

National Aquarium, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2014

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Independent Auditor's Report

To the Board of Directors
National Aquarium, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Aquarium, Inc. and Subsidiaries (formerly National Aquarium Institute, Inc. and Subsidiaries) (collectively, the Aquarium) which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Aquarium, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
April 30, 2015

National Aquarium, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2014 and 2013**

	2014	2013
Assets		
Cash and Cash Equivalents	\$ 4,304,229	\$ 7,106,402
Restricted Cash (Note 1)	504,741	-
Promises to Give and Grants Receivable, Net (Note 3)	8,757,167	1,635,100
Other Assets	1,776,047	1,677,151
Investments (Notes 4 and 5)	31,676,077	30,824,031
	<u>47,018,261</u>	<u>41,242,684</u>
Property and Equipment		
Land	2,684,364	2,604,364
Furniture, fixtures and office equipment	8,892,599	9,372,480
Other equipment	8,151,466	8,219,585
Building and leasehold improvements	168,485,460	159,323,310
Construction in progress (Note 11)	9,416,386	8,503,792
	<u>197,630,275</u>	<u>188,023,531</u>
Less accumulated depreciation	(90,004,707)	(83,583,697)
Property and equipment, net	<u>107,625,568</u>	<u>104,439,834</u>
Total assets	<u>\$ 154,643,829</u>	<u>\$ 145,682,518</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 11)	\$ 2,652,408	\$ 1,366,318
Accrued salaries and benefits	1,256,230	1,485,693
Deferred revenue	2,093,757	2,093,889
Deferred rent (Note 11)	1,159,836	1,249,097
Capital lease obligation (Note 7)	3,397,261	-
Note payable (Note 6)	4,871,625	4,871,625
Loan payable (Note 6)	21,881,236	23,616,469
Total liabilities	<u>37,312,353</u>	<u>34,683,091</u>
Commitments and Contingencies (Notes 2 and 11)		
Net Assets (Note 9)		
Unrestricted	105,370,419	102,643,545
Temporarily restricted	10,153,083	6,580,938
Permanently restricted	1,807,974	1,774,944
Total net assets	<u>117,331,476</u>	<u>110,999,427</u>
Total liabilities and net assets	<u>\$ 154,643,829</u>	<u>\$ 145,682,518</u>

See Notes to Consolidated Financial Statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Admissions	\$ 24,617,521	\$ -	\$ -	\$ 24,617,521
Contributions and grants	8,174,073	6,198,721	33,030	14,405,824
General and corporate membership programs	4,201,133	-	-	4,201,133
Gift shop and food service	1,900,292	-	-	1,900,292
Group sales	2,275,682	-	-	2,275,682
Education program	1,663,929	-	-	1,663,929
Auxiliary	2,680,031	-	-	2,680,031
Catered events	879,270	-	-	879,270
Investment income (Note 4)	758,808	151,241	-	910,049
Net assets released from restrictions:				
Satisfaction of program restrictions	1,832,385	(1,832,385)	-	-
Satisfaction of equipment acquisition restrictions	945,432	(945,432)	-	-
Total revenue, gains and other support	49,928,556	3,572,145	33,030	53,533,731
Expenses (Note 12)				
Programs:				
Plant operations	8,718,271	-	-	8,718,271
Depreciation	7,748,011	-	-	7,748,011
Biological programs	9,237,627	-	-	9,237,627
Visitor operations	3,029,264	-	-	3,029,264
Education	4,832,201	-	-	4,832,201
Debt service (Note 6)	801,573	-	-	801,573
Catered events	403,904	-	-	403,904
Total program expenses	34,770,851	-	-	34,770,851
Supporting services:				
General and administrative	4,461,555	-	-	4,461,555
Marketing	6,562,407	-	-	6,562,407
General and corporate membership programs	666,078	-	-	666,078
Development	740,791	-	-	740,791
Total supporting services expenses	12,430,831	-	-	12,430,831
Total expenses	47,201,682	-	-	47,201,682
Change in net assets from continuing operations	2,726,874	3,572,145	33,030	6,332,049
Loss From Discontinued Operations (Note 13)	-	-	-	-
Change in net assets	2,726,874	3,572,145	33,030	6,332,049
Net Assets				
Beginning	102,643,545	6,580,938	1,774,944	110,999,427
Ending	\$ 105,370,419	\$ 10,153,083	\$ 1,807,974	\$ 117,331,476

See Notes to Consolidated Financial Statements.

2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	24,253,033	\$ -	\$ -	\$ 24,253,033
	7,417,549	1,464,259	-	8,881,808
	4,451,273	-	-	4,451,273
	2,062,091	-	-	2,062,091
	2,297,754	-	-	2,297,754
	1,636,046	-	-	1,636,046
	2,780,217	-	-	2,780,217
	735,798	-	-	735,798
	3,632,686	812,870	-	4,445,556
	682,387	(682,387)	-	-
	843,450	(843,450)	-	-
	50,792,284	751,292	-	51,543,576
	8,230,211	-	-	8,230,211
	7,626,022	-	-	7,626,022
	8,000,038	-	-	8,000,038
	2,970,222	-	-	2,970,222
	4,975,473	-	-	4,975,473
	750,067	-	-	750,067
	326,787	-	-	326,787
	32,878,820	-	-	32,878,820
	4,005,555	-	-	4,005,555
	6,281,505	-	-	6,281,505
	630,991	-	-	630,991
	583,329	-	-	583,329
	11,501,380	-	-	11,501,380
	44,380,200	-	-	44,380,200
	6,412,084	751,292	-	7,163,376
	(1,234,762)	(655,319)	-	(1,890,081)
	5,177,322	95,973	-	5,273,295
	97,466,223	6,484,965	1,774,944	105,726,132
\$	102,643,545	\$ 6,580,938	\$ 1,774,944	\$ 110,999,427

