

SEACOAST SCIENCE CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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HESSION & PARE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
62 Stark Street, Manchester, New Hampshire 03101
603-669-5477 FAX 603-669-0197

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seacoast Science Center, Inc.
Rye, NH

Opinion

We have audited the accompanying financial statements of the Seacoast Science Center, Inc. (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seacoast Science Center, Inc. as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

To the Board of Directors
Seacoast Science Center, Inc.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

To the Board of Directors
Seacoast Science Center, Inc.

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

Report on Summarized Comparative Information

We have previously audited the Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Manchester, New Hampshire
August 29, 2023

Hessum, Sara PC

SEACOAST SCIENCE CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 1,269,747	\$ 1,664,470
Grants and accounts receivable	10,718	8,475
Pledge receivables, net	1,347,965	60,000
Inventory	27,951	19,313
Other current assets	<u>39,330</u>	<u>-</u>
Total current assets	<u>2,695,711</u>	<u>1,752,258</u>
Property and equipment, net	<u>1,414,847</u>	<u>1,209,146</u>
Other assets		
Long-term pledge receivables, less current portion	1,111,363	10,000
Funds held by others	289,217	347,819
Financing lease right-of-use asset	<u>5,177</u>	<u>-</u>
Total assets	<u>\$ 5,516,315</u>	<u>\$ 3,319,223</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 38,081	\$ 47,430
Accrued expenses	142,163	82,193
Deposits	900	12,600
Deferred revenue	29,014	34,575
Current portion of financing lease liabilities	<u>2,588</u>	<u>-</u>
Total liabilities	<u>212,746</u>	<u>176,798</u>
Financing lease liabilities, net of current	<u>2,615</u>	<u>-</u>
Net assets		
Without donor restrictions	2,264,347	2,374,492
With donor restrictions	<u>3,036,607</u>	<u>767,933</u>
Total net assets	<u>5,300,954</u>	<u>3,142,425</u>
Total liabilities and net assets	<u>\$ 5,516,315</u>	<u>\$ 3,319,223</u>

The accompanying notes are an integral part of these financial statements.

SEACOAST SCIENCE CENTER, INC.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	Without donor restrictions	With donor restrictions	<u>2022</u>	<u>2021</u>
Revenue and support				
Center activities				
Camps	\$ 318,367	\$ -	\$ 318,367	\$ 321,230
Programs	161,248	200	161,448	47,338
Admissions	321,065	-	321,065	245,945
	<u>800,680</u>	<u>200</u>	<u>800,880</u>	<u>614,513</u>
Development and fundraising				
Membership	122,891	-	122,891	74,609
Beneficiary income	14,986	-	14,986	16,840
Contributions	116,511	2,805,341	2,921,852	1,136,099
Events	104,358	-	104,358	26,001
Contributed nonfinancial assets	50,273	-	50,273	16,480
	<u>409,019</u>	<u>2,805,341</u>	<u>3,214,360</u>	<u>1,270,029</u>
Other				
Nature store	218,949	-	218,949	145,855
Grant income	30,604	14,700	45,304	39,382
Facility income	200,342	-	200,342	176,775
Investment gain	2,563	-	2,563	2,136
Net unrealized and realized gain on funds held by others	(44,467)	-	(44,467)	59,961
Gaming	42,819	-	42,819	-
Employee Retention Credit	264,541	-	264,541	-
Forgiveness of Paycheck Protection Program loan	-	-	-	433,793
	<u>715,351</u>	<u>14,700</u>	<u>730,051</u>	<u>857,902</u>
Total revenue and support	<u>1,925,050</u>	<u>2,820,241</u>	<u>4,745,291</u>	<u>2,742,444</u>
Net assets released from restrictions				
Satisfaction of program restrictions	551,567	(551,567)	-	-
Expenses				
Camps	216,198	-	216,198	160,630
Exhibits	220,891	-	220,891	206,290
Programs	744,699	-	744,699	436,010
Marine mammal rescue	146,082	-	146,082	123,472
Membership	2,005	-	2,005	1,417
Admissions	194,803	-	194,803	86,595
Facility	242,184	-	242,184	187,889
Nature store	129,059	-	129,059	77,796
Total program expenses	<u>1,895,921</u>	<u>-</u>	<u>1,895,921</u>	<u>1,280,099</u>
Development	519,246	-	519,246	273,892
General and administrative	171,595	-	171,595	243,112
Total expenses	<u>2,586,762</u>	<u>-</u>	<u>2,586,762</u>	<u>1,797,103</u>
Change in net assets	(110,145)	2,268,674	2,158,529	945,341
Net assets, beginning of year, as originally stated	2,956,788	185,637	3,142,425	2,197,084
Reclassification	(582,296)	582,296	-	-
Net assets, beginning of year, restated	<u>2,374,492</u>	<u>767,933</u>	<u>3,142,425</u>	<u>2,197,084</u>
Net assets, end of year	<u>\$ 2,264,347</u>	<u>\$ 3,036,607</u>	<u>\$ 5,300,954</u>	<u>\$ 3,142,425</u>

