

**REPORT ON AUDITS OF FINANCIAL STATEMENTS OF
RIVERBANKS SOCIETY**

**A COMPONENT UNIT OF RICHLAND-LEXINGTON
RIVERBANKS PARK DISTRICT**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

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Independent Auditor's Report

The Board of Directors
Riverbanks Society
Columbia, South Carolina

We have audited the accompanying financial statements of Riverbanks Society (the "Society") (a Component Unit of Richland-Lexington Riverbanks Park District), a nonprofit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgments, 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 the 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 Riverbanks Society as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United State of America

Scott and Company LLC

Columbia, South Carolina
November 27, 2017

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,386,999	\$ 1,739,340
Prepaid expenses	20,183	18,640
Sponsorships receivable	-	1,000
Pledges receivable	193,907	938,964
Due from Richland-Lexington Riverbanks Park District	29,922	-
Total current assets	2,631,011	2,697,944
Non-current assets		
Pledges receivable	268,150	446,448
Total assets	\$ 2,899,161	\$ 3,144,392
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,010	\$ 15,010
Accrued compensated absences - current portion	-	1,868
Unearned revenue	50	165,500
Pledges payable	10,000	-
Due to Richland-Lexington Riverbanks Park District	-	104,152
Total current liabilities	28,060	286,530
Non-current liabilities:		
Accrued compensated absences - long term	-	1,585
Pledges payable	10,000	-
Total liabilities	38,060	288,115
NET ASSETS		
Unrestricted		
Undesignated	2,705,334	2,802,755
Temporarily restricted:		
Satch Krantz Conservation Fund	40,905	39,787
Donor-Imposed Restrictions	100,000	-
Laura Smith Memorial Fund	14,862	13,735
Total net assets	2,861,101	2,856,277
Total liabilities and net assets	\$ 2,899,161	\$ 3,144,392

The accompanying notes are an integral part of these statements.

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30,

	2017	2016
UNRESTRICTED NET ASSETS		
Public support, revenue and reclassifications		
Membership dues	\$ 4,973,241	\$ 4,221,276
Contributions	747,282	240,198
Interest, dividends and sale of stock	393	98
Miscellaneous income	4,650	3,430
Net assets released from restrictions	511,623	2,900,827
Total public support, revenue and reclassifications	6,237,189	7,365,829
EXPENSES		
Program activities		
Support to Richland-Lexington Riverbanks Park District	4,464,113	2,459,917
Grants and donations	856,374	3,043,588
Member services	636,665	603,567
Total programs activities	5,957,152	6,107,072
Supporting services		
Administration	140,467	122,956
Fundraising	236,991	233,631
Total supporting services	377,458	356,587
Total expenses	6,334,610	6,463,659
(Decrease) increase in unrestricted net assets	(97,421)	902,170
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	613,868	2,718,173
Net assets released from restrictions	(511,623)	(2,900,827)
Increase (decrease) in temporarily restricted net assets	102,245	(182,654)
(Decrease) increase in net assets	4,824	719,516
Net assets, beginning of year	2,856,277	2,136,761
Net assets, end of year	\$ 2,861,101	\$ 2,856,277

The accompanying notes are an integral part of these statements.

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS	2017	2016
TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ 4,824	\$ 719,516
Effects of changes in operating assets and liabilities:		
Prepaid expenses	(1,543)	(8,220)
Sponsorships receivable	1,000	(1,000)
Pledges receivable	923,355	(1,250,422)
Accounts payable and accrued liabilities	3,000	5,586
Accrued compensated absences	(3,453)	372
Unearned revenue	(165,450)	140,500
Pledges payable	20,000	-
Due to/from Richland-Lexington Riverbanks Park District	(134,074)	346,409
Net cash provided by (used in) operating activities	<u>647,659</u>	<u>(47,259)</u>
Increase (decrease) in cash and cash equivalents	647,659	(47,259)
Cash and cash equivalents, beginning of year	1,739,340	1,786,599
Cash and cash equivalents, end of year	<u>\$ 2,386,999</u>	<u>\$ 1,739,340</u>

The accompanying notes are an integral part of these statements.

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Riverbanks Society (the Society) is a South Carolina corporation organized to provide financial support for the Richland-Lexington Riverbanks Park District (the District) and its activities. The District is a governmental entity that owns and operates a public zoo and botanical garden for the citizens of South Carolina. The Society is supported primarily through donor contributions received from a broad base of citizens of Richland and Lexington Counties. The Society is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Board of the Society is self-perpetuating and fluctuates between 15 and 21 members. Although the District does not control the timing or amount of receipts from the Society, the majority is undesignated and the majority of resources or income thereon that the Society holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Society can only be used by, or for the benefit of, the District, the Society is considered a component unit for the District and is discretely presented in the District's financial statements.

Basis of Accounting

The Society's financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payable and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. The Society is required 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. The Society does not have any permanently restricted net assets.

Net assets for the Society are recorded in two categories:

Unrestricted – Unrestricted net assets consist of contributions that are available for use in carrying out the purpose of the Society.

Temporarily restricted – Temporarily restricted net assets represent those amounts that are donor restricted with respect to purpose or time. When a donor restriction expires or is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as cash and cash equivalents represent cash on deposit in banks. At June 30, 2017, the Society had cash deposits in excess of federally insured limits of \$300,029.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are shown as prepaid items to reflect consumption in the future reporting period.