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 6,332,049	\$ 5,273,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation (including depreciation on discontinued operations of \$65,208 for 2013)	7,748,011	7,691,230
Loss on disposal	-	1,912,151
Amortization of capital lease issuance cost	4,471	-
Amortization of bond issue costs and original issue premium	12,819	12,819
(Decrease) increase in discount on promises to give	38,815	(9,002)
Net realized and unrealized appreciation of investments	(313,448)	(4,298,093)
Contributions restricted to long-term investment	(1,320,431)	(843,750)
Changes in assets and liabilities		
Increase in:		
Promises to give and grants receivable	(7,160,882)	736,816
Other assets	(116,186)	(493,777)
Increase (decrease) in:		
Accounts payable and accrued expenses	124,384	(518,714)
Accrued salaries and benefits	(229,463)	197,931
Deferred rent	(89,261)	(56,850)
Deferred revenue	(132)	(68,955)
Net cash provided by operating activities	5,030,746	9,535,101
Cash Flows From Investing Activities		
Restricted cash acquired in conjunction with capital lease obligation	(504,741)	-
Purchases of property and equipment	(6,858,114)	(10,016,845)
Purchases of investments	(859,806)	(1,135,309)
Proceeds from sale of investments	321,208	748,704
Net cash used in investing activities	(7,901,453)	(10,403,450)
Cash Flows From Financing Activities		
Proceeds from contributions restricted to long-term investment	1,320,431	843,750
Principal payments on loan payable	(1,735,233)	(1,686,038)
Proceeds from capital lease obligation	504,741	-
Principal payments on capital lease obligation	(21,405)	-
Net cash used in financing activities	68,534	(842,288)
Net decrease in cash and cash equivalents	(2,802,173)	(1,710,637)
Cash and Cash Equivalents		
Beginning	7,106,402	8,817,039
Ending	\$ 4,304,229	\$ 7,106,402
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest for long-term debt and capital lease	\$ 756,299	\$ 706,397
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment acquired through capital lease obligation	\$ 2,913,925	\$ -
Property and equipment purchases in accounts payable and accrued expenses	1,161,706	-
Total noncash investing and financing activities	\$ 4,075,631	\$ -

See Notes to Consolidated Financial Statements.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The National Aquarium, Inc. and Subsidiaries (formerly National Aquarium Institute, Inc.) (collectively, the Aquarium) is a not-for-profit corporation that operates and manages an aquarium and centers for the study of marine sciences in Baltimore, Maryland (and previously in Washington, D.C.), and provides recreational and educational facilities for its visitors. The National Aquarium Institute, Inc. was designated as the sole member of the National Aquarium in Baltimore, Inc., The National Aquarium Society, the National Aquarium Foundation, Inc., and the Center for Aquatic Life and Conservation, Inc., according to their charters and bylaws. During the course of fiscal year 2014, The National Aquarium Institute, Inc. and the National Aquarium Society were merged with the National Aquarium in Baltimore, Inc. The National Aquarium in Baltimore, Inc. was renamed the National Aquarium, Inc. in 2014. As a result, the primary reporting entity under accounting principles generally accepted in the United States of America is the National Aquarium, Inc. The National Aquarium Institute, Inc. had no financial activities in 2014 and 2013. The National Aquarium Society discontinued its financial activities during 2013 incurring a write-off on disposition (see Note 13). The remaining net assets (primarily investment balances) were transferred in 2014 to the National Aquarium Foundation, Inc.

A summary of the Aquarium's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of the National Aquarium, Inc. (NA), the National Aquarium Foundation, Inc. (Foundation), and the Center for Aquatic Life and Conservation, Inc. (CALC). All intercompany accounts and transactions were eliminated for consolidation purposes.

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The Aquarium is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets: Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Aquarium pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Aquarium's actions.

Revenue recognition: The Aquarium reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statements of activities as net assets released from restrictions.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Aquarium 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 Aquarium reports expirations of donor restrictions when the donated long-lived assets are placed in service or the acquired long-lived assets are purchased.

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. Promises to give are carried at the present value of expected future cash flows computed using a discount rate of 3.25% for 2014 and 2013, respectively. Amortization of the discount is included in contributions and grants revenue.

Membership revenue is recognized ratably over the term of the membership. Prepayments are recorded as deferred revenue when received.

Admissions revenue is recognized on the date of admission. Prepayments are recorded as deferred revenue when received.

Auxiliary revenue consists of attendance related items, visitor photos, locker rental and revenue, in addition to sponsorship and miscellaneous income. Auxiliary revenue is recognized when the service is provided.

Cash and cash equivalents: Cash and cash equivalents consist of cash and funds deposited in a money market fund and temporary investments with a maturity of three months or less.

Cash restricted for capital lease expenditures: The Aquarium considers cash and cash equivalents, restricted for future support of specific purpose, as restricted cash. Restricted cash is \$504,741 and \$0 as of December 31, 2014 and 2013, respectively. At December 31, 2014, restricted cash consists of lease proceeds to be used solely for future capital improvement expenditures.

Credit risk: The Aquarium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management considers this to be a normal business risk.

Other assets: Other assets consist of other receivables, prepaid expenses, and debt issuance costs.

Investments: Investments are recorded at fair value based on closing values on the last trading day of the year. The Foundation invests in a portfolio that contains mutual funds, equities and hedge funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Debt issuance costs: Debt issuance costs related to long-term debt are being amortized over the term of the debt using the straight-line method. In connection with the extinguishment of the bonds payable, as described in Note 6, the former debt issuance costs related to bonds payable were fully amortized during 2013 and costs for the new debt were recorded. Accumulated amortization of the debt issuance costs was \$32,047 and \$19,228 as of December 31, 2014 and 2013, respectively.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Expenditures made by the Aquarium for portions of capital projects which the Aquarium will own are included in property and equipment at cost, if purchased, or at their fair value at the date of the gift, if donated. Expenditures made by the City of Baltimore (the City) for capital projects are not included in the Aquarium's consolidated financial statements because these assets are owned by the City.

Management's estimate of the cost of construction of both aquarium buildings in Baltimore, including renovations/improvements made subsequently, was approximately \$214,377,000 and \$204,770,000 as of December 31, 2014 and 2013, respectively. Of this amount, approximately \$169,731,000 and \$160,124,000 has been capitalized in the accompanying consolidated statements of financial position as of December 31, 2014 and 2013, respectively. The remaining amount is not capitalized in the accompanying consolidated financial statements as it pertains to assets paid for and owned by the City (see Note 2).

All other property and equipment are the property of the Aquarium and, accordingly, are included in the accompanying consolidated financial statements.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Furniture, fixtures and office equipment	3 – 10 years
Other equipment	3 – 10 years
Building and leasehold improvements	3 – 30 years

Exhibits are included in building improvements and are depreciated using the straight-line method over five years for revolving exhibits and 10 to 30 years for permanent exhibits.

Construction in progress consists of costs incurred relating to various renovation projects of existing facilities, exhibits and displays.

Valuation of long-lived assets: The Aquarium accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic *Property, Plant, and Equipment* that address *Impairment or Disposal of Long-Lived Assets*. The accounting standard requires that property, plant, and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: Rents on operating leases are reported whereby total rent expense under the leases is charged to operations on a straight-line basis over the term of the related leases.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, other receivables, accounts payable, accrued salaries and benefits, accrued expenses and deferred revenue approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates on these instruments fluctuate with market interest rates or the fixed rates are based on current rates offered to the Aquarium for debt with similar terms and maturities.

