

# **National Aquarium, Inc. and Subsidiaries**

Consolidated Financial Report  
December 31, 2018

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## Independent Auditor's Report

To the Board of Directors  
National Aquarium, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, consolidated statement of functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Aquarium, Inc. and Subsidiaries as of December 31, 2018 and 2017, 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.

**Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, in the year ended December 31, 2018, the Aquarium adopted new accounting guidance issued by the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*RSM US LLP*

Baltimore, Maryland  
May 2, 2019

**National Aquarium, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 9,451,688	\$ 7,089,526
Restricted cash	248,362	2,385,200
Promises to give, net (Note 3)	1,362,805	2,269,550
Grants receivable	365,597	252,642
Prepaid expenses	1,507,475	1,389,760
Other assets	505,295	324,565
Investments (Notes 4 and 5)	29,824,195	34,052,443
Loans receivable (Note 6)	13,613,540	13,613,540
	<u>56,878,957</u>	<u>61,377,226</u>
Property and equipment:		
Land	1,362,888	1,362,888
Furniture, fixtures and office equipment	12,792,742	10,911,536
Other equipment	14,014,120	12,633,642
Building and leasehold improvements	195,530,302	177,704,954
Construction in progress (Note 12)	331,057	20,683,068
	<u>224,031,109</u>	<u>223,296,088</u>
Less accumulated depreciation	(124,662,867)	(115,569,318)
<b>Property and equipment, net</b>	<u>99,368,242</u>	<u>107,726,770</u>
<b>Total assets</b>	<u>\$ 156,247,199</u>	<u>\$ 169,103,996</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (Note 12)	\$ 1,804,481	\$ 3,130,538
Accrued salaries and benefits	1,119,768	1,305,290
Deferred revenue	3,843,502	3,687,610
Deferred rent	527,171	687,318
Capital lease obligations, net of unamortized issuance costs (Note 7)	3,990,140	4,266,963
Interest rate swap (Notes 5 and 6)	140,137	400,505
Notes payable (Note 6)	16,899,910	17,382,062
New market tax credit loan, net of unamortized issuance costs (Note 6)	18,142,334	17,916,365
Bond payable, net of unamortized issuance costs (Note 6)	14,375,841	16,309,764
<b>Total liabilities</b>	<u>60,843,284</u>	<u>65,086,415</u>
Commitments and contingencies (Notes 8 and 12)		
Net assets (Note 10):		
Without donor restrictions	87,732,036	95,505,819
With donor restrictions	7,671,879	8,511,762
<b>Total net assets</b>	<u>95,403,915</u>	<u>104,017,581</u>
<b>Total liabilities and net assets</b>	<u>\$ 156,247,199</u>	<u>\$ 169,103,996</u>

See notes to consolidated financial statements.

**National Aquarium, Inc. and Subsidiaries**

**Consolidated Statements of Activities  
Years Ended December 31, 2018 and 2017**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Admissions	\$ 25,458,648	\$ -	\$ 25,458,648
Contributions and grants	7,215,541	1,666,861	8,882,402
General and corporate membership programs	5,114,765	-	5,114,765
Education program	2,047,528	-	2,047,528
Group sales	1,983,710	-	1,983,710
Gift shop and food service	1,906,050	-	1,906,050
Auxiliary	1,825,446	-	1,825,446
Catered events	644,373	-	644,373
Intercompany grants	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	1,459,536	(1,459,536)	-
Satisfaction of equipment acquisition restrictions	625,524	(625,524)	-
<b>Total revenue, gains and other support</b>	<b>48,281,121</b>	<b>(418,199)</b>	<b>47,862,922</b>
Expenses (Note 13):			
Programs:			
Aquarium experience	30,689,586	-	30,689,586
Conservation and education	7,280,925	-	7,280,925
<b>Total program expenses</b>	<b>37,970,511</b>	<b>-</b>	<b>37,970,511</b>
Supporting services:			
General and administrative	4,928,830	-	4,928,830
Fundraising and membership	5,289,453	-	5,289,453
Advertising and promotions	3,995,207	-	3,995,207
<b>Total supporting services expenses</b>	<b>14,213,490</b>	<b>-</b>	<b>14,213,490</b>
<b>Total expenses</b>	<b>52,184,001</b>	<b>-</b>	<b>52,184,001</b>
<b>Change in net assets before     other financial items</b>	<b>(3,902,880)</b>	<b>(418,199)</b>	<b>(4,321,079)</b>
Net investment (loss) income, net (Note 4)	(2,296,971)	(421,684)	(2,718,655)
Gain (loss) on interest rate swap contract (Note 6)	260,368	-	260,368
Debt service (Note 6)	(1,813,368)	-	(1,813,368)
Loss on disposition of property	(20,932)	-	(20,932)
<b>Total other financial items</b>	<b>(3,870,903)</b>	<b>(421,684)</b>	<b>(4,292,587)</b>
<b>Change in net assets</b>	<b>(7,773,783)</b>	<b>(839,883)</b>	<b>(8,613,666)</b>
Net assets:			
Beginning	95,505,819	8,511,762	104,017,581
Ending	<b>\$ 87,732,036</b>	<b>\$ 7,671,879</b>	<b>\$ 95,403,915</b>

See notes to consolidated financial statements.

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 26,052,753	\$ -	\$ 26,052,753
5,550,966	2,582,000	8,132,966
5,072,626	-	5,072,626
2,103,999	-	2,103,999
2,128,496	-	2,128,496
1,823,467	-	1,823,467
1,839,601	-	1,839,601
685,464	-	685,464
(50,275)	50,275	-
1,652,056	(1,652,056)	-
2,015,741	(2,015,741)	-
48,874,894	(1,035,522)	47,839,372
30,565,656	-	30,565,656
7,916,671	-	7,916,671
38,482,327	-	38,482,327
4,159,682	-	4,159,682
5,736,514	-	5,736,514
4,855,560	-	4,855,560
14,751,756	-	14,751,756
53,234,083	-	53,234,083
(4,359,189)	(1,035,522)	(5,394,711)
4,189,581	830,139	5,019,720
(64,496)	-	(64,496)
(1,057,019)	-	(1,057,019)
-	-	-
3,068,066	830,139	3,898,205
(1,291,123)	(205,383)	(1,496,506)
96,796,942	8,717,145	105,514,087
\$ 95,505,819	\$ 8,511,762	\$ 104,017,581