Receivables

The Society records receivables when earned and due. No allowance for bad debt is required, as amounts are written-off when deemed uncollectible and management believes all accounts are fully collectible at June 30, 2017 and 2016.

Donated Services

The Society generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society with fund-raising and special projects. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in these financial statements.

Advertising Costs

Expenditures for advertising and public relations are charged to expense as incurred. Total fundraising advertising expense was \$8,644 for the year ended June 30, 2017 and \$20,052 for the year ended June 30, 2016.

Income Taxes

The Internal Revenue Service has approved the Society's exemption from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by the taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The fiscal years ended 2015, 2016 and 2017 are still open to audit for both federal and state purposes.

RIVERBANKS SOCIETY
(A COMPONENT UNIT OF RICHLAND-LEXINGTON RIVERBANKS PARK DISTRICT)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management may use estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Concentrations of Credit Risk

The Society had certain donors whose pledges receivable balances individually represented 10% or more of the Society's total pledges receivables as of June 30, 2017. At June 30, 2017, four corporate donors accounted for 73.6% of pledges receivable.

Recently Issued Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Society is currently evaluating the effect of the implementation on its financial statements.

Accounting Policies Recently Implemented

The Society adopted the provisions of FASB ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* during the year ended June 30, 2017. This ASU will require management to assess an organization's ability to continue as a going concern by incorporating and expanding upon certain principles that currently exist in United States auditing standards. This ASU defines substantial doubt to continue as a going concern and sets forth principles for considering the effect of management's plans, mandates certain disclosures and requires an assessment period of a year after the date the financial statements are issued or are available to be issued. The implementation of this ASU did not have a material effect on the Society's financial statements.

RIVERBANKS SOCIETY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – PLEDGES RECEIVABLE

The Society has held various capital campaigns to raise money for District projects, thus causing a large increase in pledges receivable over the last several years. The promises to give as of June 30 are unconditional and are valued as follows:

	2017	2016
Receivables - due in one year or less	\$ 193,907	\$ 938,964
Receivables - due in one to five years	268,150	446,448
Total pledges receivable	\$ 462,057	\$ 1,385,412

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	2017	2016
Satch Krantz Conservation Fund	\$ 40,905	\$ 39,787
Donor-Imposed Restrictions	100,000	-
Laura Smith Memorial Fund	14,862	13,735
Total	\$ 155,767	\$ 53,522

The Satch Krantz Conservation Fund, originally known as the Riverbanks Conservation Support Fund, provides financial support in an array of wildlife conservation projects both in the US and abroad.

Donor-Imposed Restrictions are contributions with requirements to be used for a specific purpose either by the passage of time or by fulfilling an action by the Society or the District. Both years' balances relates to the passage of time.

The Laura Smith Memorial Fund provides assistance in the care and wellbeing of the Zoo's mammal collection through such things as husbandry and veterinarian care, exhibit construction, repair and renovation.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or restrictions. Amounts used during June 30, 2017 and 2016 were \$511,623 and \$2,900,827 respectively.

RIVERBANKS SOCIETY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 – RELATED PARTY TRANSACTIONS

Each year, to fulfill its purpose, the Society provides direct support for the District from its donations and from specific fundraising campaigns. The Society's contributions to the District are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
District's general fund		
Operating support	\$ 1,700,000	\$ 1,500,000
Loan payments	183,705	206,819
subtotal	<u>1,883,705</u>	1,706,819
Explorer pass differential	<u>799,265</u>	689,710
Total general fund	<u>2,682,970</u>	2,396,529
Capital projects	1,781,143	63,388
Total District support	<u>\$ 4,464,113</u>	<u>\$ 2,459,917</u>

The Society does not retain any employees and uses the District's staff to perform services on behalf of the Society. The Society reimburses the District for use of its employees and any other shared operating expenses, such as postage, printing and other costs.

The Society has agreed to reimburse the District for a real estate loan by reimbursing the District the monthly payments. During the year ended June 30, 2017 the District refinanced the loan as a capital lease and is now the sole guarantor on the lease; however, the Society has agreed to continue the payments until the maturity of the lease. Prior to the refinancing, approximately \$58,000 and \$206,000 in loan costs associated with the loan were paid by the Society in years ended June 30, 2017 and 2016.

The Society also paid in the year ended June 30, 2017 approximately \$150,000 in lease payments associated with the capital lease. At June 30, 2017 the balance due on the lease was \$1,579,807, which is due in monthly equal installments of \$15,701 until October 2026.

At June 30, the Society had the following expenditures and contributions due (to)/from the District:

	<u>2017</u>	<u>2016</u>
Due from (to) District's general fund	<u>\$ 29,922</u>	<u>\$ (104,152)</u>

RIVERBANKS SOCIETY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 – SUBSEQUENT EVENT

The Society has evaluated all events subsequent to the balance sheet date of June 30, 2017 through the date these financial statements were available to be issued, November 27, 2017, in accordance with ASC 855, *Subsequent Events*. The Society is not aware of any subsequent events that would require recognition or disclosure in the financial statements.