Volunteer services: The Aquarium utilizes a volunteer program that incorporates extensive training protocols to meet various operational needs. The fair market value of these volunteer services is recognized as contribution revenue and the applicable expense in the accompanying consolidated financial statements. The value for volunteer services was \$3,066,708 and \$2,935,566 for the years ended December 31, 2014 and 2013, respectively.

Advertising: Advertising costs are expensed as incurred and were approximately \$3,303,988 and \$3,174,489 for the years ended December 31, 2014 and 2013, respectively.

Income taxes: The Aquarium and its subsidiaries are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Aquarium and its subsidiaries qualify for charitable contribution deductions under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Aquarium had no net unrelated business income for the years ended December 31, 2014 and 2013.

Management has evaluated the Aquarium's tax positions and has concluded that the Aquarium has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Generally, the Aquarium is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before 2011.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: The Aquarium has evaluated subsequent events through April 30, 2015, which is the date the consolidated financial statements were available to be issued.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Management and Lease Agreement

In 1987, the Aquarium entered into a management and lease agreement with the Mayor and the City Council of Baltimore for the purpose of setting forth the rights and obligations of each related to the operation, maintenance, and ownership of the Aquarium. Significant provisions of the agreement are as follows:

- The Aquarium set forth its intention to operate the facilities on a self-sustaining basis, dedicating its excess of revenue over expenses for exhibit additions, replacements and renovations.
- The Aquarium is responsible for the operation of the facilities under the general direction of the City.
- The City has legal title to certain of the real and tangible personal property located at the aquarium complex and, in the event of the Aquarium's dissolution, obtains title to all other corporate assets.
- The Aquarium is responsible for the maintenance, repair, replacement and upkeep of the exterior of the aquarium and all structural elements thereof. In addition, the Aquarium is responsible for the repair and maintenance of property and equipment such as water, electric, sewer, heating and air conditioning apparatus, and all machinery, equipment and other fixtures used in connection with the operation of the facilities.
- The Aquarium is responsible for maintaining certain levels of comprehensive general liability, fire and extended coverage insurance as defined by the agreement.
- The original 1987 agreement, which does not require annual rental payments, was amended during 2001 to extend the lease term to 2049. The lease shall automatically renew itself for five successive terms of ten years each, upon certain conditions being met by both parties, as defined by the agreement.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Promises to Give and Grants Receivable

Included in promises to give and grants receivable are the following unconditional promises to give at December 31, 2014 and 2013:

	2014	2013
Capital campaign	\$ 1,007,346	\$ 388,300
Capital campaign, restricted to future periods	1,473,986	1,196,950
State grant	5,000,000	-
Conservation, education, and other	672,739	167,939
Conservation, education, and other, restricted to future periods	760,000	-
Unconditional promises to give before present value discount	8,914,071	1,753,189
Less present value discount	(156,904)	(118,089)
Promises to give and grants receivable, net	\$ 8,757,167	\$ 1,635,100
Amounts due in		
Less than one year	\$ 6,680,085	\$ 556,239
One to five years	2,050,002	881,750
Thereafter	183,984	315,200
	\$ 8,914,071	\$ 1,753,189

Note 4. Investments

Investments owned by the Aquarium consist of the following at December 31, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 713,952	\$ 713,952	\$ 347,732	\$ 347,093
Equities	4,176,445	4,757,069	2,042,080	2,826,813
Mutual funds	20,716,239	24,789,376	23,580,235	27,650,125
Hedge funds	1,400,000	1,415,680	-	-
	\$ 27,006,636	\$ 31,676,077	\$ 25,970,047	\$ 30,824,031

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments (Continued)

Investment income is as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Net unrealized appreciation (depreciation)	\$ (184,543)	\$ 3,467,778
Net realized gains	497,991	830,315
	313,448	4,298,093
Interest and dividends	596,601	528,014
	<u>\$ 910,049</u>	<u>\$ 4,826,107</u>

Investment income of \$380,551, included in the table above, was included in loss on discontinued operations during the year ended December 31, 2013.

Note 5. Fair Value Measurements

The Aquarium 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 and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are types of investments included in Level 1.
- Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, and over-the-counter derivatives.
- Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Aquarium's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Aquarium:

- Level 1 Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

Level 2 Includes investments in funds that calculated net asset value per share, or the equivalent. These funds are classified as Level 2 when the Aquarium is able to redeem the funds in the near term, which is generally defined to be within 90 days of year-end.

Level 3 Not applicable.

The following table classifies all investments into the hierarchy set forth by Accounting Standards Codification (ASC) 820. The table includes those investments that are held and managed by the Aquarium measured at fair value on a recurring basis by level within the hierarchy at December 31, 2014 and 2013.

The fair value of equity and fixed income securities are measured using quoted market prices at the reporting date when quoted market prices are available. When quoted market prices are not available, the Aquarium has used a practical expedient allowed under Accounting Standards Update (ASU) 2009-12, where each investment's net asset value as reported by each fund manager is an acceptable measurement of fair value owned when coinciding with the Aquarium's measurement date.

	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equities (a)								
Consumer discretionary	\$ 1,088,091	\$ -	\$ -	\$ 1,088,091	\$ 942,188	\$ -	\$ -	\$ 942,188
Information technology	680,044	-	-	680,044	599,592	-	-	599,592
Industrials	1,080,883	-	-	1,080,883	330,404	-	-	330,404
Health care	581,653	-	-	581,653	350,085	-	-	350,085
Financial	829,221	-	-	829,221	308,721	-	-	308,721
Materials	216,574	-	-	216,574	103,157	-	-	103,157
Energy	136,637	-	-	136,637	121,157	-	-	121,157
Telecommunication services	20,572	-	-	20,572	71,509	-	-	71,509
Consumer staples	85,071	-	-	85,071	-	-	-	-
Miscellaneous	38,323	-	-	38,323	-	-	-	-
Mutual funds (b)								
International	5,755,862	-	-	5,755,862	5,255,543	-	-	5,255,543
Fixed income	4,230,672	-	-	4,230,672	5,512,839	-	-	5,512,839
Growth	4,197,276	-	-	4,197,276	3,713,988	-	-	3,713,988
Value	4,157,300	-	-	4,157,300	3,682,255	-	-	3,682,255
Emerging market	3,446,142	-	-	3,446,142	3,575,313	-	-	3,575,313
Small cap/mid cap	-	-	-	-	2,830,175	-	-	2,830,175
Market index	2,104,648	-	-	2,104,648	1,970,392	-	-	1,970,392
Global hard asset	897,476	-	-	897,476	1,109,620	-	-	1,109,620
Hedge funds (c)	-	1,415,680	-	1,415,680	-	-	-	-
	<u>\$ 29,546,445</u>	<u>\$ 1,415,680</u>	<u>\$ -</u>	<u>\$ 30,962,125</u>	<u>\$ 30,476,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,476,938</u>