The accompanying notes are an integral part of these financial statements.

SEACOAST SCIENCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022
(with comparative totals for the Year Ended December 31, 2021)

	Camps	Exhibits	Programs	Marine Mammal Rescue	Membership	Admissions	Facility	Nature Store	Total program expenses	Development	General and Administrative		2021
											2022	2021	
Expenses													
Salaries	\$ 160,430	\$ 106,875	\$ 357,536	\$ 109,430	\$ -	\$ 148,488	\$ 71,304	\$ 14,387	\$ 968,450	\$ 225,156	\$ 55,650	\$ 1,249,256	\$ 907,768
Benefits	6,617	10,755	30,458	1,345	-	8,453	95	-	57,723	18,347	8,272	84,342	66,266
Payroll taxes	12,669	9,339	26,394	7,809	-	16,887	6,438	-	79,536	16,035	4,621	100,192	67,085
Total salaries and related expenses	179,716	126,969	414,388	118,584	-	173,828	77,837	14,387	1,105,709	259,538	68,543	1,433,790	1,041,119
Professional fees	-	101	103,824	-	-	-	15,016	-	118,941	28,074	21,119	168,134	61,648
Outside services	600	-	22,021	5,413	-	-	17,128	-	45,162	116,924	2,942	165,028	177,546
Program expense	18,775	-	87,719	587	-	-	-	-	107,081	284	350	107,715	11,918
Cost of sales	-	-	15	-	-	-	-	105,233	105,248	-	-	105,248	63,560
Exhibit costs	555	76,587	748	20	-	90	6,795	-	84,795	1,741	87	86,623	84,708
Repairs and maintenance	-	520	2,145	-	-	-	50,311	-	52,976	26	34	53,036	40,049
Event expense	10	2,156	1,484	6,365	-	70	3,679	896	14,660	34,352	638	49,650	10,331
Supplies	1,758	1,360	9,200	7,690	165	2,025	5,918	1,061	29,177	6,957	13,441	49,575	36,681
Credit card processing fees	8,288	-	8,129	180	1,228	11,300	4,860	431	34,416	8,479	2	42,897	33,916
Lease expense	181	47	8,836	-	-	25,092	-	-	34,156	2,330	2,140	38,626	33,160
Miscellaneous	235	-	250	259	-	78	(35)	-	787	1,822	32,149	34,758	5,063
Advertising	490	-	3,311	-	64	5,148	1,834	-	10,847	16,975	2,703	30,525	10,291
Insurance	340	-	17,668	-	-	-	1,057	-	19,065	2,740	6,647	28,452	24,728
Voice and data	649	-	13,757	327	-	-	733	-	15,466	2,753	1,143	19,362	17,937
Software	-	32	44	20	-	-	2	-	98	17,200	1,050	18,348	12,277
Dues and subscriptions	3,470	740	4,775	115	120	251	80	220	9,771	6,264	1,279	17,314	8,964
Travel and meals	266	605	3,511	3,891	-	730	26	499	9,528	7,204	552	17,284	13,577
Printing	-	9,482	-	389	428	810	-	-	11,109	3,238	447	14,794	3,456
Professional development	520	332	1,620	260	-	473	-	-	3,205	923	9,113	13,241	13,679
Postage and shipping	4	1,941	-	141	-	-	50	6,332	8,468	370	3,568	12,406	9,841
Utilities	-	-	4,279	-	-	-	702	-	4,981	1,052	982	7,015	-
Other grant expenses	341	19	690	1,841	-	-	149	-	3,040	-	-	3,040	9,509
Interest expense	-	-	-	-	-	-	-	-	-	-	-	77	3,304
Total expenses before depreciation and amortization	216,198	220,891	708,414	146,082	2,005	194,803	211,234	129,059	1,828,686	519,246	169,006	2,516,938	1,727,262
Depreciation and amortization	-	-	36,285	-	-	-	30,950	-	67,235	-	2,589	69,824	69,841
Total expenses	\$ 216,198	\$ 220,891	\$ 744,699	\$ 146,082	\$ 2,005	\$ 194,803	\$ 242,184	\$ 129,059	\$ 1,895,921	\$ 519,246	\$ 171,595	\$ 2,586,762	\$ 1,797,103

