aquarium at Pine Knoll Shores. Under the terms of the loan agreement, the Society has a general, unconditional obligation to make loan payments sufficient to pay the full amount of the bonds, consisting of principal, interest and redemption payments, if any, in addition to certain other fees and expenses.

Under the loan agreement, the bonds are subject to a mandatory sinking fund redemption provision on June 1, of years 2007 through 2026, under the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2007	\$ 885,000	2017	1,330,000
2008	925,000	2018	1,385,000
2009	960,000	2019	1,440,000
2010	1,000,000	2020	1,500,000
2011	1,040,000	2021	1,560,000
2012	1,085,000	2022	1,625,000
2013	1,130,000	2023	1,695,000
2014	1,175,000	2024	1,765,000
2015	1,225,000	2025	1,835,000
2016	1,275,000	2026	1,910,000
			<u>\$ 26,745,000</u>

Notwithstanding the sinking fund redemption provision, the bonds may be redeemed partially or in whole, at any time prior to the maturity date. The bonds are also subject to extraordinary optional and mandatory redemption provisions. The bonds will mature on June 1, 2026.

# THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### **BOND LOAN PAYABLE (CONTINUED)**

The outstanding bond loan payable totaled \$16,045,000 and \$17,320,000, at December 31, 2016 and 2015, respectively. The future scheduled maturities of the bond loan payable are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 1,330,000
2018	1,385,000
2019	1,440,000
2020	1,500,000
2021	1,560,000
Thereafter	8,830,000
	<u>\$ 16,045,000</u>

The fair value of bond loan payable approximates its carrying value.

Interest payable on the bond will follow that of the original bonds. The bonds will initially bear interest at a weekly interest rate, and interest is payable on the first business day of each month. The method of determining the interest rate may be changed from time to time to bond interest term rates or long-term interest rates as prescribed in the bond documents. Under the bond interest term rates, interest is payable in arrears on the day next succeeding the last day thereof. Under the long-term interest rate, interest is payable semiannually in arrears, on each May 1 and November 1. At no time shall the bonds bear interest of more than 12% per year. For the years ended December 31, 2016 and 2015, interest expense totaled \$75,561 and \$12,392, respectively.

### **Bond Loan Annual Fees**

The Society is required to pay annual fees related to the activity on the bond loan. Annual payments include trustee fees, administrative fees, rating fees, arbitrage calculations, etc. For the years ended December 31, 2016 and 2015, bond loan annual fees totaled \$146,944 and \$159,276, respectively. The State either reimbursed the Society for fees paid or has directly paid the fees on behalf of the Society. The Society considers these payments to be annual contributions made to the Society.

### **Bond Loan Issuance Costs**

Bond loan issuance costs of \$280,048 relate to the registration and issuance of the revenue bonds and are recorded at cost. These costs are amortized over the life of the bonds using the straight-line method. Accumulated amortization totaled \$161,970 and \$149,430, for the years ended December 31, 2016 and 2015, respectively. Bond issuance costs are presented net of accumulated amortization in the statements of financial position.

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**BOND LOAN PAYABLE (CONTINUED)****Trust Agreement**

There is a trust agreement (the “Agreement”) between the Agency and US Bank (the “Trustee”) for the purpose of authorizing the bonds and securing the payment. The Agreement requires the proceeds of the bond to be deposited and held by the Trustee in the following four funds: the project fund, the bond fund, the redemption fund, and the debt service reserve fund. Funds held by the Trustee totaled \$3,448,295 and \$3,407,332, as of December 31, 2016 and 2015, respectively.

**Letter of Credit and Reimbursement Agreement**

Simultaneous with the issuance of the bonds, the Society entered into a letter of credit and reimbursement agreement (the “Credit Facility”) with Bank of America, N.A., for a direct-pay letter of credit in an amount of up to \$27,052,751, of which \$26,745,000 will support the principal of the bonds, and \$307,751 will support up to 35 days’ interest at an assumed rate of 12% per annum. The letter of credit is secured by the Pine Knoll Shores Aquarium land, building, and improvements. The outstanding letter of credit totaled \$16,229,627 and \$17,519,299, at December 31, 2016 and 2015, respectively.

The Trustee will draw on the Credit Facility to make the required payments of principal and interest on the bond and to pay the purchase price of the bonds upon optional or mandatory tender. The Credit Facility carries certain affirmative and negative covenants. The Society is in compliance with the required covenants at December 31, 2016 and 2015.

**Lease Agreements**

On January 22, 2004, the Society entered into a \$1 ground lease with the State whereby the State is leasing the real property and improvements of the North Carolina Aquarium at Pine Knoll Shores (the “Premises”) to the Society in order to facilitate its expansion and renovation of the Premises. The ground lease terminates at midnight on June 1, 2026.