- (a) Equity investments are made through comingled accounts, managed accounts, or mutual funds that hold primarily common stock of U.S., non-U.S., emerging markets, and global companies. These funds are classified as Level 1 investments when the funds are publicly traded.
- (b) Mutual funds are investments made through managed accounts and hold a variety of equity and debt securities such as U.S. and international stocks, as well as U.S. and international sovereign, agency, and corporate debt. These funds are classified as Level 1 investments when the funds are publicly traded.
- (c) Hedge funds are investments made through international multi-strategy fund of funds that may invest in a wide variety of assets globally, including equity and debt. These funds calculate net asset values per share, or the equivalent. Funds are classified as Level 2 when the Aquarium is able to redeem the funds in the near term, which is generally considered to be within 90 days of year-end.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

The Aquarium excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, \$713,952 and \$347,093 of cash equivalents and a certificate of deposit, in the Aquarium's investment portfolio at December 31, 2014 and 2013, respectively, has been excluded from this table.

The following table represents information on the Aquarium investments by major category where net asset value as a practical expedient to fair value was used.

	December 31, 2014	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	\$ 1,415,680	Monthly	30 days
Total investment values using net asset value as a practical expedient to fair value	\$ 1,415,680		

The nature and risks inherent in the Aquarium's investments where the fair value was estimated using the practical expedient are summarized as follows:

- (a) Hedge Funds – Hedge fund investments were approximately 5% of total investments at December 31, 2014, and 0% of total investments as of December 31, 2013, and are comprised of domestic funds of funds, offshore low volatility multi-strategy funds, and international fund of funds. These hedge funds share in the returns and risks associated with international equity and credit markets, interest rate, and foreign currencies. In addition, some of these funds may present lower liquidity, organizational risk, event and deal risks, leverage, and counterparty risk. Reduced redemption rights have been accepted for certain funds in order to achieve more desirable terms such as lower management fees.

Note 6. Long-Term Debt

On June 27, 2012, the Maryland Industrial Development Financing Authority (MIDFA), on behalf of the Aquarium, issued a tax-exempt revenue refunding bond in the amount of \$25,980,765 to refund a prior MIDFA issued obligation. The bond was placed with Bank of America as a non-bank qualified private loan. The loan carries a fixed rate of 2.84%. The loan is subject to certain financial and non-financial covenants. Monthly principal and interest payments in the amount of \$199,370 are scheduled for ten years over a 13-year amortization table. The maturity date of the underlying bonds is June 2022, where Bank of America has the ability to call the loan or they can grant an extension of the current terms. The loan balance was \$21,881,236 and \$23,616,469 at December 31, 2014 and 2013, respectively. The loan is secured by a Security Agreement, whereby the bank has a lien on all current and future receipts of the Aquarium.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Principal payment requirements on the bond payable at December 31, 2014, are due in future years as follows:

Year Ending December 31,

2015	\$ 1,785,863
2016	1,836,374
2017	1,891,551
2018	1,946,741
2019	2,003,542
Thereafter	12,417,165
	<u>\$ 21,881,236</u>

On February 7, 2007, CALC purchased 21.0 acres of land, which contained the central garage and repair facility for the Baltimore City Department of Public Works (DPW), for \$250,000. In addition, CALC was required to provide up to \$7,975,000 toward the cost of constructing a new garage for DPW, as defined in the agreement.

In conjunction with the purchase, CALC received a \$5,000,000 investment from the City of Baltimore Development Corporation (BDC) for acquisition and development of the expected site for CALC. The investment is to be repaid from the development fees received by CALC as defined in the agreement. There were no development fees received by CALC in 2014 or 2013. The funds were provided by way of a reinvestment agreement between CALC and BDC. The reinvestment agreement is parallel to an investment agreement between the Department of Business and Economic Development of the State of Maryland and BDC. The balance due under this agreement is \$4,871,625 at both December 31, 2014 and 2013.

Interest expense on long-term debt was \$653,000 and \$702,000 for the years ended December 31, 2014 and 2013, respectively. The City of Baltimore Development Corporation investment does not charge interest.

Note 7. Capital Lease

In March 2014, NA and the Foundation entered into a non-bank qualified tax-exempt capital lease between the Maryland Clean Energy Center and Banc of America Public Capital Corp relating to the acquisition of infrastructure related capital equipment. Concurrent with the lease, NA also entered into a Guaranteed Energy Savings Contract with Constellation NewEnergy, Inc. for the procurement and installation of the equipment. Installation will be completed by the first quarter of 2015. The lease is subject to certain financial and non-financial covenants which are consistent with those associated with its 2012 bond financing. The total value of the transaction was \$3,418,666.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Capital Lease (Continued)

Total principal payment requirements on the capital lease payable at December 31, 2014, are due in future years as follows:

Year Ending December 31,

2015	\$	117,517
2016		130,865
2017		145,025
2018		160,040
2019		175,952
Thereafter		<u>2,667,862</u>
	\$	<u><u>3,397,261</u></u>

Interest expense relating to the capital lease totaled \$99,098 in 2014.

Note 8. Line of Credit

The Aquarium has an unsecured \$5,000,000 revolving line of credit with a floating rate of interest equal to the London Interbank Offered Rate (LIBOR) plus 150 basis points. The line of credit was renewed in October 2014. There was no outstanding balance on the line of credit as of December 31, 2014 and 2013.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of December 31, 2014 and 2013, are available for the following purposes:

	2014	2013
NA		
Capital expansion	\$ 4,590,269	\$ 1,777,897
Biological program activities	103,221	85,196
Conservation programs	1,934,342	703,257
Henry Hall activities	131,785	636,379
Education activities	106,273	71,007
Total NA	6,865,890	3,273,736
Foundation		
Lecture series	1,004,497	1,004,557
Henry Hall activities	470,328	476,941
Endowment Earnings:		
Biological program activities	739,558	752,484
Education activities	558,180	566,502
Professional excellence	250,456	275,276
Aquarium science and medicine	264,174	231,442
Total Foundation	3,287,193	3,307,202
	\$ 10,153,083	\$ 6,580,938

Permanently restricted net assets as of December 31, 2014 and 2013, are held by the National Aquarium Foundation, Inc. and are restricted for the following purposes:

	2014	2013
Professional excellence	\$ 250,000	\$ 250,000
Marine life accessions	250,000	250,000
Education center	299,944	299,944
Aquarium science and medicine	1,008,030	975,000
	\$ 1,807,974	\$ 1,774,944

The earnings are directed for use by the donors and are accounted for in the temporarily restricted funds until transfers are made to the Aquarium and used for their designated purposes.