National Aquarium, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018

	Programmatic Expenses			Support Expenses				Total
	Aquarium Experience	Conservation and Education	Total Programmatic Expenses	Fundraising & Membership	General & Administrative	Advertising and Promotions	Total Support Expenses	
Salary and Wages	\$ 9,894,906	\$ 2,992,856	\$ 12,887,762	\$ 2,391,541	\$ 1,738,282	\$ 209,054	\$ 4,338,877	\$ 17,226,639
Benefits	1,639,462	490,940	2,130,402	409,965	837,670	34,635	1,282,270	3,412,672
Advertising and Promotion	491,569	116,764	608,333	115,751	10,888	3,371,418	3,498,057	4,106,390
Charitable Contributions	1,600	44,068	45,668	2,600	200	600	3,400	49,068
Conferences, Conventions, and Meetings	17,337	7,886	25,223	4,152	8,573	2,108	14,833	40,056
Due and Subscriptions	440,993	85,435	526,428	82,705	183,064	9,509	275,278	801,706
Insurance	287,277	77,735	365,012	38,867	30,230	-	69,097	434,109
Bank and credit card fees	457,409	119,510	576,919	60,864	210,012	11	270,887	847,806
Miscellaneous Expense	19,922	84,119	104,041	44,649	59,154	2,035	105,838	209,879
Occupancy	4,062,294	165,152	4,227,446	82,576	64,546	-	147,122	4,374,568
Office Supplies	386,217	98,141	484,358	119,825	105,805	11,038	236,668	721,026
Professional Fees	1,506,817	226,569	1,733,386	741,041	530,517	289,012	1,560,570	3,293,956
Program Expenses	1,285,738	421,419	1,707,157	3,447	25,676	853	29,976	1,737,133
Travel Expenses	194,106	220,144	414,250	40,111	21,031	8,406	69,548	483,798
Contract Services	2,873,370	201,310	3,074,680	91,714	407,864	8,925	508,503	3,583,183
Taxes	4,854	1,324	6,178	662	1,251	-	1,913	8,091
Depreciation	7,125,715	1,927,553	9,053,268	1,058,983	694,067	47,603	1,800,653	10,853,921
	<b>\$ 30,689,586</b>	<b>\$ 7,280,925</b>	<b>\$ 37,970,511</b>	<b>\$ 5,289,453</b>	<b>\$ 4,928,830</b>	<b>\$ 3,995,207</b>	<b>\$ 14,213,490</b>	<b>\$ 52,184,001</b>

See notes to consolidated financial statements.



## National Aquarium, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (8,613,666)	\$ (1,496,506)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,853,921	9,916,773
Amortization of new market tax credit loan issuance cost	225,969	150,647
Amortization of capital lease issuance cost	7,665	7,665
Amortization of bond issue costs	12,819	12,821
Loss on disposition of property	20,932	-
(Gain) loss on interest rate swap agreement	(260,368)	64,496
(Decrease) increase in discount on promises to give	(15,201)	12,797
Net realized and unrealized loss (gain) of investments	3,357,532	(4,438,144)
Contributions restricted to long-term investment	(463,198)	(1,478,876)
Deferred rent	(160,147)	(192,475)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	921,946	114,488
Grants receivable	(112,955)	561,619
Prepaid expenses	(117,715)	(756,379)
Other assets	(180,730)	215,883
Increase (decrease) in:		
Accounts payable and accrued expenses	65,004	(136,003)
Accrued salaries and benefits	(185,522)	(398,397)
Deferred revenue	155,892	381,321
<b>Net cash provided by operating activities</b>	<b>5,512,178</b>	<b>2,541,730</b>
Cash flows from investing activities:		
Purchases of property and equipment	(3,930,686)	(16,184,148)
Proceeds from sale of property	23,300	-
Purchases of investments	(774,601)	(872,911)
Proceeds from sale of investments	1,645,317	1,694,631
Funds advanced on loan receivable	-	(13,613,540)
<b>Net cash used in investing activities</b>	<b>(3,036,670)</b>	<b>(28,975,968)</b>
Cash flows from financing activities:		
Contributions restricted to long-term investment	463,198	1,478,876
Restricted cash	2,136,838	(2,385,200)
Principal payments on bond payable	(1,946,742)	(1,891,551)
Principal payments on note payable	(482,152)	-
Proceeds from note payable	-	11,866,563
Proceeds from new market tax credit loan	-	19,404,000
Principal payments on capital lease obligation	(284,488)	(145,025)
Debt issuance costs	-	(1,541,618)
<b>Net cash (used in) provided by financing activities</b>	<b>(113,346)</b>	<b>26,786,045</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,362,162</b>	<b>351,807</b>
Cash and cash equivalents:		
Beginning	7,089,526	6,737,719
Ending	\$ 9,451,688	\$ 7,089,526
Supplemental disclosure of cash flow information:		
Cash paid for interest for long-term debt and capital lease	\$ 1,556,051	\$ 740,103
Supplemental schedules of noncash investing and financing activities:		
Proceeds from capital lease obligation	\$ -	\$ 1,350,000
Property and equipment purchases in accounts payable and accrued expenses	\$ 302,650	\$ 1,693,711

See notes to consolidated financial statements.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium) is a nonprofit corporation that operates and manages an aquarium and centers for the study of marine sciences in Baltimore, Maryland and provides recreational and educational facilities for its guests. The Aquarium is comprised of five entities, National Aquarium, Inc. (NA), National Aquarium Foundation, Inc. (the Foundation), the Center for Aquatic Life and Conservation, Inc. (CALC), ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor). The Aquarium formally dissolved of CALC in July 2017.

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

**Principles of consolidation:** The consolidated financial statements include the accounts of NA, the Foundation, CALC, Lender and Lessor. 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 unconditional support is recognized when received, 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 the following classes of net assets:

**Net assets without donor restrictions:** Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

**Net assets with donor restrictions:** Net assets with donor restrictions are the net assets that are contributions and endowment investment earnings subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of the Aquarium pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Revenue recognition:** The Aquarium reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Aquarium reports gifts of land, buildings and equipment as support without donor restrictions 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 support with donor restrictions. 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 based on the daily treasury yield curve rate as of December 31, 2018. Amortization of the discount is included in contributions and grants revenue.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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

Admissions, group sales, and education 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.

Revenue from grants is recognized when expenses are incurred.

Gift shop and food revenue is recognized on the date of sale.

**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 equivalents held temporarily in the investment portfolio are reported with investments.

**Restricted cash:** Restricted cash represents unspent debt proceeds and required reserves.

**Financial 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.

**Debt issuance costs:** Debt issuance costs are capitalized and amortized over the life of the related debt. Bond issuance costs, net of accumulated amortization of \$44,866 and \$57,685 as of December 31, 2018 and 2017, respectively, are included in bond payable on the consolidated statements of financial position. Capital lease issuance costs, net of accumulated amortization of \$79,194 and \$86,859 as of December 31, 2018 and 2017, respectively, are included in capital lease obligations on the consolidated statements of financial position. Notes payable issuance costs are fully amortized as of the years ended December 31, 2018 and 2017. New market tax credit loan issuance costs of \$1,261,666 and \$1,487,635 as of December 31, 2018 and 2017, respectively, are included in new market tax credit loan on the consolidated statements of financial position. Amortization expense was \$246,453 and \$171,133 for the years ended December 31, 2018 and 2017, respectively, and is included with debt service expense on the consolidated statements of activities.

