

National Aquarium, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

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, 2019 and 2018, the related consolidated statements of activities, 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, 2019 and 2018, 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 Notes 1 and 13 to the financial statements, for the year ended December 31, 2019, the Aquarium adopted new accounting guidance, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method of transition and Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* using the modified prospective method of transition. Our opinion is not modified with respect to this matter.

RSM US LLP

Baltimore, Maryland
May 27, 2020

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 9,353,124	\$ 9,451,688
Restricted cash	1,206,166	248,362
Promises to give, net (Note 3)	5,603,300	1,362,805
Grants receivable	496,015	365,597
Prepaid expenses	882,292	1,507,475
Other assets	615,545	505,295
Investments (Notes 4 and 5)	34,809,807	29,824,195
Loans receivable (Note 6)	13,613,540	13,613,540
	<u>66,579,789</u>	<u>56,878,957</u>
Property and equipment:		
Land	1,362,888	1,362,888
Furniture, fixtures and office equipment	12,851,950	12,792,742
Other equipment	14,631,495	14,014,120
Building and leasehold improvements	195,618,332	195,530,302
Construction in progress (Note 12)	1,235,432	331,057
	<u>225,700,097</u>	<u>224,031,109</u>
Less accumulated depreciation	<u>(134,799,029)</u>	<u>(124,662,867)</u>
Property and equipment, net	<u>90,901,068</u>	<u>99,368,242</u>
Total assets	<u>\$ 157,480,857</u>	<u>\$ 156,247,199</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (Note 12)	\$ 2,293,329	\$ 1,804,481
Accrued salaries and benefits	1,037,516	1,119,768
Deferred revenue	3,686,089	3,843,502
Deferred rent	437,800	527,171
Capital lease obligations, net of unamortized issuance costs (Note 7)	1,106,275	3,990,140
Interest rate swap (Notes 5 and 6)	714,002	140,137
Notes payable (Note 6)	-	16,899,910
New market tax credit loan, net of unamortized issuance costs (Note 6)	18,368,304	18,142,334
Bonds payable, net of unamortized issuance costs (Note 6)	31,703,874	14,375,841
Total liabilities	<u>59,347,189</u>	<u>60,843,284</u>
Commitments and contingencies (Notes 8, 9, 11, and 12)		
Net assets (Note 10):		
Without donor restrictions	85,077,537	87,732,036
With donor restrictions	13,056,131	7,671,879
Total net assets	<u>98,133,668</u>	<u>95,403,915</u>
Total liabilities and net assets	<u>\$ 157,480,857</u>	<u>\$ 156,247,199</u>

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Admissions	\$ 24,621,367	\$ -	\$ 24,621,367
Contributions and grants	5,558,632	7,116,606	12,675,238
General and corporate membership programs	5,254,743	-	5,254,743
Education program	1,776,764	-	1,776,764
Group sales	1,716,021	-	1,716,021
Gift shop and food service	1,857,170	-	1,857,170
Auxiliary	1,886,371	-	1,886,371
Catered events	645,780	-	645,780
Net assets released from restrictions (Note 10):			
Satisfaction of program restrictions	2,272,925	(2,272,925)	-
Satisfaction of equipment acquisition restrictions	471,410	(471,410)	-
Total revenue, gains and other support	46,061,183	4,372,271	50,433,454
Expenses:			
Programs:			
Aquarium experience	29,978,792	-	29,978,792
Conservation and education	7,121,137	-	7,121,137
Total program expenses	37,099,929	-	37,099,929
Supporting services:			
General and administrative	4,950,036	-	4,950,036
Fundraising and membership	5,280,948	-	5,280,948
Advertising and promotions	3,484,000	-	3,484,000
Total supporting services expenses	13,714,984	-	13,714,984
Total expenses	50,814,913	-	50,814,913
Change in net assets before other financial items	(4,753,730)	4,372,271	(381,459)
Net investment income (loss), net (Note 4)	5,267,960	1,011,981	6,279,941
(Loss) gain on interest rate swap contract (Note 6)	(573,865)	-	(573,865)
Debt service (Note 6)	(1,696,491)	-	(1,696,491)
Gain (loss) on disposition of property	162,899	-	162,899
Loss on extinguishment of interest rate swap contract (Notes 5 and 6)	(525,166)	-	(525,166)
Loss on extinguishment of debt (Note 6)	(536,106)	-	(536,106)
Total other financial items	2,099,231	1,011,981	3,111,212
Change in net assets	(2,654,499)	5,384,252	2,729,753
Net assets:			
Beginning	87,732,036	7,671,879	95,403,915
Ending	\$ 85,077,537	\$ 13,056,131	\$ 98,133,668

See notes to consolidated financial statements.