The Society entered into a second lease agreement (the “Sublease”) with the State for the purpose of leasing the Premises back to the State for operation. The Sublease requires the State to make base and additional rental payments sufficient enough to pay the debt service on the bond loan payable when it becomes due and payable, along with payment of other related fees and expenses. The obligation of the State to pay the base and additional rentals is absolute and unconditional, but dependent upon and subject to appropriation by the North Carolina General Assembly of Aquarium revenue. The Sublease terminates on June 1, 2026. As of December 31, 2016 and 2015, a lease security deposit of \$1,495,488 is maintained in the debt service fund of the bond trustee accounts as fulfillment of the State’s obligation to pay the base and additional rentals.

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**BOND LOAN PAYABLE (CONTINUED)**

With the assistance of the Trustee, the State calculates the amount of funds needed to cover the base and additional rentals under the Sublease agreement, after consideration is given to the remaining funds in the Trustee account. The State remitted to the Society lease payments of \$1,350,047 and \$1,271,176, for the years ended December 31, 2016 and 2015. The Society recognized lease revenue totaling \$1,271,176 and \$1,216,838, for the years ended December 31, 2016 and 2015, respectively.

**BOARD DESIGNATED NET ASSETS**

During 2016, the Society's Board of Directors approved \$1,502,000 funding to be used by the Aquariums and Jennette's Pier through June 30, 2017 for operational support. The operational support is not reflected in the accompanying financial statements. In accordance with U.S. GAAP, the Society will recognize the expense for the support of the Aquariums when the transfer of assets occurs. Board designated net assets include any approved unspent operational support from the previous year. Carryforward amount is \$1,078,270 at December 31, 2016.

During 2015, the Society's Board of Directors approved funding of \$500,000 to be used by the Aquariums and Jennette's Pier through June 30, 2016, for operational support. The operational support is not reflected in the accompanying financial statements. In accordance with U.S. GAAP, the Society will recognize the expense for the support of the Aquariums when the transfer of assets occurs. Board designated net assets include any approved unspent operational support from previous years. Carryforward amount is \$1,103,578 at December 31, 2015.

On September 11, 2014, the Society's Board of Directors Executive Committee approved the establishment of the Tetlow and Roy Park Aquarium Legacy Fund for innovative educational programs and exhibits at the Aquariums and Jennette's Pier. The contributions to the Legacy Fund are matched by an equal amount from the Society.

The Society's Board of Directors is responsible for managing the Legacy Fund and making decisions regarding allocation of resources. The Legacy Fund at December 31, 2016 and 2015, totaled \$264,797 and \$139,090, respectively, and is recorded as board designated net assets.

**RESTRICTED NET ASSETS**

Temporarily restricted net assets for Aquarium support and expansion totaled \$543,377 and \$534,378, at December 31, 2016 and 2015, respectively. Permanently restricted net assets for endowment totaled \$20,000 at December 31, 2016 and 2015.

**THE NORTH CAROLINA AQUARIUM SOCIETY****NOTES TO FINANCIAL STATEMENTS**

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**ENDOWMENT**

U.S. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the State Uniform Prudent Management of Institutional Funds Act of 2006 (SPMIFA) and requires additional disclosures about an organization's endowment funds.

**Interpretation of Relevant Law**

The Board of Directors of The North Carolina Aquarium Society has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund,
- 2) The purposes of the Society and the donor-restricted endowment fund,
- 3) General economic conditions,
- 4) The possible effect of inflation and deflation,
- 5) The expected total return from income and the appreciation of investments,
- 6) Other resources of the Society, and
- 7) The investment policies of the Society.

**Return Objectives and Risk Parameters**

Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s). The Society's endowment funds are maintained in a noninterest bearing cash account.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that UPMIFA requires to retain as a fund of perpetual duration. As of December 31, 2016 and 2015, the endowment funds were above the required amounts.

## THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENT(CONTINUED)**

The changes in endowment net assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 20,000	\$ 20,000
Investment return:				
Income	-	-	-	-
Net appreciation	-	-	-	-
Total investment return	-	-	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The changes in endowment net assets for the year ended December 31, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 20,000	\$ 20,000
Investment return:				
Income	-	-	-	-
Net appreciation	-	-	-	-
Total investment return	-	-	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

# THE NORTH CAROLINA AQUARIUM SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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### OPERATING LEASE

At December 31, 2016 and 2015, the Society is obligated under an office space lease agreement in Raleigh, North Carolina. The existing office lease agreement required monthly payments of \$10,192 during the year ended December 31, 2016. The lease terminated as of December 31, 2016, and was renegotiated to extend the lease through February 2022. Payments of \$9,285 are due with a 3% increase in the second year. Future minimum lease payments under the lease agreement at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 102,132
2018	109,992
2019	118,193
2020	121,734
2021	125,397
Thereafter	21,530
	<u>\$ 598,978</u>

In accordance with U.S. GAAP, lease payments are recognized ratably over the lease agreement. Rent expense under the lease agreement totaled \$120,527, for the years ended December 31, 2016 and 2015. Deferred rent recorded totaled \$0 and \$1,782, at December 31, 2016 and 2015, respectively.

