

**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, 2019 AND 2018**



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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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, 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.

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, 2019, 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 State of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Society adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of Riverbanks Society as of June 30, 2018 were audited by other auditors whose report dated November 28, 2018 expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with those audited financial statements from which it has been derived.

Scott and Company LLC

Columbia, South Carolina
November 19, 2019

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

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,752,132	\$ 3,417,341
Prepaid expenses	18,660	6,942
Pledges receivable	155,500	303,333
Due from Richland-Lexington Riverbanks Park District	211,120	50,948
Total assets	\$ 3,137,412	\$ 3,778,564
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 38,732	\$ 29,940
Pledges payable	-	10,000
Total liabilities	38,732	39,940
Net assets		
Net assets without donor restrictions		
Undesignated	2,506,977	3,492,637
Net assets with donor restrictions		
Purpose restrictions	591,703	245,987
Total net assets	3,098,680	3,738,624
Total liabilities and net assets	\$ 3,137,412	\$ 3,778,564

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,

	Without Donor Restrictions	With Donor Restrictions	2019	2018
PUBLIC SUPPORT AND OTHER REVENUES				
Membership dues	\$ 5,616,833	\$ -	\$ 5,616,833	\$ 5,029,375
Contributions	468,556	529,479	998,035	669,751
Investment earnings	9,463	392	9,855	4,629
Miscellaneous income	4,190	-	4,190	3,221
Net assets released from restrictions	184,155	(184,155)	-	-
Total public support and other revenues	<u>6,283,197</u>	<u>345,716</u>	<u>6,628,913</u>	<u>5,706,976</u>
EXPENSES				
Program services				
Support to Richland-Lexington Riverbanks Park District	5,639,211	-	5,639,211	3,335,314
Grants and donations	487,996	-	487,996	445,574
Member services	647,571	-	647,571	649,615
Total programs services	<u>6,774,778</u>	<u>-</u>	<u>6,774,778</u>	<u>4,430,503</u>
Support services				
Administration	193,388	-	193,388	151,264
Fundraising	300,691	-	300,691	247,686
Total support services	<u>494,079</u>	<u>-</u>	<u>494,079</u>	<u>398,950</u>
Total expenses	<u>7,268,857</u>	<u>-</u>	<u>7,268,857</u>	<u>4,829,453</u>
(Decrease) increase in net assets	(985,660)	345,716	(639,944)	877,523
Net assets, beginning of year	<u>3,492,637</u>	<u>245,987</u>	<u>3,738,624</u>	<u>2,861,101</u>
Net assets, end of year	<u>\$ 2,506,977</u>	<u>\$ 591,703</u>	<u>\$ 3,098,680</u>	<u>\$ 3,738,624</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,

	Program Services			Support Services			2019	2018	
	Support to District	Grants and Donations	Membership Services	Total Program Services	Administration	Fundraising			Total Support Services
Personnel reimbursement to District	\$ -	\$ -	\$ 210,253	\$ 210,253	\$ 174,428	\$ 126,571	\$ 300,999	\$ 511,252	\$ 450,394
Operating support	2,950,796	-	-	2,950,796	-	-	-	2,950,796	2,746,900
Capital projects support	2,500,000	-	-	2,500,000	-	-	-	2,500,000	400,000
Capital lease reimbursement	188,415	-	-	188,415	-	-	-	188,415	188,414
Professional development	-	168,889	30	168,919	-	-	-	168,919	59,858
Conservation	-	239,650	-	239,650	-	-	-	239,650	262,454
Other District staffing support	-	79,457	-	79,457	-	-	-	79,457	123,587
Professional services	-	-	332	332	6,700	-	6,700	7,032	4,825
Board related expenses	-	-	-	-	3,945	-	3,945	3,945	3,084
Direct mail acquisition expense	-	-	152,480	152,480	-	-	-	152,480	146,861
Printing and publications	-	-	134,272	134,272	-	13,507	13,507	147,779	151,032
Bank and credit card fees	-	-	86,825	86,825	5,916	3,685	9,601	96,426	82,224
Information technology	-	-	40,620	40,620	-	326	326	40,946	40,516
Advertising, promotion and campaign expense	-	-	-	-	-	18,384	18,384	18,384	14,000
Postage and mailing services	-	-	19,699	19,699	-	9,164	9,164	28,863	31,198
Fundraising recognition expense	-	-	-	-	-	19,452	19,452	19,452	10,539
Other contracted services	-	-	2,750	2,750	166	560	726	3,476	13,368
Supplies	-	-	-	-	1,040	4,335	5,375	5,375	1,290
Rental expenses	-	-	-	-	-	1,933	1,933	1,933	1,301
Food and beverage expenses	-	-	-	-	-	91,325	91,325	91,325	82,037
Entertainment	-	-	-	-	-	4,450	4,450	4,450	4,506
Auction expense	-	-	-	-	-	3,414	3,414	3,414	4,388
Event setup costs	-	-	-	-	-	2,365	2,365	2,365	1,339
Miscellaneous	-	-	310	310	1,193	1,220	2,413	2,723	5,338
Total functional expenses	\$ 5,639,211	\$ 487,996	\$ 647,571	\$ 6,774,778	\$ 193,388	\$ 300,691	\$ 494,079	\$ 7,268,857	\$ 4,829,453