2018

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
1,825,446	-	1,825,446
644,373	-	644,373
1,459,536	(1,459,536)	-
625,524	(625,524)	-
48,281,121	(418,199)	47,862,922
30,689,586	-	30,689,586
7,280,925	-	7,280,925
37,970,511	-	37,970,511
4,928,830	-	4,928,830
5,289,453	-	5,289,453
3,995,207	-	3,995,207
14,213,490	-	14,213,490
52,184,001	-	52,184,001
(3,902,880)	(418,199)	(4,321,079)
(2,296,971)	(421,684)	(2,718,655)
260,368	-	260,368
(1,813,368)	-	(1,813,368)
(20,932)	-	(20,932)
-	-	-
-	-	-
(3,870,903)	(421,684)	(4,292,587)
(7,773,783)	(839,883)	(8,613,666)
95,505,819	8,511,762	104,017,581
\$ 87,732,036	\$ 7,671,879	\$ 95,403,915

National Aquarium, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Programmatic Expenses			Support Expenses				Total
	Aquarium Experience	Conservation and Education	Total Programmatic Expenses	Fundraising and Membership	General and Administrative	Advertising and Promotions	Total Support Expenses	
Salary and wages	\$ 9,423,533	\$ 2,917,369	\$ 12,340,902	\$ 2,366,243	\$ 1,719,394	\$ 216,598	\$ 4,302,235	\$ 16,643,137
Benefits	1,193,780	416,634	1,610,414	393,356	1,165,826	51,215	1,610,397	3,220,811
Advertising and promotion	119,787	113,527	233,314	158,334	15,414	2,973,394	3,147,142	3,380,456
Charitable contributions	1,664	45,825	47,489	1,050	898	300	2,248	49,737
Conferences, conventions and meetings	34,172	16,734	50,906	6,695	28,493	2,525	37,713	88,619
Due and subscriptions	476,019	94,876	570,895	87,303	193,440	11,148	291,891	862,786
Insurance	314,985	85,544	400,529	42,772	33,268	-	76,040	476,569
Bank and credit card fees	440,704	115,772	556,476	62,102	302,879	-	364,981	921,457
Miscellaneous expense	36,309	65,331	101,640	93,710	30,967	2,708	127,385	229,025
Occupancy	3,790,598	131,140	3,921,738	65,570	51,779	-	117,349	4,039,087
Office supplies	560,000	155,484	715,484	189,300	100,464	27,105	316,869	1,032,353
Professional fees	1,363,593	150,428	1,514,021	670,939	326,893	179,631	1,177,463	2,691,484
Program expenses	1,415,524	441,631	1,857,155	5,955	47,989	602	54,546	1,911,701
Travel expenses	239,490	254,033	493,523	57,041	24,227	13,758	95,026	588,549
Contract services	3,064,208	239,205	3,303,413	141,776	277,153	5,016	423,945	3,727,358
Taxes	80,246	21,885	102,131	10,943	(90,717)	-	(79,774)	22,357
Depreciation	7,424,180	1,855,719	9,279,899	927,859	721,669	-	1,649,528	10,929,427
	<u>\$ 29,978,792</u>	<u>\$ 7,121,137</u>	<u>\$ 37,099,929</u>	<u>\$ 5,280,948</u>	<u>\$ 4,950,036</u>	<u>\$ 3,484,000</u>	<u>\$ 13,714,984</u>	<u>\$ 50,814,913</u>

See notes to consolidated financial statements.