**Prepaid expenses:** Cash outlays for expenses relating to future years are included in prepaid expenses and will be recognized in the years in which the expense is incurred.

**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 includes 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.

**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.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

Management's estimate of the cost of construction of all aquarium buildings in the City, including renovations/improvements made subsequently, was approximately \$236,858,000 and \$236,575,000 as of December 31, 2018 and 2017, respectively. Of this amount, approximately \$192,212,190 and \$191,929,000 has been capitalized in the accompanying consolidated statements of financial position as of December 31, 2018 and 2017, 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 8).

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:

	<u>Years</u>
Building	30
Building improvements and exhibits	10
Exhibits, lab and AV equipment	5
Vehicles	5
IT equipment and software (excluding SAAS)	3
Furniture and fixtures	3
Leasehold improvements	Remaining lease term

**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 (the 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. The difference between rent expense and lease payments is accounted for as deferred rent.

**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. During the years ended December 31, 2018 and 2017, the fair value of contributed services meeting the requirements for recognition in the financial statements was \$1,457,101 and \$1,975,878, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Aquarium. In total, the Aquarium receives more than 90,000 volunteer hours per year.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

**Advertising:** Advertising costs are expensed as incurred and were \$4,106,390 and \$4,925,213 for the years ended December 31, 2018 and 2017, respectively.

**Functional allocation of expenses:** The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited (see Note 13).

**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, 2018 and 2017.

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 2015.

**Interest rate swap agreement:** The Aquarium recognizes all derivative financial instruments in the financial statements at their fair value. The Aquarium participates in an interest rate swap contract that is considered a derivative financial instrument. Changes in the fair value of the derivative financial instrument are recognized in the consolidated statements of activities as gain (loss) on interest rate swap contract.

**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.

**Reclassifications:** Certain 2017 amounts were reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously stated net assets or change in net assets.

**Adopted accounting pronouncement:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The Aquarium has implemented ASU No. 2016-14 and has adjusted the presentation of its consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As permitted by the ASU, the statement of functional expenses and liquidity and availability disclosure (Note 2) are not presented on a comparative basis. As a result of the pronouncement application, net asset classifications have been reduced from three categories to two categories.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

**Recently issued accounting pronouncements:** In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Aquarium for the fiscal year ending December 31, 2019. Management is evaluating the impact of this standard on the Aquarium's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Aquarium for the year ending December 31, 2020. The adoption of this standard is expected to result in the Aquarium recognizing right-of-use asset and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on the Aquarium's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. It is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. This ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The amendments in this ASU are effective for the Aquarium for the fiscal year ending December 31, 2019. The Aquarium is in the process of evaluating the impact of this ASU on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. Where the Aquarium is the resource recipient, the ASU is applicable to contributions received within annual period in the year ending December 31, 2019. The Aquarium is in the process of evaluating the impact of this ASU on its consolidated financial statements.

**Subsequent events:** The Aquarium has evaluated subsequent events through May 2, 2019, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Liquidity and Availability

The Aquarium is supported primarily by program revenues, including admissions and admissions-related revenues, as well as annual membership revenues. Grant funds are received mostly on the reimbursement method. Additional operating support comes from: (a) annual distributions on endowment and restricted investment assets, and (b) as approved on a case-by-case basis by the Aquarium's Board of Directors, additional distributions from unrestricted investment assets.

Historical operating revenues in excess of operating expenses are instrumental in maintaining short-term liquidity.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Liquidity and Availability (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018, were as follows:

Cash and cash equivalents	\$	9,700,050
Promises to give, net		1,362,805
Grants receivable		365,597
Accounts receivable		419,093
Investments		29,824,195
Total liquidity		<u>41,671,740</u>
Less:		
Donor restricted endowments		4,351,267
Restrictions by donor with time or purpose restrictions		3,320,612
Fee reserve for new markets tax credit financings		248,362
Bank minimum deposit requirement		1,000,000
Bank required amounts set aside for liquidity reserve		<u>20,000,000</u>
		<u>28,920,241</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>12,751,499</u>

#### Note 3. Promises to Give

Included in promises to give are the following unconditional promises to give at December 31, 2018 and 2017:

	2018	2017
Capital campaign	\$ 899,298	\$ 1,676,854
Conservation, education and other	510,610	655,000
Unconditional promises to give before present value discount	<u>1,409,908</u>	<u>2,331,854</u>
Less present value discount	(22,103)	(37,304)
Less allowance in doubtful accounts	(25,000)	(25,000)
Promises to give, net	<u>\$ 1,362,805</u>	<u>\$ 2,269,550</u>
Amounts due in:		
Less than one year	\$ 544,640	\$ 1,286,082
One to five years	865,268	1,045,773
	<u>\$ 1,409,908</u>	<u>\$ 2,331,855</u>

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Investments

Investments owned by the Aquarium consist of the following at December 31, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 2,522,220	\$ 2,522,220	\$ 822,450	\$ 822,450
Equities	-	-	3,846,612	5,038,005
Mutual funds	26,108,269	27,301,975	20,152,258	25,358,963
Hedge funds	-	-	2,650,000	2,833,025
	<u>\$ 28,630,489</u>	<u>\$ 29,824,195</u>	<u>\$ 27,471,320</u>	<u>\$ 34,052,443</u>

Investment income is as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Net unrealized and realized (loss) gains	\$ (3,357,532)	\$ 4,438,144
Interest and dividends on investments	612,629	590,499
Investment fees	(138,680)	(126,139)
	<u>(2,883,583)</u>	<u>4,902,504</u>
Interest income on notes receivable	164,928	117,216
Total investment income	<u>\$ (2,718,655)</u>	<u>\$ 5,019,720</u>

#### 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.



## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 5. Fair Value Measurements (Continued)**

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.

**Level 2:** Includes investments in funds that calculated NAV 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.

The Aquarium's interest rate swap is observable at commonly quoted intervals for the full term of the swap, and therefore is considered a Level 2 item.

**Level 3:** Not applicable.

The fair value of equity and fixed income securities are measured using quoted market prices at the reporting dates when quoted market prices are available. When quoted market prices are not available, the Aquarium has used a practical expedient allowed under ASU No. 2009-12, where each investment's net asset value (NAV) as reported by each fund manager is an acceptable measurement of fair value owned when coinciding with the Aquarium's measurement date.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 5. Fair Value Measurements (Continued)

The following table classifies all investments into the hierarchy set forth by the 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, 2018 and 2017.