The Blaustein Foundation has established endowed funds to provide grants to the Aquarium to finance purchases of aquarium specimens and to support programming activities of the Aquatic Education Resource Center. The original endowments were \$250,000 each and income from the endowments has been used for the intended purposes. Based on need and approval, annual earnings are used for grants to the Aquarium, and those earnings in excess of expenditures are to be temporarily restricted for the designated purposes.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Temporarily and Permanently Restricted Net Assets (Continued)

The James McBride Endowment of \$149,944, with additional matching support by the National Aquarium Foundation, Inc. of \$150,000, was established to provide funds for education for professional staff.

A donor has established endowed funds in the form of a \$1,008,030 bequest to aid in providing additional veterinary support to the Aquarium.

Interpretation of relevant law: The Board of Directors of the Aquarium has interpreted the Maryland-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Aquarium 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 applicable donor gift instrument at the time the accumulation is added to the fund. 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 under UPMIFA until appropriated for use in accordance with the donor's stipulations.

Return objectives and risk parameters: The Aquarium's objective is to earn a respectable long-term, risk adjusted total rate of return to support the designated programs. The Aquarium recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Aquarium targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Aquarium has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designated to serve for long-time horizons based upon long-term expected returns.

Endowment spending policy: The Aquarium will plan for expenditures in its annual budget a maximum of 5% of the rolling average of the market value of the endowment assets over the preceding 12 quarters, with the base adjusted for new capital contributions to the endowment. There may be times when the Aquarium may opt not to take the maximum spending rate but rather to reinvest some of the annual return.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Temporarily and Permanently Restricted Net Assets (Continued)

The composition of the Aquarium's donor-restricted endowment and non-endowment funds at December 31, 2014 and 2013, and changes in endowment net assets for the years then ended, are as follows:

Endowment Net Asset Composition by Type of Fund As of December 31, 2014 and 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,812,368	\$ 1,807,974	\$ 3,620,342
Non-endowment funds	105,370,419	8,340,715	-	113,711,134
Total funds	\$ 105,370,419	\$ 10,153,083	\$ 1,807,974	\$ 117,331,476

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,825,704	\$ 1,774,944	\$ 3,600,648
Non-endowment funds	102,643,545	4,755,234	-	107,398,779
Total funds	\$ 102,643,545	\$ 6,580,938	\$ 1,774,944	\$ 110,999,427

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Temporarily and Permanently Restricted Net Assets (Continued)

Changes in Endowment Net Assets Years Ended December 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of the year	\$ -	\$ 1,825,704	\$ 1,774,944	\$ 3,600,648
Investment return				
Investment income	-	201,292	-	201,292
Net appreciation (depreciation)	-	(97,693)	-	(97,693)
Total investment return	-	103,599	-	103,599
Contribution to endowment	-	-	33,030	33,030
Appropriation of endowment assets for expenditure	-	(116,935)	-	(116,935)
Endowment net assets, end of the year	\$ -	\$ 1,812,368	\$ 1,807,974	\$ 3,620,342

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of the year	\$ -	\$ 1,302,335	\$ 1,774,944	\$ 3,077,279
Investment return				
Investment income	-	184,465	-	184,465
Net appreciation	-	409,513	-	409,513
Total investment return	-	593,978	-	593,978
Appropriation of endowment assets for expenditure	-	(70,609)	-	(70,609)
Endowment net assets, end of the year	\$ -	\$ 1,825,704	\$ 1,774,944	\$ 3,600,648

Note 10. Employee Benefit Plans

The Aquarium has a 401(k) plan for employees. The 401(k) plan provides a 50% match on participants' contributions up to 3% for both 2014 and 2013. The Plan also provides for discretionary employer contributions, but employer contributions were not made in 2014 and 2013. The 401(k) plan expense was approximately \$186,000 and \$183,000 for the years ended December 31, 2014 and 2013, respectively.

Note 11. Commitments and Contingencies

Commitments: The Aquarium leases office, warehouse, aquatic tank space, and an exhibit under operating lease agreements. Total expense, net of sublease income, for these leases was approximately \$1,184,401 and \$996,382 for the years ended December 31, 2014 and 2013, respectively. Beginning January 31, 2007, the Aquarium has an agreement to sublease office space under an operating sublease expiring March 2018, subject to two opt-out provisions by the sub-lessee after 40 months and 88 months. The opt-out provision was exercised in May 2013 and the sublease agreement expired on May 31, 2014.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Commitments and Contingencies (Continued)

Approximate future minimum annual payments under all noncancelable leases are as follows:

Year Ending December 31,	Payments
2015	\$ 1,128,670
2016	1,163,333
2017	1,173,909
2018	985,572
2019	699,242
Thereafter	2,521,527
	<u>\$ 7,672,253</u>

Litigation: Lawsuits and claims are filed from time-to-time against the Aquarium in the ordinary course of business. The Aquarium, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the Aquarium's consolidated financial statements.

Capital projects: As of December 31, 2014, the Aquarium has signed contract commitments for approximately \$1,388,000 of capital projects.

Power purchase agreement: In July 2014, NA entered into a power purchase agreement with Constellation NewEnergy, Inc. committing NA to purchasing all of the energy output of a specifically identified solar facility to be completed in the second quarter of 2015. The solar facility output serves as a price component for a blended fixed rate on all energy consumption of the Aquarium through March 2040. The established rate per Megawatt Hour is subject to an annual 2.9% increase through the fixed rate period ending on December 2020. The pricing from January 2021 to March 2040 is on a "pass-through model" on variables described in the agreement.