The State reimburses the Society for office space utilized under the lease agreement. The monthly reimbursement totals \$1,551. Lease payment reimbursements totaled \$18,612 for the years ended December 31, 2016 and 2015. Rent expense gifted to the State totaled \$30,424 and \$28,996, for the years ended December 31, 2016 and 2015, respectively.

### EMPLOYEE BENEFIT PLANS

The Society has a defined contribution retirement plan covering employees who have completed one month of service. The Society makes an annual contribution of ten percent of each qualified employees' salary. The Society also has a 401(k) plan which allows employees to make contributions and the Society matches up to 3% of the employee's contribution. Employee benefit plan expenses totaled \$159,926, for both years ended December 31, 2016 and 2015.



**THE NORTH CAROLINA AQUARIUM SOCIETY****NOTES TO FINANCIAL STATEMENTS**

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**SICK LEAVE PAY**

Employees can accrue up to 2,000 hours of sick leave. Effective December 1, 2014, any employee who has reached 55 years of age and has worked with the Society for three years is entitled to receive all unpaid sick leave upon retirement. As of December 31, 2016 and 2015, accrued sick leave totaled \$401,585 and \$381,558, respectively. Accrued sick leave is reflected as part of accrued expenses in the statements of financial position.

**INCOME TAXES**

The Society records revenue for gift shop sales. Various merchandise sold in the gift shops is considered unrelated business income. The Society files federal and state corporate income tax returns and records in the financial statements the corresponding income tax expense for tax owed on the unrelated business income. Unrelated business income tax expense recorded for the years ended December 31, 2016 and 2015, totaled \$14,844 and \$11,964, respectively.

**CONCENTRATIONS**

The Society received approximately 34% and 39% of its revenues for the years ended December 31, 2016 and 2015, respectively, from the operation of the Aquariums' gift shops. If the Society was to no longer be responsible for the Aquariums' gift shops and the relationship terminates, the impact could be financially significant to the Society.

The Society received approximately 23% and 24% of its revenues for the years ended December 31, 2016 and 2015, respectively, from the State of North Carolina. The Society is dependent on this revenue to service the debt on the bond loan payable and associated fees. A decline in this revenue could have a significant financial impact on the Society.

**RELATED PARTY TRANSACTIONS**

The Society purchases and resells several books written by the Executive Director and Director of Development, and several puzzles illustrated by the Director of Retail Operations. The total cost of books and puzzles purchased for the years ended December 31, 2016 and 2015, were \$3,595 and \$4,043, respectively.

Members of the Board of Directors and management of the Society make contributions for the support of general operations and the Society's programs and exhibits. The Society received contributions from related parties totaling \$114,062 and \$149,672, at December 31, 2016 and 2015, respectively. The Society had outstanding related party promises to give of \$73,625 and \$66,347, at December 31, 2016 and 2015, respectively.

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**NORTH CAROLINA AQUARIUM SUPPORT**

In providing support to the North Carolina Aquariums, the Society contributed \$79,829 for the year ended December 31, 2016, to go toward supplementing the salaries of the three Aquarium/Pier directors and the division director.

The Society provided direct and indirect support to the Aquarium/Pier of \$1,994,483 and \$1,441,186 for the year ended December 31, 2016, respectively. Included within the \$1,994,483 of direct support is \$230,214 for major renovations at the Roanoke Island Aquarium and \$1,764,269 in specific operational support. The Society provided direct and indirect support to the Aquariums/Pier of \$2,160,559 and \$1,740,868, for the year ended December 31, 2015, respectively. Included within the \$2,160,559 of direct support is \$737,397 for major renovations at the Roanoke Island Aquarium and \$1,423,162 in specific operational support.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various program services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and supporting services benefitted based on management's estimates. Program activities are those direct costs that specifically meet and carry out the exempt objectives for which the Society was established. Supporting activities are indirect costs to the Society that cannot be specifically identified with a particular program objective.

**RECLASSIFICATIONS**

Certain reclassifications have been made to the 2015 financial statements in order to conform to the 2016 presentation. Such reclassifications had no effect on net assets.