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 and Membership	General and 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
	<u>\$ 30,689,586</u>	<u>\$ 7,280,925</u>	<u>\$ 37,970,511</u>	<u>\$ 5,289,453</u>	<u>\$ 4,928,830</u>	<u>\$ 3,995,207</u>	<u>\$ 14,213,490</u>	<u>\$ 52,184,001</u>

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,729,753	\$ (8,613,666)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,929,427	10,853,921
Amortization of new market tax credit loan issuance costs	225,970	225,969
Amortization of capital lease and issuance costs	44,185	7,665
Amortization of bond issue costs	6,706	12,819
(Gain) loss on disposition of property	(162,899)	20,932
Loss on extinguishment of debt issuance costs	115,746	-
Loss on extinguishment of interest rate swap contract	525,166	-
Loss (gain) on interest rate swap agreement	714,002	(260,368)
Increase (decrease) in discount on promises to give	42,817	(15,201)
Net realized and unrealized (gain) loss of investments	(5,499,461)	3,357,532
Contributions restricted to long-term investment	(4,269,169)	(463,198)
Deferred rent	(89,371)	(160,147)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	(4,283,312)	921,946
Grants receivable	(130,418)	(112,955)
Prepaid expenses	625,183	(117,715)
Other assets	(110,250)	(180,730)
Increase (decrease) in:		
Accounts payable and accrued expenses	648,580	65,004
Accrued salaries and benefits	(82,252)	(185,522)
Deferred revenue	(157,413)	155,892
Net cash provided by operating activities	1,822,990	5,512,178
Cash flows from investing activities:		
Purchases of property and equipment	(2,621,985)	(3,930,686)
Proceeds from disposition of property	162,899	23,300
Purchases of investments	(2,709,766)	(774,601)
Proceeds from sale of investments	3,223,615	1,645,317
Net cash used in investing activities	(1,945,237)	(3,036,670)
Cash flows from financing activities:		
Contributions restricted to long-term investments	4,269,169	463,198
Principal payments on bond payable	(1,694,924)	(1,946,742)
Principal payments on note payable	(208,873)	(482,152)
Principal payments on capital lease obligation	(232,650)	(284,488)
Proceeds from bonds payable	32,609,000	-
Debt issuance costs	(40,761)	-
Settlement of interest rate swap	(140,137)	-
Extinguishment of interest rate swap contract	(525,166)	-
Repayment of bond payable	(13,591,733)	-
Repayment of note payable	(16,691,037)	-
Repayment of capital lease obligation	(2,771,401)	-
Net cash provided by (used in) financing activities	981,487	(2,250,184)
Net increase in cash and cash equivalents	859,240	225,324
Cash, cash equivalents and restricted cash:		
Beginning	9,700,050	9,474,726
Ending	\$ 10,559,290	\$ 9,700,050
Supplemental disclosure of cash flow information:		
Cash paid for interest for long-term debt and capital lease	\$ 1,441,882	\$ 1,556,051
Supplemental schedule of noncash investing and financing activities:		
Property and equipment purchases in accounts payable and accrued expenses	\$ 142,918	\$ 302,650

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: 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 four entities, National Aquarium, Inc. (NA), National Aquarium Foundation, Inc. (the Foundation), ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor).

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

Principles of consolidation: The consolidated financial statements include the accounts of NA, the Foundation, 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: Effective January 1, 2019, the Aquarium adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method of transition and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified prospective method of transition. These ASUs replaced existing revenue recognition guidance, including industry-specific guidance and require revenue to be recognized consistent with the consideration the Aquarium expects to be entitled for services provided. The adoption of these ASUs materially impacted the consolidated financial statements, as disclosed in Note 13.

Support and revenue – program: The Aquarium performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Aquarium is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. If certain criteria is not met, the revenue is recognized at a point in time.

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

Commission revenue from gift shop and food sales are recorded in the month the sales occur.

The Aquarium has entered into several contracts and grants with federal and state agencies under a cost reimbursable billing arrangement. Revenue is recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as deferred revenue until earned. Reimbursable grant costs incurred in excess of funds received are recorded as receivables.

Revenue recognition on contracts and grants deemed to be non-exchange transactions will follow contribution accounting described below.

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic downturns can affect the level of revenues for all of the revenue streams or can have a positive impact on cash flows in good economic times.