Self-insurance program: The Aquarium maintains a self-insured medical plan for the benefit of its employees. The medical plan is administered through a contractual relationship with an unrelated company. The Aquarium is responsible for all claims incurred up to the amount of its stop loss insurance, which it maintains on both a "per employee" basis and in the aggregate. The Aquarium's expense under the self-insured medical plan amounted to approximately \$1,327,262 and \$1,095,000 for the years ended December 31, 2014 and 2013, respectively. The Aquarium includes a provision for estimated claims in accounts payable and accrued expenses on the consolidated statements of financial position.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Expenses

Expenses by natural classification for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Salaries and benefits	\$ 18,153,017	\$ 16,841,145
Supplies and other	10,436,858	9,778,883
Depreciation and amortization	7,760,829	7,638,841
Purchased services	7,784,270	7,185,765
Volunteer services and in-kind contributions	3,066,708	2,935,566
	<u>47,201,682</u>	<u>44,380,200</u>
Add expenses included in discontinued operations	-	3,541,961
	<u>\$ 47,201,682</u>	<u>\$ 47,922,161</u>

Fully allocated functional expenses for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Program Services		
Biological programs	\$ 18,351,153	\$ 16,164,173
Visitor operations	6,017,832	6,001,368
Education	9,599,484	10,053,001
Catered events	802,382	660,278
	<u>34,770,851</u>	<u>32,878,820</u>
Supporting Services		
General and administrative	4,461,555	4,005,555
Marketing	6,562,407	6,281,505
General and corporate membership programs	666,078	630,991
Development	740,791	583,329
	<u>12,430,831</u>	<u>11,501,380</u>
	<u>47,201,682</u>	<u>44,380,200</u>
Add expenses included in discontinued operations	-	3,541,961
	<u>\$ 47,201,682</u>	<u>\$ 47,922,161</u>

Note 13. Discontinued Operations

During 2013, NADC discontinued its operations when the aquarium in Washington, D.C. was closed. Total revenues and expenses were \$1,651,880 and \$3,623,377 (\$3,541,961 after intercompany eliminations), respectively, for the year ended December 31, 2013. Included in the expenses was a loss on disposal of assets of \$1,912,151 resulting from the discontinuation. During 2014, the remaining net assets and investments held by NADC were transferred to the National Aquarium, Inc. resulting in a gain of approximately \$46,783 due to investment gains that are included in the unrestricted investment income on the statement of activities.



**Independent Auditor's Report
on the Supplementary Information**

To the Board of Directors
National Aquarium, Inc.
Baltimore, Maryland

We have audited the consolidated financial statements of National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium) as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

McGladrey LLP

Baltimore, Maryland
April 30, 2015

National Aquarium, Inc. and Subsidiaries

Consolidating Statements of Financial Position

December 31, 2014 and 2013

	2014				
	National Aquarium, Inc.	National Aquarium Foundation, Inc.	Center for Aquatic Life and Conservation, Inc.	Eliminations	Total
Assets					
Cash and Cash Equivalents	\$ 4,142,172	\$ 1,766	\$ 160,291	\$ -	\$ 4,304,229
Restricted Cash	504,741	-	-	-	504,741
Promises to Give and Grants					
Receivable, Net	8,757,167	-	-	-	8,757,167
Due From Affiliate	129,311	272,066	-	(401,377)	-
Other Assets	1,770,544	5,503	-	-	1,776,047
Investments	-	31,676,077	-	-	31,676,077
	<u>15,303,935</u>	<u>31,955,412</u>	<u>160,291</u>	<u>(401,377)</u>	<u>47,018,261</u>
Property and Equipment					
Land	-	-	2,684,364	-	2,684,364
Furniture, fixtures and office equipment	8,892,599	-	-	-	8,892,599
Other equipment	8,151,466	-	-	-	8,151,466
Building and leasehold improvements	160,698,560	-	7,786,900	-	168,485,460
Construction in progress	9,416,386	-	-	-	9,416,386
	<u>187,159,011</u>	<u>-</u>	<u>10,471,264</u>	<u>-</u>	<u>197,630,275</u>
Less accumulated depreciation	(89,990,018)	-	(14,689)	-	(90,004,707)
Property and equipment, net	<u>97,168,993</u>	<u>-</u>	<u>10,456,575</u>	<u>-</u>	<u>107,625,568</u>
Total assets	<u>\$ 112,472,928</u>	<u>\$ 31,955,412</u>	<u>\$ 10,616,866</u>	<u>\$ (401,377)</u>	<u>\$ 154,643,829</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	\$ 2,468,392	\$ 184,016	\$ -	\$ -	\$ 2,652,408
Accrued salaries and benefits	1,256,230	-	-	-	1,256,230
Due to affiliate	272,066	48,649	80,662	(401,377)	-
Deferred revenue	2,093,757	-	-	-	2,093,757
Deferred rent	1,159,836	-	-	-	1,159,836
Capital Lease	3,397,261	-	-	-	3,397,261
Note payable	-	-	4,871,625	-	4,871,625
Loan payable	21,881,236	-	-	-	21,881,236
Total liabilities	<u>32,528,778</u>	<u>232,665</u>	<u>4,952,287</u>	<u>(401,377)</u>	<u>37,312,353</u>
Net Assets					
Unrestricted	73,078,260	26,627,580	5,664,579	-	105,370,419
Temporarily restricted	6,865,890	3,287,193	-	-	10,153,083
Permanently restricted	-	1,807,974	-	-	1,807,974
Total net assets	<u>79,944,150</u>	<u>31,722,747</u>	<u>5,664,579</u>	<u>-</u>	<u>117,331,476</u>
Total liabilities and net assets	<u>\$ 112,472,928</u>	<u>\$ 31,955,412</u>	<u>\$ 10,616,866</u>	<u>\$ (401,377)</u>	<u>\$ 154,643,829</u>

2013

	National Aquarium, Inc.	National Aquarium Foundation, Inc.	Center for Aquatic Life and Conservation, Inc.	The National Aquarium Society	Eliminations	Total
\$	6,799,112	\$ -	\$ 305,525	\$ 1,765	\$ -	\$ 7,106,402
	-	-	-	-	-	-
	1,555,100	-	80,000	-	-	1,635,100
	75,148	272,066	-	188,552	(535,766)	-
	1,674,006	3,145	-	-	-	1,677,151
	-	28,485,916	-	2,338,115	-	30,824,031
	10,103,366	28,761,127	385,525	2,528,432	(535,766)	41,242,684
	-	-	2,604,364	-	-	2,604,364
	9,372,480	-	-	-	-	9,372,480
	8,219,585	-	-	-	-	8,219,585
	159,323,310	-	-	-	-	159,323,310
	800,916	-	7,702,876	-	-	8,503,792
	177,716,291	-	10,307,240	-	-	188,023,531
	(83,583,697)	-	-	-	-	(83,583,697)
	94,132,594	-	10,307,240	-	-	104,439,834
\$	104,235,960	\$ 28,761,127	\$ 10,692,765	\$ 2,528,432	\$ (535,766)	\$ 145,682,518
\$	1,353,818	\$ 12,500	\$ -	\$ -	\$ -	\$ 1,366,318
	1,485,693	-	-	-	-	1,485,693
	460,617	23,143	52,006	-	(535,766)	-
	2,093,889	-	-	-	-	2,093,889
	1,249,097	-	-	-	-	1,249,097
	-	-	-	-	-	-
	-	-	4,871,625	-	-	4,871,625
	23,616,469	-	-	-	-	23,616,469
	30,259,583	35,643	4,923,631	-	(535,766)	34,683,091
	70,702,641	23,643,338	5,769,134	2,528,432	-	102,643,545
	3,273,736	3,307,202	-	-	-	6,580,938
	-	1,774,944	-	-	-	1,774,944
	73,976,377	28,725,484	5,769,134	2,528,432	-	110,999,427
\$	104,235,960	\$ 28,761,127	\$ 10,692,765	\$ 2,528,432	\$ (535,766)	\$ 145,682,518