**PRIOR YEAR INFORMATION**

The statement of activities and changes in net assets and schedule of functional expenses includes certain prior-year summarized comparative information in total but not by net asset class and functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure through April 17, 2017, which was the date that the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.

**ADDITIONAL FINANCIAL INFORMATION**

## THE NORTH CAROLINA AQUARIUM SOCIETY

## SCHEDULE OF FUNCTIONAL EXPENSES

## SCHEDULE 1

For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

	Program Services			Supporting Services				2016 Total	2015 Total
	Aquarium/Pier Support	Gift Shop	Total	Management and General	Fundraising	Membership Development	Total		
Salaries	\$ 249,295	\$ 820,424	\$ 1,069,719	\$ 172,838	\$ 138,300	\$ 187,774	\$ 498,912	\$ 1,568,631	\$ 1,659,978
Employee benefits	78,869	208,958	287,827	48,019	38,158	50,931	137,108	424,935	409,170
Payroll taxes	18,329	68,892	87,221	12,011	9,199	15,068	36,278	123,499	128,733
Total salaries and related expenses	346,493	1,098,274	1,444,767	232,868	185,657	253,773	672,298	2,117,065	2,197,881
Advertising	281,814	492	282,306	284	16,599	9,201	26,084	308,390	363,831
Amortization of bond issuance costs	12,540	-	12,540	-	-	-	-	12,540	12,540
Aquarium and pier personnel & supplements	374,802	-	374,802	-	-	-	-	374,802	56,966
Awards and grants	40,807	-	40,807	-	-	-	-	40,807	94,002
Bank and investment fees	7,886	66,632	74,518	42,010	-	11,509	53,519	128,037	154,632
Board expenses	15,989	-	15,989	-	-	-	-	15,989	22,499
Bond interest and fees expense	222,505	-	222,505	-	-	-	-	222,505	171,668
Displays and fixtures	293,557	6,021	299,578	-	17,129	-	17,129	316,707	469,414
Dues and subscriptions	65,839	7,149	72,988	5,302	1,742	6,946	13,990	86,978	49,123
Facility and equipment rent	40,721	14,250	54,971	75,209	-	-	75,209	130,180	118,157
Freight	619	97,784	98,403	2,051	2,300	3,055	7,406	105,809	111,981
Insurance	4,222	12,666	16,888	31,772	-	-	31,772	48,660	51,621
Loss on damaged goods	-	22,309	22,309	-	-	-	-	22,309	20,790
Licenses and fees	11,189	120	11,309	4,978	-	-	4,978	16,287	14,501
Miscellaneous	8,598	6,276	14,874	5,831	100	35	5,966	20,840	33,850
Postage and printing	9,058	762	9,820	315	13,291	84,525	98,131	107,951	77,545
Professional fees	161,670	73,669	235,339	102,409	88,267	26,936	217,612	452,951	429,878
Renovation of Roanoke Island Aquarium	230,214	-	230,214	-	-	-	-	230,214	737,397
Repairs and maintenance	144,152	7,688	151,840	8,242	-	4,814	13,056	164,896	134,427
Special events	20,440	-	20,440	-	11,743	-	11,743	32,183	37,639
Society vehicles	9,274	-	9,274	-	-	-	-	9,274	5,536
Staff development and training	28,287	2,494	30,781	7,124	216	216	7,556	38,337	87,568
Supplies	222,838	36,497	259,335	9,351	4,343	11,397	25,091	284,426	225,672
Telephone	39,813	25,698	65,511	8,493	2,379	1,648	12,520	78,031	50,106
Travel and subsistence	132,138	28,474	160,612	6,328	12,310	3,555	22,193	182,805	177,588
Income taxes	-	-	-	14,844	-	-	14,844	14,844	11,964
Total other expenses	2,378,972	408,981	2,787,953	324,543	170,419	163,837	658,799	3,446,752	3,720,895
Total expenses before depreciation and in-kind expenses	2,725,465	1,507,255	4,232,720	557,411	356,076	417,610	1,331,097	5,563,817	5,918,776
Depreciation	667,865	42,204	710,069	19,268	-	2,517	21,785	731,854	720,868
In-kind marketing, services, supplies	42,339	-	42,339	3,956	250	-	4,206	46,545	213,875
In-kind facility rent	-	264,528	264,528	-	-	-	-	264,528	264,528
Total functional expenses	\$ 3,435,669	\$ 1,813,987	\$ 5,249,656	\$ 580,635	\$ 356,326	\$ 420,127	\$ 1,357,088	\$ 6,606,744	\$ 7,118,047

See Independent Auditor's Report on additional information.