	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equities (a):								
Consumer discretionary	\$ -	\$ -	\$ -	\$ -	\$ 1,225,368	\$ -	\$ -	\$ 1,225,368
Information technology	-	-	-	-	768,356	-	-	768,356
Industrials	-	-	-	-	1,361,896	-	-	1,361,896
Healthcare	-	-	-	-	338,985	-	-	338,985
Financial	-	-	-	-	660,781	-	-	660,781
Materials	-	-	-	-	307,972	-	-	307,972
Energy	-	-	-	-	247,457	-	-	247,457
Consumer staples	-	-	-	-	63,288	-	-	63,288
Miscellaneous	-	-	-	-	63,902	-	-	63,902
Mutual funds (b):								
International	4,319,991	-	-	4,319,991	10,055,068	-	-	10,055,068
Fixed income	5,951,250	-	-	5,951,250	6,239,681	-	-	6,239,681
Growth	-	-	-	-	-	-	-	-
Value	11,783,100	-	-	11,783,100	7,723,827	-	-	7,723,827
Emerging market	1,662,163	-	-	1,662,163	-	-	-	-
Market index	-	-	-	-	-	-	-	-
Real estate	-	-	-	-	-	-	-	-
Global hard asset	3,585,471	-	-	3,585,471	1,340,387	-	-	1,340,387
Total investments at fair value	<u>\$ 27,301,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>27,301,975</u>	<u>\$ 30,396,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,396,968</u>
Amounts valued using NAV (c)				-				2,833,025
Total investments				<u>\$ 27,301,975</u>				<u>\$ 33,229,993</u>
Interest rate swap	\$ -	\$ 140,137	\$ -	\$ 140,137	\$ -	\$ 400,505	\$ -	\$ 400,505
Total liabilities	<u>\$ -</u>	<u>\$ 140,137</u>	<u>\$ -</u>	<u>\$ 140,137</u>	<u>\$ -</u>	<u>\$ 400,505</u>	<u>\$ -</u>	<u>\$ 400,505</u>

- (a) Equity investments are made through commingled accounts or managed accounts 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 NAV per share, or the equivalent.

The Aquarium excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, \$2,522,220 and \$822,450 of cash equivalents and a certificate of deposit in the Aquarium's investment portfolio at December 31, 2018 and 2017, respectively, have been excluded from this table.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Fair Value Measurements (Continued)

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

- (c) **Hedge funds:** Hedge fund investments were approximately 0% and 9% of total investments at December 31, 2018 and 2017, respectively, and were comprised of domestic funds of funds, offshore low volatility multi-strategy funds, and international fund of funds. These hedge funds shared in the returns and risks associated with international equity and credit markets, interest rate and foreign currencies. In addition, some of these funds may have present lower liquidity, organizational risk, event and deal risks, leverage and counterparty risk. Reduced redemption rights were accepted for certain funds in order to achieve more desirable terms such as lower management fees.

#### Note 6. Long-Term Debt

The Maryland Industrial Development Financing Authority (MIDFA), on behalf of the Aquarium, issued a tax-exempt revenue refunding bond (National Aquarium in Baltimore Facility 2012 Issue) in the original amount of \$25,980,765. The bond was placed with Bank of America (BofA) as a non-bank qualified private loan. The loan carried a fixed rate of 2.84% through December 31, 2017. Effective January 1, 2018, BofA exercised its right to increase the rate due to a clause in the agreement that provides for a margin rate factor adjustment when there is a change in tax rates. The new fixed rate is 3.45%. Monthly principal and interest payments are scheduled for 10 years over a 13-year amortization table. The maturity date of the underlying bonds is June 2022, when BofA has the ability to call the loan or grant an extension of the current terms. The loan balance was \$14,420,707 and \$16,367,449 at December 31, 2018 and 2017, respectively. The loan is secured by a security agreement, whereby BofA has a lien on all current and future receipts of the Aquarium.

On December 15, 2015, the Aquarium purchased a building and property to house the future Animal Care and Rescue Center (ACRC property). To purchase the building and property, finance the issuance costs and finance future renovations, a delayed draw term loan up to \$20,000,000 was obtained from Branch Banking and Trust Company (BB&T). The principal balance is subject to a rate of interest per annum equal to the sum of one-month London Interbank Offered Rate (LIBOR) plus 1.15% adjusted on a monthly basis (3.50% and 2.51% at December 31, 2018 and 2017, respectively). Interest on the outstanding principal is due monthly beginning January 1, 2016. Principal payments are due monthly beginning January 1, 2018, and are scheduled for 10 years over a 25-year amortization table. The maturity date is December 15, 2027. In March 2017, the Aquarium drew an additional \$11,866,563 from the delayed draw term loan. The loan balance was \$16,899,910 and \$17,382,062 at December 31, 2018 and 2017, respectively. The loan is secured by a security agreement, whereby BB&T has a lien on all current and future receipts of the Aquarium.

Both the MIDFA bond (National Aquarium in Baltimore Facility 2012 Issue) and the delayed draw term loan discussed above are subject to certain financial and nonfinancial covenants. On August 16, 2018, a modification agreement on the BofA bond was signed, increasing the frequency of reporting on the covenants and increase the reporting requirements of the Aquarium.

**New market tax credit:** On March 21, 2017, the Aquarium secured permanent financing related to the renovation of the ACRC property by entering into a transaction structured to qualify for the New Markets Tax Credit (NMTC), as outlined in IRC Section 45(d). As part of the transaction, the Aquarium established two new entities: ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor). Lender is a single-member LLC owned by NA and is considered a disregarded entity for income tax purposes. Lessor is a 501(c)(3) nonprofit/nonstock corporation, and is considered a Type II supporting organization under IRC Section 509(a)(3).

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 6. Long-Term Debt (Continued)

On the above NMTC transaction date, the loan agreement for the Aquarium's delayed draw term loan was amended: to reduce the maximum principal amount available from \$20,000,000 to \$18,000,000; to revise to \$20,000,000 the Aquarium's Minimum Unrestricted Liquid Assets required to be maintained as of each June 30 and December 31 during the first seven years of the agreement; and to expand the permitted uses of proceeds to include not only the purchase, reconstruction, equipping and furnishing the ACRC property but funding Lender and Lessor as described immediately below.

The Aquarium drew down \$424,681 prior to the NMTC transaction date, and an additional \$11,441,882 at the time of closing. Of the latter amount, the Aquarium contributed \$10,332,500 to Lender via an equity contribution, and \$1,109,382 to Lessor. Lender, acting as the leveraged lender in the NMTC transaction, then loaned \$10,332,500 to an entity serving in the investment fund role for the transaction. Lender's loan receivable earns interest of 1.21% per annum. There are no principal payments due for the first seven years of the agreement. During the year ended December 31, 2018, Lender made an equity distribution of \$230,000 to the Aquarium.

Lessor entered into loan agreements totaling \$14,700,000 that qualify as qualified low-income community investment (QLICI) loans under the NMTC program. Lessor's loan payable bears interest of 1.42% per annum. The Aquarium agreed to indemnify the qualified community development entity (CDE) investors for any potential tax credit losses.