National Aquarium, Inc. and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2014

	National Aquarium, Inc.			National Aquarium Foundation, Inc.				Center for Aquatic Life and Conservation, Inc.		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support										
Admissions	\$ 24,617,521	\$ -	\$ 24,617,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and grants	8,174,073	6,198,721	14,372,794	-	-	33,030	33,030	-	-	-
General and corporate membership programs	4,201,133	-	4,201,133	-	-	-	-	-	-	-
Gift shop and food service	1,900,292	-	1,900,292	-	-	-	-	-	-	-
Group sales	2,275,682	-	2,275,682	-	-	-	-	-	-	-
Education program	1,663,929	-	1,663,929	-	-	-	-	-	-	-
Auxiliary	2,635,031	-	2,635,031	-	-	-	-	45,000	-	45,000
Catered events	879,270	-	879,270	-	-	-	-	-	-	-
Investment income	-	-	-	758,808	151,241	-	910,049	-	-	-
Intercompany grants	2,528,432	-	2,528,432	2,339,881	-	-	2,339,881	-	-	-
Net assets released from restrictions:										
Satisfaction of program restrictions	1,661,135	(1,661,135)	-	171,250	(171,250)	-	-	-	-	-
Satisfaction of equipment acquisition restrictions	945,432	(945,432)	-	-	-	-	-	-	-	-
Total revenue, gains and other support	51,481,930	3,592,154	55,074,084	3,269,939	(20,009)	33,030	3,282,960	45,000	-	45,000
Expenses										
Programs:										
Plant operations	8,718,271	-	8,718,271	-	-	-	-	-	-	-
Depreciation	7,733,322	-	7,733,322	-	-	-	-	14,689	-	14,689
Biological programs	9,066,377	-	9,066,377	171,250	-	-	171,250	-	-	-
Visitor operations	3,029,264	-	3,029,264	-	-	-	-	-	-	-
Education	4,832,201	-	4,832,201	-	-	-	-	-	-	-
Debt service	801,573	-	801,573	-	-	-	-	-	-	-
Catered events	403,904	-	403,904	-	-	-	-	-	-	-
Intercompany grants	2,339,881	-	2,339,881	-	-	-	-	-	-	-
Total program expenses	36,924,793	-	36,924,793	171,250	-	-	171,250	14,689	-	14,689
Supporting services:										
General and administrative	4,212,242	-	4,212,242	114,447	-	-	114,447	134,866	-	134,866
Marketing	6,562,407	-	6,562,407	-	-	-	-	-	-	-
General and corporate membership programs	666,078	-	666,078	-	-	-	-	-	-	-
Development	740,791	-	740,791	-	-	-	-	-	-	-
Total supporting services expenses	12,181,518	-	12,181,518	114,447	-	-	114,447	134,866	-	134,866
Total expenses	49,106,311	-	49,106,311	285,697	-	-	285,697	149,555	-	149,555
Change in net assets	2,375,619	3,592,154	5,967,773	2,984,242	(20,009)	33,030	2,997,263	(104,555)	-	(104,555)
Net Assets										
Beginning	70,702,641	3,273,736	73,976,377	23,643,338	3,307,202	1,774,944	28,725,484	5,769,134	-	5,769,134
Ending	\$ 73,078,260	\$ 6,865,890	\$ 79,944,150	\$ 26,627,580	\$ 3,287,193	\$ 1,807,974	\$ 31,722,747	\$ 5,664,579	\$ -	\$ 5,664,579

The National Aquarium Society			Eliminations			Total			
Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,617,521	\$ -	\$ -	\$ 24,617,521
-	-	-	-	-	-	8,174,073	6,198,721	33,030	14,405,824
-	-	-	-	-	-	4,201,133	-	-	4,201,133
-	-	-	-	-	-	1,900,292	-	-	1,900,292
-	-	-	-	-	-	2,275,682	-	-	2,275,682
-	-	-	-	-	-	1,663,929	-	-	1,663,929
-	-	-	-	-	-	2,680,031	-	-	2,680,031
-	-	-	-	-	-	879,270	-	-	879,270
-	-	-	-	-	-	758,808	151,241	-	910,049
-	-	-	(4,868,313)	-	(4,868,313)	-	-	-	-
-	-	-	-	-	-	1,832,385	(1,832,385)	-	-
-	-	-	-	-	-	945,432	(945,432)	-	-
-	-	-	(4,868,313)	-	(4,868,313)	49,928,556	3,572,145	33,030	53,533,731
-	-	-	-	-	-	8,718,271	-	-	8,718,271
-	-	-	-	-	-	7,748,011	-	-	7,748,011
-	-	-	-	-	-	9,237,627	-	-	9,237,627
-	-	-	-	-	-	3,029,264	-	-	3,029,264
-	-	-	-	-	-	4,832,201	-	-	4,832,201
-	-	-	-	-	-	801,573	-	-	801,573
-	-	-	-	-	-	403,904	-	-	403,904
2,528,432	-	2,528,432	(4,868,313)	-	(4,868,313)	-	-	-	-
2,528,432	-	2,528,432	(4,868,313)	-	(4,868,313)	34,770,851	-	-	34,770,851
-	-	-	-	-	-	4,461,555	-	-	4,461,555
-	-	-	-	-	-	6,562,407	-	-	6,562,407
-	-	-	-	-	-	666,078	-	-	666,078
-	-	-	-	-	-	740,791	-	-	740,791
-	-	-	-	-	-	12,430,831	-	-	12,430,831
2,528,432	-	2,528,432	(4,868,313)	-	(4,868,313)	47,201,682	-	-	47,201,682
(2,528,432)	-	(2,528,432)	-	-	-	2,726,874	3,572,145	33,030	6,332,049
2,528,432	-	2,528,432	-	-	-	102,643,545	6,580,938	1,774,944	110,999,427
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,370,419	\$ 10,153,083	\$ 1,807,974	\$ 117,331,476

National Aquarium, Inc. and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2013