See notes to financial statements.

SEACOAST SCIENCE CENTER, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 2,158,529	\$ 945,341
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	67,235	69,841
Amortization of financing lease right-of-use asset	2,589	-
(Increase) in grants and accounts receivable	(2,243)	(7,401)
(Increase) in pledges receivable	(2,389,328)	(1,447)
(Increase) in inventory	(8,638)	(1,559)
(Increase) decrease in other current assets	(39,330)	1,974
(Decrease) increase in accounts payable	(9,349)	45,074
Increase in accrued expenses	59,970	25,559
(Decrease) increase in deferred income	(5,561)	8,512
(Decrease) in deposits	(11,700)	(2,200)
Net cash (used in) provided by operating activities	<u>(177,826)</u>	<u>1,083,694</u>
Cash flows from investing activities		
Purchase of property & equipment	(272,936)	(26,791)
Purchase of financing lease right-of-use asset	(7,766)	-
Decrease (increase) in funds held by others	58,602	(44,977)
Net cash (used in) investing activities	<u>(222,100)</u>	<u>(71,768)</u>
Cash flows from financing activities		
Payment of finance lease liability	(2,563)	-
Proceeds from financing lease liabilities	7,766	-
Paycheck Protection Program loan	-	215,000
Forgiveness of Paycheck Protection Program loan	-	(430,000)
Net cash provided by (used in) financing activities	<u>5,203</u>	<u>(215,000)</u>
Net (decrease) increase in cash and cash equivalents	<u>(394,723)</u>	<u>796,926</u>
Cash and cash equivalents, beginning of year	<u>1,664,470</u>	<u>867,544</u>
Cash and cash equivalents, end of year	<u>\$ 1,269,747</u>	<u>\$ 1,664,470</u>
Interest paid in cash	<u>\$ 77</u>	<u>\$ -</u>
Noncash financing activity		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 430,000</u>
Debt to finance acquisition of financing lease right-of-use asset	<u>\$ 7,766</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF ACTIVITIES

The Seacoast Science Center, Inc. (the “Center”) operates a year-round education facility located at Odiorne Point State Park. Odiorne Point State Park is owned and operated by the State of New Hampshire. In January 2022, the Center, incorporated in 1992, amended the original contract dated in December 2016 to continue a 20-year management agreement with the Division of Parks and Recreation.

The Center provides programs to school groups and the general public, focused primarily on the history and ecology of Odiorne Point State Park and the Gulf of Maine. The Center’s facility showcases coastal habitats and the environmental history of the Gulf of Maine.

The Center operates a retail store on their premises that follows the same mission as the organization. Items sold allow the general public to take home memorabilia of their visit to the Center, along with books and materials to further educate them about the surrounding area and marine life.

The Center’s major sources of revenue are generated from Center activities and contributions.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The Center prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Center are described subsequently to enhance the usefulness and understandability of the financial statements.

Net assets

The financial statements report net assets and changes in net assets that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Center must continue to use the resources in accordance with the donor's restrictions.

Accrual basis

The financial statements of the Center have been prepared on the accrual basis. Revenue is recorded when earned and expenses are recorded when incurred. Contributions and grants are recognized when received.