On June 30, 2017, the Aquarium secured additional permanent financing related to the ACRC by entering into a second transaction structured to qualify for the NMTC. In this transaction, the Aquarium made an additional equity contribution of \$3,281,040 of loan proceeds to Lender. Lender, acting as the leveraged lender in the transaction, then loaned \$3,281,040 of loan proceeds to an entity serving in the investment fund role of the NMTC transaction. Lender's loan receivable earns interest of 1.21% per annum. There are no principal payments due for the first seven years of the agreement. Total loans receivable under these transactions was \$13,613,540 at December 31, 2018 and 2017.

Lessor entered into loan agreements totaling \$4,704,000 that qualify as QLICI loans under the NMTC program. Lessor's loan payable bears interest of 1.42% per annum. The Aquarium agreed to indemnify the CDE investors for any potential tax credit losses.

**Interest rate swap contract:** In connection with the delayed draw term loan, the Aquarium entered into an interest rate swap agreement, which expires December 15, 2027. At December 31, 2018, the Aquarium has an interest rate swap contract to pay a fixed rate of 3.86% and receive a variable market rate on \$11,000,000 notional amount of indebtedness. The Aquarium recognized a net gain (loss) of \$260,368 and (\$64,496) for the years ended December 31, 2018 and 2017, respectively.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 6. Long-Term Debt (Continued)

Principal payment requirements on the notes payable, bond payable and deferred draw term loan at December 31, 2018, are due in future years as follows:

	NMTC Notes	Bonds Payable	Note Payable	Total
Years ending December 31:				
2019	\$ -	\$ 2,003,542	\$ 501,296	\$ 2,504,838
2020	-	2,061,027	521,200	2,582,227
2021	-	2,122,136	541,894	2,664,030
2022	-	8,234,002	563,410	8,797,412
2023	-	-	585,780	585,780
Thereafter	19,404,000	-	14,186,330	33,590,330
	19,404,000	14,420,707	16,899,910	50,724,617
Issuance costs, net of amortization	(1,261,666)	(44,866)	-	(1,306,532)
	<u>\$ 18,142,334</u>	<u>\$ 14,375,841</u>	<u>\$ 16,899,910</u>	<u>\$ 49,418,085</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. During 2016, CALC sold the building and repaid the investment. In 2017 CALC transferred a remaining parcel of land, with a value of \$80,000 as of December 31, 2018 and 2017, to NA.

Interest expense on long-term debt was \$1,413,970 and \$768,503 for the years ended December 31, 2018 and 2017, respectively, and is included with debt service expense on the consolidated statements of activities.

#### Note 7. Capital Lease Obligations

In March 2014, NA, the Foundation, the Maryland Clean Energy Center and Banc of America Public Capital Corp. (BAPCC) entered into a non-bank qualified tax-exempt capital lease relating to the acquisition of infrastructure-related equipment. Concurrent with the lease, NA also entered into a Guaranteed Energy Savings Contract with Constellation New Energy, Inc. for the procurement and installation of the equipment. Installation was completed in the first quarter of 2015. The lease carries a fixed interest rate of 3.68%. The total value of the transaction was \$3,418,666.

The lease is subject to certain financial and non-financial covenants, which are consistent with those associated with NA's 2012 bond financing. On August 16, 2018, a modification agreement on the lease was signed, increasing the frequency of reporting on the covenants and increase the reporting requirements of the Aquarium.

In July 2016, NA entered into a 4D attraction upgrade agreement with Iwerks Entertainment Inc. (Iwerks). The 10-year agreement includes, among other things, a capital lease for equipment related to the 4D movie theater. The agreement requires Iwerks to install the equipment at NA's facility; service the installed equipment and ensure it is maintained in good working order; and provide technical support and make emergency service visits as needed. All Iwerks obligations are covered under a single fee and payment schedule in the agreement, effective January 8, 2018. Management determined that the value of the capital lease portion of the agreement was \$1,350,000. This assessment is based on fair market value of the equipment installed.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 7. Capital Lease Obligations (Continued)

Total principal payment requirements on the capital lease obligations at December 31, 2018, are due in future years as follows:

Years ending December 31:	
2019	\$ 295,156
2020	316,250
2021	338,487
2022	361,918
2023	386,604
Thereafter	<u>2,370,919</u>
	4,069,334
Issuance costs, net of amortization	<u>(79,194)</u>
	<u><u>\$ 3,990,140</u></u>

Interest expense relating to the capital leases totaled \$152,946 and \$117,386 for the years ended December 31, 2018 and 2017, respectively, and is included with debt service expense on the consolidated statements of activities.

#### Note 8. 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 complex 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

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#### Note 9. Line of Credit

The Aquarium had an unsecured \$3,000,000 revolving line of credit with a floating rate of interest equal to LIBOR plus 150 basis points. There was no outstanding balance on the line of credit as of December 31, 2017. The line of credit expired August 31, 2018 and was not renewed.

#### Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2018	2017
NA:		
Capital expansion	\$ 1,837,911	\$ 1,981,667
Conservation and education programs	630,997	877,634
Aquarium experience	300,000	61,674
Henry Hall activities	87,694	115,286
Total NA	<u>2,856,602</u>	<u>3,036,261</u>
Foundation:		
Henry Hall activities	464,010	508,841
Investment in perpetuity (including amounts above original gift amount of \$2,271,172 and \$1,807,974, respectively), the income from which is expendable to support:		
Endowments:		
Aquarium science and medicine	1,165,719	1,339,243
Lecture series	991,838	1,129,093
Marine life accessions	923,600	1,055,084
Education center	800,955	911,473
Professional excellence	469,155	531,767
Total Foundation	<u>4,815,277</u>	<u>5,475,501</u>
	<u>\$ 7,671,879</u>	<u>\$ 8,511,762</u>

The earnings on the net assets with donor restrictions are directed for use by the donors and are accounted for in the donor restricted funds until appropriated by Aquarium for use in 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 donor restricted for the designated purposes. The James McBride Endowment of \$149,944, with additional matching support by the Foundation of \$150,000, was established to provide funds for education for professional staff. A donor has established endowed funds in the form of a \$1,007,980 bequest to aid in providing additional veterinary support to the Aquarium.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 10. Net Assets With Donor Restrictions (Continued)

**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 net assets for investment in perpetuity: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the 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 classified as donor 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.