	National Aquarium, Inc.			National Aquarium Foundation, Inc.				Center for Aquatic Life and Conservation, Inc.		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support										
Admissions	\$ 24,253,033	\$ -	\$ 24,253,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and grants	7,434,074	1,426,759	8,860,833	-	37,500	-	37,500	-	-	-
General and corporate membership programs	4,434,748	-	4,434,748	-	-	-	-	-	-	-
Gift shop and food service	2,062,091	-	2,062,091	-	-	-	-	-	-	-
Group sales	2,297,754	-	2,297,754	-	-	-	-	-	-	-
Education program	1,636,046	-	1,636,046	-	-	-	-	-	-	-
Auxiliary	2,735,217	-	2,735,217	-	-	-	-	45,000	-	45,000
Catered events	735,798	-	735,798	-	-	-	-	-	-	-
Investment income	-	-	-	3,632,686	812,870	-	4,445,556	-	-	-
Intercompany grants	81,416	-	81,416	-	-	-	-	-	-	-
Net assets released from restrictions:										
Satisfaction of program restrictions	682,387	(682,387)	-	-	-	-	-	-	-	-
Satisfaction of equipment acquisition restrictions	843,450	(843,450)	-	-	-	-	-	-	-	-
Total revenue, gains and other support	47,196,014	(99,078)	47,096,936	3,632,686	850,370	-	4,483,056	45,000	-	45,000
Expenses										
Programs:										
Plant operations	8,230,211	-	8,230,211	-	-	-	-	-	-	-
Depreciation	7,626,022	-	7,626,022	-	-	-	-	-	-	-
Biological programs	8,000,038	-	8,000,038	-	-	-	-	-	-	-
Visitor operations	2,970,222	-	2,970,222	-	-	-	-	-	-	-
Education	4,975,473	-	4,975,473	-	-	-	-	-	-	-
Debt service	750,067	-	750,067	-	-	-	-	-	-	-
Catered events	326,787	-	326,787	-	-	-	-	-	-	-
Total program expenses	32,878,820	-	32,878,820	-	-	-	-	-	-	-
Supporting services:										
General and administrative	3,808,019	-	3,808,019	187,733	-	-	187,733	9,803	-	9,803
Marketing	6,281,505	-	6,281,505	-	-	-	-	-	-	-
General and corporate membership programs	630,991	-	630,991	-	-	-	-	-	-	-
Development	583,329	-	583,329	-	-	-	-	-	-	-
Total supporting services expenses	11,303,844	-	11,303,844	187,733	-	-	187,733	9,803	-	9,803
Total expenses	44,182,664	-	44,182,664	187,733	-	-	187,733	9,803	-	9,803
Change in net assets from continuing operations	3,013,350	(99,078)	2,914,272	3,444,953	850,370	-	4,295,323	35,197	-	35,197
Loss From Discontinued Operations										
(Including Loss on Disposal of (\$1,790,026))	-	-	-	-	-	-	-	-	-	-
Change in net assets	3,013,350	(99,078)	2,914,272	3,444,953	850,370	-	4,295,323	35,197	-	35,197
Net Assets										
Beginning	67,689,291	3,372,814	71,062,105	20,198,385	2,456,832	1,774,944	24,430,161	5,733,937	-	5,733,937
Ending	\$ 70,702,641	\$ 3,273,736	\$ 73,976,377	\$ 23,643,338	\$ 3,307,202	\$ 1,774,944	\$ 28,725,484	\$ 5,769,134	\$ -	\$ 5,769,134

The National Aquarium Society			National Aquarium Conservation Center, Inc.			Eliminations			Total			
Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,253,033	\$ -	\$ -	\$ 24,253,033
-	-	-	-	-	-	-	-	-	7,417,549	1,464,259	-	8,881,808
-	-	-	-	-	-	-	-	-	4,451,273	-	-	4,451,273
-	-	-	-	-	-	-	-	-	2,062,091	-	-	2,062,091
-	-	-	-	-	-	-	-	-	2,297,754	-	-	2,297,754
-	-	-	-	-	-	-	-	-	1,636,046	-	-	1,636,046
-	-	-	-	-	-	-	-	-	2,780,217	-	-	2,780,217
-	-	-	-	-	-	-	-	-	735,798	-	-	735,798
-	-	-	-	-	-	-	-	-	3,632,686	812,870	-	4,445,556
-	-	-	-	-	-	(81,416)	-	(81,416)	-	-	-	-
-	-	-	-	-	-	-	-	-	682,387	(682,387)	-	-
-	-	-	-	-	-	-	-	-	843,450	(843,450)	-	-
-	-	-	-	-	-	(81,416)	-	(81,416)	50,792,284	751,292	-	51,543,576
-	-	-	-	-	-	-	-	-	8,230,211	-	-	8,230,211
-	-	-	-	-	-	-	-	-	7,626,022	-	-	7,626,022
-	-	-	-	-	-	-	-	-	8,000,038	-	-	8,000,038
-	-	-	-	-	-	-	-	-	2,970,222	-	-	2,970,222
-	-	-	-	-	-	-	-	-	4,975,473	-	-	4,975,473
-	-	-	-	-	-	-	-	-	750,067	-	-	750,067
-	-	-	-	-	-	-	-	-	326,787	-	-	326,787
-	-	-	-	-	-	-	-	-	32,878,820	-	-	32,878,820
-	-	-	-	-	-	-	-	-	4,005,555	-	-	4,005,555
-	-	-	-	-	-	-	-	-	6,281,505	-	-	6,281,505
-	-	-	-	-	-	-	-	-	630,991	-	-	630,991
-	-	-	-	-	-	-	-	-	583,329	-	-	583,329
-	-	-	-	-	-	-	-	-	11,501,380	-	-	11,501,380
-	-	-	-	-	-	-	-	-	44,380,200	-	-	44,380,200
-	-	-	-	-	-	(81,416)	-	(81,416)	6,412,084	751,292	-	7,163,376
(1,316,178)	(655,319)	(1,971,497)	-	-	-	81,416	-	81,416	(1,234,762)	(655,319)	-	(1,890,081)
(1,316,178)	(655,319)	(1,971,497)	-	-	-	-	-	-	5,177,322	95,973	-	5,273,295
3,844,610	655,319	4,499,929	291,202	(76,343)	214,859	-	-	-	97,466,223	6,484,965	1,774,944	105,726,132
\$ 2,528,432	\$ -	\$ 2,528,432	\$ 291,202	\$ (76,343)	\$ 214,859	\$ -	\$ -	\$ -	\$ 102,643,545	\$ 6,580,938	\$ 1,774,944	\$ 110,999,427