Use of estimates

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

Cash and cash equivalents

For the purpose of the statement of cash flows, the Center considers all cash and money market investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable are carried at original invoice amount. Management determines the collectability by regularly evaluating individual receivables. Receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Management believes that all outstanding receivables are collectible; therefore, no allowance for uncollectible receivables has been provided. The Center does not accrue interest on unpaid accounts receivable.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

The Center has launched a capital campaign to generate funds toward operations, building renovations, and general endowment. The program was designed to solicit pledges to be paid over time (up to 7 years). Pledges are recorded as restricted contributions due to the purpose and/or implied time restrictions. The contributions are recorded as revenue at the time the pledges are made. When the purpose and/or time restrictions are met, the time restrictions are released, and the amounts are recorded on the statement of activities as net assets released from restrictions.

Inventories

Inventory is stated at the lower of cost or market (first-in, first-out method). Inventory consists of items for resale held at the Center's store.

Property and equipment

Property and equipment are capitalized at cost. Expenditures for repairs and maintenance are expensed as incurred and betterments in excess of \$2,500 are capitalized as additions to property and equipment. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Exhibits	10 years
Leasehold improvements	5 – 39 years
Equipment	5 years
Furniture and fixtures	7 – 10 years

For the years ended December 31, 2022 and 2021, depreciation expense was \$67,235 and \$69,841, respectively.

Deferred income

Income from facility use and program fees for events and programs are deferred and recognized over the period to which it relates.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Center has multiple revenue streams that are accounted for as a reciprocal exchange transaction, including center activities, membership, nature store, and facility income.

Center activities, membership, nature store, and facility income are recognized ratably over the period each service is provided on a straight-line basis in an amount that reflects the consideration the Center expects to be entitled to in exchange for those services. All the Center's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Facility income to the Center in advance represents contract liabilities and is recorded as deferred revenue. For the fiscal years ended December 31, 2022, 2021 and 2020, deferred revenue was \$29,014, \$34,575 and \$26,063, respectively. Amounts billed for center activities but unpaid are contract assets and are recorded as accounts receivable. For the fiscal years ended December 31, 2022, 2021 and 2020, accounts receivable were \$10,718, \$8,475 and \$1,074, respectively.

Because the Center's performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Contributions and grants

Contributions and grants, including unconditional promises to give (pledges), are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year payment is due, and therefore, are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional; that is, until all conditions on which they depend are substantially met.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

Advertising costs are expensed as incurred. For the years ended December 31, 2022 and 2021, non-donated advertising expenses were \$30,525 and \$10,291, respectively.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted.

Income taxes

The Center is a not-for-profit organization exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation; however, certain unrelated business income is subject to federal taxation. Facility income received is recorded as unrelated business income, and related expenses are reported in the statement of activities. During the years ended December 31, 2022 and 2021, there was no tax liability on unrelated business income. The income tax filings for the tax years before 2019 are no longer subject to examination by federal and state taxing authorities.

Summarized financial information

The financial statements include certain prior-year summarized comparative information in total, but not by asset class. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2021, from which the summarized information was derived, in order to have comparative information in conformity with accounting principles generally accepted in the United States of America.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (concluded)

New accounting pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The Center has made an accounting policy election to recognize right-of-use assets and liabilities for lease contracts in excess of \$2,500 similar to their capital policy.

Note 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 are:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,269,747	\$ 1,664,470
Grants and accounts receivable	10,718	8,475
Pledges receivable	2,459,328	70,000
Funds held by others	<u>289,217</u>	<u>347,819</u>
Total financial assets	4,029,010	2,090,764
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(85,808)	(185,637)
Less financial assets not available within one year:		
Funds held by others	(289,217)	(347,819)
Pledges receivable	<u>(1,111,363)</u>	<u>(10,000)</u>
Amount available for general expenditures within one year	<u>\$ 2,542,622</u>	<u>\$ 1,547,308</u>

As part of their liquidity management plan, the Center invests cash in excess of daily requirements in bank certificates of deposit. The Center maintains a revolving line of credit of \$200,000 to cover short-term cash needs.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1: prices based on quoted prices in active markets which are accessible on the measurement date for identical assets and liabilities.