The composition of the Aquarium's donor-restricted endowment and non-endowment funds at December 31, 2018 and 2017, and changes in endowment net assets for the years then ended, are as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,351,267	\$ 4,351,267
Non-endowment funds	87,732,036	3,320,612	91,052,648
Total funds	<u>\$ 87,732,036</u>	<u>\$ 7,671,879</u>	<u>\$ 95,403,915</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,837,567	\$ 3,837,567
Non-endowment funds	95,505,819	4,674,195	100,180,014
Total funds	<u>\$ 95,505,819</u>	<u>\$ 8,511,762</u>	<u>\$ 104,017,581</u>



## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10. Net Assets With Donor Restrictions (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 3,837,567	\$ 3,837,567
Investment return, net	-	(397,677)	(397,677)
Transfer assets into endowment	-	1,129,093	1,129,093
Appropriation of endowment assets for expenditures	-	(217,716)	(217,716)
Endowment net assets, end of the year	\$ -	\$ 4,351,267	\$ 4,351,267

  

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 3,399,625	\$ 3,399,625
Investment return, net	-	589,929	589,929
Appropriation of endowment assets for expenditures	-	(151,987)	(151,987)
Endowment net assets, end of the year	\$ -	\$ 3,837,567	\$ 3,837,567

#### Note 11. 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 5% for 2018 and 2017. The plan also provides for discretionary employer contributions, but discretionary employer contributions were not made in 2018 and 2017. The 401(k) plan expense was approximately \$213,000 and \$363,000 for the years ended December 31, 2018 and 2017, respectively. The Aquarium also has a 457(f) plan. The Aquarium made contributions of approximately \$25,000 and \$71,000 to this plan for the years ended December 31, 2018 and 2017, respectively.

#### Note 12. 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 \$985,575 and \$1,032,367 for the years ended December 31, 2018 and 2017, respectively. The Aquarium has an agreement to sublease a portion of its leased office space under an operating sublease that expired June 2018.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 12. Commitments and Contingencies (Continued)

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

Years ending December 31:	
2019	\$ 699,242
2020	716,721
2021	734,658
2022	753,105
2023	317,043
	<u>\$ 3,220,769</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, 2018, the Aquarium has signed contract commitments for approximately \$190,000 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 completed in the second quarter of 2015. The solar facility output serves as a price component for a blended fixed rate on all electricity consumption of the Aquarium (excluding the animal care and rescue center) 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 based 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 \$1,281,152 and \$1,131,302 for the years ended December 31, 2018 and 2017, respectively. The Aquarium includes a provision for estimated claims in accounts payable and accrued expenses on the consolidated statements of financial position.

#### Note 13. Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on full-time equivalent employees, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort and full-time equivalent employees.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 13. Expenses (Continued)

Expenses by natural classification for the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Salaries and benefits	\$ 20,639,311	\$ 21,428,018
Depreciation and amortization	10,853,921	9,914,416
Purchased services	9,526,432	9,541,895
Supplies and other	5,326,135	5,890,937
Occupancy	4,374,568	4,403,751
Volunteer services and in-kind contributions	1,463,634	2,055,066
	<u>52,184,001</u>	<u>53,234,083</u>
Add expenses included in other financial items	1,813,368	1,057,019
	<u>\$ 53,997,369</u>	<u>\$ 54,291,102</u>

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
National Aquarium, Inc.

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, 2018 and 2017, and have issued our report thereon dated May 2, 2019, 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 changes in net assets 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.

*RSM US LLP*

Baltimore, Maryland  
May 2, 2019

## National Aquarium, Inc. and Subsidiaries

### Consolidating Statements of Financial Position December 31, 2018 and 2017

2018

	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 9,423,819	\$ -	\$ 3,444	\$ 24,425	\$ -	\$ 9,451,688
Restricted cash	-	-	-	248,362	-	248,362
Promises to give, net	1,362,805	-	-	-	-	1,362,805
Grants receivable	365,597	-	-	-	-	365,597
Prepaid expenses	972,475	-	-	535,000	-	1,507,475
Other assets	450,322	4,411	50,562	-	-	505,295
Due from affiliate	238,729	-	-	-	(238,729)	-
Investments	-	29,824,195	-	-	-	29,824,195
Loans receivable	-	-	13,613,540	-	-	13,613,540
Investment in subsidiary	13,665,546	-	-	-	(13,665,546)	-
	<u>26,479,293</u>	<u>29,828,606</u>	<u>13,667,546</u>	<u>807,787</u>	<u>(13,904,275)</u>	<u>56,878,957</u>
Property and equipment:						
Land	1,362,888	-	-	-	-	1,362,888
Furniture, fixtures and office equipment	12,792,742	-	-	-	-	12,792,742
Other equipment	14,014,120	-	-	-	-	14,014,120
Building and leasehold improvements	176,934,266	-	-	18,596,036	-	195,530,302
Construction in progress	330,637	-	-	420	-	331,057
	<u>205,434,653</u>	<u>-</u>	<u>-</u>	<u>18,596,456</u>	<u>-</u>	<u>224,031,109</u>
Less accumulated depreciation	(124,200,219)	-	-	(462,648)	-	(124,662,867)
<b>Property and equipment, net</b>	<u>81,234,434</u>	<u>-</u>	<u>-</u>	<u>18,133,808</u>	<u>-</u>	<u>99,368,242</u>
<b>Total assets</b>	<u>\$ 107,713,727</u>	<u>\$ 29,828,606</u>	<u>\$ 13,667,546</u>	<u>\$ 18,941,595</u>	<u>\$ (13,904,275)</u>	<u>\$ 156,247,199</u>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 1,598,252	\$ -	\$ -	\$ 206,229	\$ -	\$ 1,804,481
Accrued salaries and benefits	1,119,768	-	-	-	-	1,119,768
Due to affiliate	-	238,729	-	-	(238,729)	-
Deferred revenue	3,843,502	-	-	-	-	3,843,502
Deferred rent	527,171	-	-	-	-	527,171
Capital lease obligations	3,990,140	-	-	-	-	3,990,140
Interest rate swap	140,137	-	-	-	-	140,137
Note payable	16,899,910	-	-	-	-	16,899,910
New market tax credit loan, net of unamortized issuance costs	-	-	-	18,142,334	-	18,142,334
Bond payable, net of unamortized issuance costs	14,375,841	-	-	-	-	14,375,841
<b>Total liabilities</b>	<u>42,494,721</u>	<u>238,729</u>	<u>-</u>	<u>18,348,563</u>	<u>(238,729)</u>	<u>60,843,284</u>
Net assets:						
Without donor restrictions	62,362,404	24,774,600	13,667,546	593,032	(13,665,546)	87,732,036
With donor restrictions	2,856,602	4,815,277	-	-	-	7,671,879
<b>Total net assets</b>	<u>65,219,006</u>	<u>29,589,877</u>	<u>13,667,546</u>	<u>593,032</u>	<u>(13,665,546)</u>	<u>95,403,915</u>
<b>Total liabilities and net assets</b>	<u>\$ 107,713,727</u>	<u>\$ 29,828,606</u>	<u>\$ 13,667,546</u>	<u>\$ 18,941,595</u>	<u>\$ (13,904,275)</u>	<u>\$ 156,247,199</u>