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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (639,944)	\$ 877,523
Changes in operating assets and liabilities:		
Prepaid expenses	(11,718)	13,241
Pledges receivable	147,833	158,724
Accounts payable and accrued liabilities	8,792	11,930
Unearned revenue	-	(50)
Pledges payable	(10,000)	(10,000)
Due to/from Richland-Lexington Riverbanks Park District	(160,172)	(21,026)
Net cash (used in) provided by operating activities	(665,209)	1,030,342
(Decrease) increase in cash and cash equivalents	(665,209)	1,030,342
Cash and cash equivalents, beginning of year	3,417,341	2,386,999
Cash and cash equivalents, end of year	\$ 2,752,132	\$ 3,417,341

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, 2019 AND 2018

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 has no less than 11 or no more than 21 board members. At any time with a majority vote, the Board can increase or decrease the number of board members at a duly called meeting of which a quorum is present. 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 in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Society is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets of contributions without donor-imposed restrictions that are available for use in carrying out the purpose of the Society. The Board uses these net assets to support the District and its activities as requested by the District and approved by the Society.

Net assets with donor restrictions – Net assets of contributions that are donor restricted with respect to purpose or time. When a donor restriction expires or is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019, the Society had no deposits in excess of the federally insured limits.

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 management deems it uncollectible. Management has reviewed and believes all accounts are fully collectible at June 30, 2019 and 2018. Bad debt expense for the year ended June 30, 2019 and 2018 was \$500 and \$4,667, respectively.

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 \$17,501 and \$11,070 for the years ended June 30, 2019 and 2018, respectively.

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 2017, 2018 and 2019 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, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

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, 2019. At June 30, 2019, four corporate donors accounted for 86.82%, or \$135,000 of pledges receivable.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (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 amends the reporting model for nonprofit entities and required disclosures. The major changes include using two classes of net assets entitled "net assets without donor restrictions" and "net assets with donor restrictions"; requiring a presentation of analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; present statement of cash flows using direct-method without a reconciliation of the change in net assets from operating activities; and modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The ASU has been applied retrospectively to all periods presented.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at June 30:

	<u>2019</u>	<u>2018</u>
Financial assets available within one year		
Cash and cash equivalents	\$2,752,132	\$3,417,341
Pledges receivable - due in one year or less	133,500	207,750
Due from Richland-Lexington Riverbanks Park District	<u>211,120</u>	<u>50,948</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$3,096,752</u>	<u>\$3,676,039</u>

The Society's financial assets available within one year of the statements of financial position date are available to cover general expenditures, liabilities and other obligations as they become due. All remaining assets are available for use by the District as requested by the District and approved by the Society.

NOTE 3 – PLEDGES RECEIVABLE

The Society periodically has capital campaigns to raise money for District projects. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The promises to give as of June 30 are unconditional and are valued as follows:

	<u>2019</u>	<u>2018</u>
Receivables - due in one year or less	\$ 133,500	\$ 207,750
Receivables - due in one to five years	22,000	95,583
Total pledges receivable	<u>\$ 155,500</u>	<u>\$ 303,333</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions are available for the following purposes as of June 30:

	2019	2018
Satch Krantz Conservation Fund	\$ 92,282	\$ 63,148
Donor-Imposed Restrictions	481,944	166,754
Laura Smith Memorial Fund	17,477	16,085
Total	\$ 591,703	\$ 245,987

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. The restrictions for both years relate to use by the District.

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, 2019 and 2018 were \$184,155 and \$201,605, respectively.

NOTE 5 – 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:

	June 30, 2019	June 30, 2018
District's general fund		
Operating support	\$ 2,100,000	\$ 1,900,000
Explorer pass differential	850,796	846,900
Subtotal	2,950,796	2,746,900
Loan/lease payments	188,415	188,414
Total general fund	3,139,211	2,935,314
Capital projects	2,500,000	400,000
Total District support	\$ 5,639,211	\$ 3,335,314

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

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 District is the sole guarantor on a capital lease for which the Society has agreed to make payments until the maturity of the lease. The lease is collateralized by the asset of the District. The Society paid in the year ended June 30, 2019 and 2018 approximately \$188,415 and \$188,414, respectively, in lease payments associated with the capital lease. At June 30, 2019 the balance due on the lease was \$1,269,436, 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>2019</u>	<u>2018</u>
Due from (to) District's general fund	<u>\$ 211,120</u>	<u>\$ 50,948</u>

NOTE 6 – SUBSEQUENT EVENT

The Society has evaluated all events subsequent to the balance sheet date of June 30, 2019 through the date these financial statements were available to be issued, November 19, 2019, in accordance with ASC 855, *Subsequent Events*. The Society Board approved at the November board meeting to establish an operating reserve of \$1,200,000 in the net assets without donor restrictions for emergency, but also available for general operating use as needed. The Society Board also approved a one-time contribution of \$50,000 to the Satch Krantz Conservation Fund and \$1,250,000 to the District for various capital projects. The Society Board's unanimous approval was to expend the \$2,500,000 from the net assets without donor restrictions undesignated balance as of June 30, 2019.