Level 2: prices based on indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets.

Level 3: prices based on management's judgment and estimation and are developed using the best information in the circumstances.

Note 5. PLEDGES RECEIVABLE

Pledge receivables, net was as follows:

	<u>2022</u>	<u>2021</u>
Promises to give expected to be collected in		
Less than one year	\$ 1,347,965	\$ 60,000
One to five years	860,109	10,000
Thereafter	<u>400,000</u>	<u>-</u>
 Total pledge receivables	 2,608,074	 70,000
 Less discount to present value	 <u>(148,746)</u>	 <u>(-)</u>
 Pledge receivables, net	 <u><u>\$ 2,459,328</u></u>	 <u><u>\$ 70,000</u></u>

Pledge receivables are reported at fair value, which is estimated as the net present value of expected future cash inflows on a non-recurring basis. At December 31, 2022 and 2021, a discount rate of 3.99% was considered to determine the net present value. As discussed in Note 4, the valuation technique used by the Center is a Level 3 measure because there are no observable market transactions.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,868,115	\$ 1,868,115
Exhibits	978,462	795,835
Equipment	196,472	170,577
Vehicles	55,981	55,981
Website	30,000	30,000
Furniture and fixtures	9,467	9,467
Work-in-process	<u>64,414</u>	<u>-</u>
	3,202,911	2,929,975
Less accumulated depreciation	<u>(1,788,064)</u>	<u>(1,720,829)</u>
Total	<u>\$ 1,414,847</u>	<u>\$ 1,209,146</u>

Note 7. FUNDS HELD BY OTHERS

The Center is a beneficiary of three designated funds at the New Hampshire Charitable Foundation. Pursuant to the terms of the resolution establishing the funds, property contributed to the New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Center. In accordance with its spending policy, the Foundation makes distributions from the funds to the Center.

The distributions are approximately 4.0% of the market value of the funds per year. The funds are not included in these financial statements, since all property in the funds was contributed to the New Hampshire Charitable Foundation to be held and administered for the benefit of the Center. For the years ended December 31, 2022 and 2021, \$14,986 and \$16,840 were received from the funds, respectively. At December 31, 2022 and 2021, the market value of the funds' assets was \$382,440 and \$459,932, respectively.

The Center is a beneficiary of two agency funds at the New Hampshire Charitable Foundation. Pursuant to the terms of the resolution establishing the funds, property contributed to the New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Center. In accordance with its spending policy, the Foundation makes distributions from the funds to the Center. The distributions are approximately 4.0% of the market value of the funds per year.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. FUNDS HELD BY OTHERS (concluded)

The estimated value of future distributions from the funds is included in these financial statements; however, all property in the funds was contributed to the New Hampshire Charitable Foundation to be held and administered for the benefit of the Center. For the years ended December 31, 2022 and 2021, \$12,625 and \$13,214 was received from the funds, respectively. At December 31, 2022 and 2021, the market value of the funds' assets was \$289,217 and \$347,819, respectively.

Note 8. PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020 and February 10, 2021, the Center was granted a loan from Meredith Village Savings Bank in the amount of \$215,000 and \$215,000, respectively, through the Paycheck Protection Program ("PPP") under Division A, Title 1 of the CARES Act which was enacted March 27, 2020. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, and utilities. Under the terms of the PPP loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES act. On February 9, 2021 and October 26, 2021, each loan was forgiven.