2017

National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
\$ 6,973,863	\$ -	\$ 90,268	\$ 25,395	\$ -	\$ 7,089,526
-	-	-	2,385,200	-	2,385,200
2,269,550	-	-	-	-	2,269,550
252,642	-	-	-	-	252,642
754,760	-	-	635,000	-	1,389,760
292,404	3,351	28,810	-	-	324,565
303,162	2,772	-	14,808	(320,742)	-
-	34,052,443	-	-	-	34,052,443
-	-	13,613,540	-	-	13,613,540
13,730,618	-	-	-	(13,730,618)	-
24,576,999	34,058,566	13,732,618	3,060,403	(14,051,360)	61,377,226
1,362,888	-	-	-	-	1,362,888
10,911,536	-	-	-	-	10,911,536
12,633,642	-	-	-	-	12,633,642
177,704,954	-	-	-	-	177,704,954
2,678,429	-	-	18,004,639	-	20,683,068
205,291,449	-	-	18,004,639	-	223,296,088
(115,569,318)	-	-	-	-	(115,569,318)
89,722,131	-	-	18,004,639	-	107,726,770
\$ 114,299,130	\$ 34,058,566	\$ 13,732,618	\$ 21,065,042	\$ (14,051,360)	\$ 169,103,996
\$ 1,496,498	\$ -	\$ -	\$ 1,634,040	\$ -	\$ 3,130,538
1,305,290	-	-	-	-	1,305,290
5,272	231,312	2,000	82,158	(320,742)	-
3,687,610	-	-	-	-	3,687,610
687,318	-	-	-	-	687,318
4,266,963	-	-	-	-	4,266,963
400,505	-	-	-	-	400,505
17,382,062	-	-	-	-	17,382,062
-	-	-	17,916,365	-	17,916,365
16,309,764	-	-	-	-	16,309,764
45,541,282	231,312	2,000	19,632,563	(320,742)	65,086,415
65,721,587	28,351,753	13,730,618	1,432,479	(13,730,618)	95,505,819
3,036,261	5,475,501	-	-	-	8,511,762
68,757,848	33,827,254	13,730,618	1,432,479	(13,730,618)	104,017,581
\$ 114,299,130	\$ 34,058,566	\$ 13,732,618	\$ 21,065,042	\$ (14,051,360)	\$ 169,103,996

## National Aquarium, Inc. and Subsidiaries

### Consolidating Statement of Activities Year Ended December 31, 2018

	National Aquarium, Inc.			National Aquarium Foundation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Admissions	\$ 25,458,648	\$ -	\$ 25,458,648	\$ -	\$ -	\$ -
Contributions and grants	7,215,541	1,666,861	8,882,402	-	-	-
General and corporate membership programs	5,114,765	-	5,114,765	-	-	-
Education program	2,047,528	-	2,047,528	-	-	-
Group sales	1,983,710	-	1,983,710	-	-	-
Gift shop and food service	1,906,050	-	1,906,050	-	-	-
Auxiliary	1,825,411	-	1,825,411	35	-	35
Catered events	644,373	-	644,373	-	-	-
Intercompany grants	1,115,000	-	1,115,000	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	1,220,996	(1,220,996)	-	238,540	(238,540)	-
Satisfaction of equipment acquisition restrictions	625,524	(625,524)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>49,157,546</b>	<b>(179,659)</b>	<b>48,977,887</b>	<b>238,575</b>	<b>(238,540)</b>	<b>35</b>
Expenses:						
Programs:						
Aquarium experience	30,471,182	-	30,471,182	557,500	-	557,500
Conservation and education	7,042,196	-	7,042,196	796,229	-	796,229
<b>Total program expenses</b>	<b>37,513,378</b>	<b>-</b>	<b>37,513,378</b>	<b>1,353,729</b>	<b>-</b>	<b>1,353,729</b>
Supporting services:						
General and administrative	4,814,907	-	4,814,907	-	-	-
Fundraising and membership	5,289,453	-	5,289,453	-	-	-
Advertising and promotions	3,995,207	-	3,995,207	-	-	-
<b>Total supporting services expenses</b>	<b>14,099,567</b>	<b>-</b>	<b>14,099,567</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>51,612,945</b>	<b>-</b>	<b>51,612,945</b>	<b>1,353,729</b>	<b>-</b>	<b>1,353,729</b>
<b>Change in net assets before other financial items</b>	<b>(2,455,399)</b>	<b>(179,659)</b>	<b>(2,635,058)</b>	<b>(1,115,154)</b>	<b>(238,540)</b>	<b>(1,353,694)</b>
Net investment income (loss), net	100	-	100	(2,461,999)	(421,684)	(2,883,683)
Income on investment in subsidiary	164,928	-	164,928	-	-	-
Gain on interest rate swap contract	260,368	-	260,368	-	-	-
Debt service	(1,308,248)	-	(1,308,248)	-	-	-
Loss on disposition of property	(20,932)	-	(20,932)	-	-	-
<b>Total other financial items</b>	<b>(903,784)</b>	<b>-</b>	<b>(903,784)</b>	<b>(2,461,999)</b>	<b>(421,684)</b>	<b>(2,883,683)</b>
<b>Change in net assets</b>	<b>(3,359,183)</b>	<b>(179,659)</b>	<b>(3,538,842)</b>	<b>(3,577,153)</b>	<b>(660,224)</b>	<b>(4,237,377)</b>
Net assets:						
Beginning	65,721,587	3,036,261	68,757,848	28,351,753	5,475,501	33,827,254
Equity distribution (Note 6)	-	-	-	-	-	-
Ending	\$ 62,362,404	\$ 2,856,602	\$ 65,219,006	\$ 24,774,600	\$ 4,815,277	\$ 29,589,877

ACRC Lender, LLC		ACRC Lessor, Inc.		Eliminations			Total	
Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,458,648	\$ -	\$ 25,458,648	
-	-	-	-	-	7,215,541	1,666,861	8,882,402	
-	-	-	-	-	5,114,765	-	5,114,765	
-	-	-	-	-	2,047,528	-	2,047,528	
-	-	-	-	-	1,983,710	-	1,983,710	
-	-	-	-	-	1,906,050	-	1,906,050	
-	93,166	(93,166)	-	(93,166)	1,825,446	-	1,825,446	
-	-	-	-	-	644,373	-	644,373	
2,000	151,577	(1,268,577)	-	(1,268,577)	-	-	-	
-	-	-	-	-	1,459,536	(1,459,536)	-	
-	-	-	-	-	625,524	(625,524)	-	
2,000	244,743	(1,361,743)	-	(1,361,743)	48,281,121	(418,199)	47,862,922	
-	465,147	(804,243)	-	(804,243)	30,689,586	-	30,689,586	
-	-	(557,500)	-	(557,500)	7,280,925	-	7,280,925	
-	465,147	(1,361,743)	-	(1,361,743)	37,970,511	-	37,970,511	
-	113,923	-	-	-	4,928,830	-	4,928,830	
-	-	-	-	-	5,289,453	-	5,289,453	
-	-	-	-	-	3,995,207	-	3,995,207	
-	113,923	-	-	-	14,213,490	-	14,213,490	
-	579,070	(1,361,743)	-	(1,361,743)	52,184,001	-	52,184,001	
2,000	(334,327)	-	-	-	(3,902,880)	(418,199)	(4,321,079)	
164,928	-	-	-	-	(2,296,971)	(421,684)	(2,718,655)	
-	-	(164,928)	-	(164,928)	-	-	-	
-	-	-	-	-	260,368	-	260,368	
-	(505,120)	-	-	-	(1,813,368)	-	(1,813,368)	
-	-	-	-	-	(20,932)	-	(20,932)	
164,928	(505,120)	(164,928)	-	(164,928)	(3,870,903)	(421,684)	(4,292,587)	
166,928	(839,447)	(164,928)	-	(164,928)	(7,773,783)	(839,883)	(8,613,666)	
13,730,618	1,432,479	(13,730,618)	-	(13,730,618)	95,505,819	8,511,762	104,017,581	
(230,000)	-	230,000	-	230,000	-	-	-	
\$ 13,667,546	\$ 593,032	\$ (13,665,546)	\$ -	\$ (13,665,546)	\$ 87,732,036	\$ 7,671,879	\$ 95,403,915	



## National Aquarium, Inc. and Subsidiaries

### Consolidating Statement of Activities Year Ended December 31, 2017

	National Aquarium, Inc.			National Aquarium Foundation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Admissions	\$ 26,052,753	\$ -	\$ 26,052,753	\$ -	\$ -	\$ -
Contributions and grants	5,550,966	2,572,000	8,122,966	-	10,000	10,000
General and corporate membership programs	5,072,626	-	5,072,626	-	-	-
Gift shop and food service	1,823,467	-	1,823,467	-	-	-
Group sales	2,128,496	-	2,128,496	-	-	-
Education program	2,103,999	-	2,103,999	-	-	-
Auxiliary	1,753,703	-	1,753,703	1,448	-	1,448
Catered events	685,464	-	685,464	-	-	-
Intercompany grants	5,331,781	-	5,331,781	-	50,275	50,275
Net assets released from restrictions:						
Satisfaction of program restrictions	1,401,257	(1,401,257)	-	250,799	(250,799)	-
Satisfaction of equipment acquisition restrictions	2,015,741	(2,015,741)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>53,920,253</b>	<b>(844,998)</b>	<b>53,075,255</b>	<b>252,247</b>	<b>(190,524)</b>	<b>61,723</b>
Expenses:						
Programs:						
Aquarium experience	36,535,757	-	36,535,757	500,000	-	500,000
Conservation and education	7,728,407	-	7,728,407	738,539	-	738,539
<b>Total program expenses</b>	<b>44,264,164</b>	<b>-</b>	<b>44,264,164</b>	<b>1,238,539</b>	<b>-</b>	<b>1,238,539</b>
Supporting services:						
General and administrative	4,065,475	-	4,065,475	-	-	-
Fundraising and membership	5,736,514	-	5,736,514	-	-	-
Advertising and promotions	4,855,560	-	4,855,560	-	-	-
<b>Total supporting services expenses</b>	<b>14,657,549</b>	<b>-</b>	<b>14,657,549</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>58,921,713</b>	<b>-</b>	<b>58,921,713</b>	<b>1,238,539</b>	<b>-</b>	<b>1,238,539</b>
<b>Change in net assets before other financial items</b>	<b>(5,001,460)</b>	<b>(844,998)</b>	<b>(5,846,458)</b>	<b>(986,292)</b>	<b>(190,524)</b>	<b>(1,176,816)</b>
Net investment income	-	-	-	4,072,365	830,139	4,902,504
Income on investment in subsidiary	117,078	-	117,078	-	-	-
Loss on interest rate swap contract	(64,496)	-	(64,496)	-	-	-
Debt service	(709,098)	-	(709,098)	-	-	-
<b>Total other financial items</b>	<b>(656,516)</b>	<b>-</b>	<b>(656,516)</b>	<b>4,072,365</b>	<b>830,139</b>	<b>4,902,504</b>
<b>Change in net assets</b>	<b>(5,657,976)</b>	<b>(844,998)</b>	<b>(6,502,974)</b>	<b>3,086,073</b>	<b>639,615</b>	<b>3,725,688</b>
Net assets:						
Beginning	71,379,563	3,881,259	75,260,822	25,265,680	4,835,886	30,101,566
Equity contribution (Note 6)	-	-	-	-	-	-
Ending	\$ 65,721,587	\$ 3,036,261	\$ 68,757,848	\$ 28,351,753	\$ 5,475,501	\$ 33,827,254

ACRC Lender, LLC		ACRC Lessor, Inc.		Eliminations			Total		
Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,052,753	\$ -	\$ 26,052,753		
-	-	-	-	-	5,550,966	2,582,000	8,132,966		
-	-	-	-	-	5,072,626	-	5,072,626		
-	-	-	-	-	1,823,467	-	1,823,467		
-	-	-	-	-	2,128,496	-	2,128,496		
-	-	-	-	-	2,103,999	-	2,103,999		
-	64,500	(64,500)	-	(64,500)	1,839,601	-	1,839,601		
-	-	-	-	-	685,464	-	685,464		
-	5,906,352	(11,288,408)	-	(11,288,408)	(50,275)	50,275	-		
-	-	-	-	-	1,652,056	(1,652,056)	-		
-	-	-	-	-	2,015,741	(2,015,741)	-		
-	5,970,852	(11,352,908)	-	(11,352,908)	48,874,894	(1,035,522)	47,839,372		
-	4,101,295	(10,802,633)	-	(10,802,633)	30,565,656	-	30,565,656		
-	-	(550,275)	-	(550,275)	7,916,671	-	7,916,671		
-	4,101,295	(11,352,908)	-	(11,352,908)	38,482,327	-	38,482,327		
138	89,157	-	-	-	4,159,682	-	4,159,682		
-	-	-	-	-	5,736,514	-	5,736,514		
-	-	-	-	-	4,855,560	-	4,855,560		
138	89,157	-	-	-	14,751,756	-	14,751,756		
138	4,190,452	(11,352,908)	-	(11,352,908)	53,234,083	-	53,234,083		
(138)	1,780,400	-	-	-	(4,359,189)	(1,035,522)	(5,394,711)		
117,216	-	-	-	-	4,189,581	830,139	5,019,720		
-	-	(117,078)	-	(117,078)	-	-	-		
-	-	-	-	-	(64,496)	-	(64,496)		
-	(347,921)	-	-	-	(1,057,019)	-	(1,057,019)		
117,216	(347,921)	(117,078)	-	(117,078)	3,068,066	830,139	3,898,205		
117,078	1,432,479	(117,078)	-	(117,078)	(1,291,123)	(205,383)	(1,496,506)		
-	-	-	-	-	96,796,942	8,717,145	105,514,087		
13,613,540	-	(13,613,540)	-	(13,613,540)	-	-	-		
\$ 13,730,618	\$ 1,432,479	\$ (13,730,618)	\$ -	\$ (13,730,618)	\$ 95,505,819	\$ 8,511,762	\$ 104,017,581		