Note 9. NET ASSETS WITH DONOR RESTRICTIONS

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

	Balance <u>12/31/21</u>	Revenue	Satisfaction of program restrictions	Satisfaction of property restrictions	Balance <u>12/31/22</u>
Air monitoring	\$ 1,289	\$ -	\$ (1,289)	\$ -	\$ -
Audio tour exhibit	248	-	(248)	-	-
Building and grounds	154	2,630	-	-	2,784
Campership	16,118	-	-	-	16,118
Carol Lincoln memorial playground	10,787	-	-	-	10,787
Coastal education fund	10,784	1,125	(1,742)	-	10,167
Edalhab exhibit	2,853	-	(771)	-	2,082
Heritage garden (Tallman)	2,310	-	-	-	2,310
Historic exhibit	3,122	-	(3,122)	-	-
Marine mammal rescue	98,565	78,755	(146,083)	-	31,237
Salt marsh trail	2,878	-	(219)	-	2,659
Weather exhibit	593	-	(593)	-	-
Gulf of Maine	19,540	-	-	(19,540)	-
Touch tank	10,109	-	(10,109)	-	-
Wendy Teft Fund	6,287	2,500	(1,123)	-	7,664
Capital campaign	<u>582,296</u>	<u>2,735,231</u>	<u>(366,728)</u>	-	<u>2,950,799</u>
	<u>\$ 767,933</u>	<u>\$ 2,820,241</u>	<u>\$ (532,027)</u>	<u>\$ (19,540)</u>	<u>\$ 3,036,607</u>

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consisted of the following at August 31:

	<u>2022</u>	<u>2021</u>
IT services	\$ 14,280	\$ 14,280
Architectural services	34,993	-
Food and beverage	-	1,395
Other	<u>1,000</u>	<u>805</u>
Total	<u>\$ 50,273</u>	<u>\$ 16,480</u>

The Center recognized contributed nonfinancial assets within revenue, including IT services, architectural services, food, and beverages. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets were used toward exhibit costs, fundraising events, and general and administrative costs. In valuing IT services, architectural services, food, and beverages, the Center estimated the fair value based on estimated values that would be received for selling and receiving similar products or services.

For the year ended December 31, 2022, numerous unpaid volunteers have made contributions of their time to further the Center's activities. The value of this contributed time is not reflected in these financial statements.

Note 11. RETIREMENT PLAN

The Center has a defined contribution retirement plan for all employees meeting certain eligibility requirements. The plan allows eligible employees to contribute a portion of their compensation. The Center has the option of matching employee contributions, and matched 3% of each participant's compensation in 2022. For the years ending December 31, 2022 and 2021, the Center's contribution to the plan totaled \$20,364 and \$16,544, respectively.

Note 12. CONCENTRATION OF CREDIT RISK

The Center maintains its cash balances in one financial institution located in New Hampshire. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the Center's uninsured cash balances totaled \$400,621.

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. LEASES

The Center determines if an arrangement is a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Center uses a risk-free interest rate, which is derived from the U.S. Treasury rate at the lease commencement date, in determining the present value of lease payments. The rate used was .99% based on a commencement date of January 1, 2022. As discussed in Note 4, the valuation technique used by the Center is a Level 3 measure because there are no observable market transactions, on a non-recurring basis.

The Center's financing lease is for property with a term of 2 years to lease office equipment. The useful life of the asset is limited by the expected lease term. The Center does not record leases with an initial term of 12 months or less ("short-term leases") on the balance sheet.

The Center has elected the practical expedient that allows lessees to choose not to separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Center has also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts as to whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

The following table presents the components of lease expense and their classification in the statement of activities at December 31:

<u>Component of Lease Expense</u>	<u>Classification in Statement of Activities</u>	<u>2022</u>
Finance lease expense:		
Amortization of leased assets	Amortization expenses	\$ 2,589
Interest on lease liabilities	Interest expense	<u>77</u>
Total finance lease expense		<u>2,666</u>
Total lease expense		<u>\$ 2,666</u>

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. LEASES (concluded)

The weighted average lease terms and discount rates for finance leases are presented in the following table at December 31:

	<u>2022</u>
Weighted-average remaining lease term (years)	
Finance leases	2
Weighted-average discount rate	
Finance leases	.99%

Cash flow and other information related to leases is included in the following table:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from finance leases	\$ 77
Financing cash outflows from finance leases	\$ 2,563
Right-of-use assets obtained in exchange for lease obligations:	
Finance leases	\$ 5,177

Future maturities of lease liabilities at December 31, 2022 are presented in the following table:

	<u>Finance leases</u>
2023	\$ 2,640
2024	<u>2,640</u>
Total lease obligations	5,280
Less unamortized discount	(77)
Less current obligations	<u>(2,588)</u>
Long-term lease obligations net of current portion and unamortized discount	<u>\$ 2,615</u>

SEACOAST SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through August 29, 2023, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended December 31, 2022.