Support and revenue – contributions: Unconditional contributions of cash and other assets received, including grants and contracts deemed to be non-exchange transactions, are recorded 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. Conditional contributions are those contributions that contain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

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, 2019. Amortization of the discount is included in contributions and grants revenue.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Volunteer services: The Aquarium utilizes a volunteer program that incorporates extensive training protocols to meet various operational needs. The fair 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, 2019 and 2018, the fair value of contributed services meeting the requirements for recognition in the consolidated financial statements was \$989,318 and \$1,457,101, 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.

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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows as of December 31:

	2019	2018
Cash	\$ 9,353,124	\$ 9,451,688
Unspent debt proceeds and required reserves	1,206,166	248,362
Cash, restricted cash and cash equivalents	<u>\$ 10,559,290</u>	<u>\$ 9,700,050</u>

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 \$39,176 and \$44,866 as of December 31, 2019 and 2018, respectively, are included in bonds payable on the consolidated statements of financial position. Capital lease issuance costs, net of accumulated amortization of \$0 and \$79,194 as of December 31, 2019 and 2018, respectively, are included in capital lease obligations on the consolidated statements of financial position. Notes payable issuance costs were fully amortized as of the year ended December 31, 2018. New market tax credit loan issuance costs of \$1,035,696 and \$1,261,666 as of December 31, 2019 and 2018, respectively, are included in new market tax credit loan on the consolidated statements of financial position. Amortization expense was \$232,676 and \$238,788 for the years ended December 31, 2019 and 2018, respectively, and is included with debt service expense on the consolidated statements of activities. On May 30, 2019, the Aquarium refinanced the existing bond payable, notes payable and a capital lease obligation and wrote off existing bond issuance costs as of that date. A loss of \$115,746 is included in loss on extinguishment of debt 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

Management's estimate of the cost of construction of all aquarium buildings in the City, including renovations/improvements made subsequently, was approximately \$236,884,210 and \$236,858,000 as of December 31, 2019 and 2018, respectively. Of this amount, approximately \$192,238,210 and \$192,212,190 has been capitalized in the accompanying consolidated statements of financial position as of December 31, 2019 and 2018, 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	*

*Leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Valuation of long-lived assets: The Aquarium accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB Accounting Standards Codification (ASC) 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.

Advertising: Advertising costs are expensed as incurred and were \$3,917,238 and \$4,711,632 for the years ended December 31, 2019 and 2018, 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 statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, information technology, depreciation, and amortization, which are allocated on full-time equivalent employees, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance and other, which are allocated on the basis of estimates of time and effort and full-time equivalent employees.

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, 2019 and 2018.

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 2016.

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

Adopted accounting pronouncement: In May 2014, the FASB issued ASU 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 recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. 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 adoption of this ASU resulted in additional disclosures and materially impacted the consolidated financial statements, as discussed in Note 13.

In June 2018, the FASB issued ASU 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 nonprofits to identify and account for contributions made. The adoption of this ASU did not materially impact the consolidated financial statements.

In November 2016, the FASB issued ASU 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. Topic 230 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 adoption of this ASU did not materially impact the consolidated financial statements.

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 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, 2022. 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.

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, (b) as approved on a case-by-case basis by the Aquarium's Board of Directors, additional distributions from unrestricted investment assets and (c) draws on the available line of credit.

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

Note 2. Liquidity and Availability (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 and 2018, are as follows:

	2019	2018
Cash and cash equivalents	\$ 10,559,290	\$ 9,700,050
Promises to give, net	5,603,300	1,362,805
Grants receivable	496,015	365,597
Accounts receivable	481,924	419,093
Investments	34,809,807	29,824,195
Total financial assets	<u>51,950,336</u>	<u>41,671,740</u>
Less:		
Donor restricted endowments	5,059,224	4,351,267
Restrictions by donor with time or purpose restrictions	7,996,907	3,320,612
Fee reserve for new markets tax credit financings	1,206,166	248,362
Bank minimum deposit requirement	-	1,000,000
Bank required amounts set aside for liquidity reserve	20,000,000	20,000,000
	<u>34,262,297</u>	<u>28,920,241</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,688,039</u>	<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, 2019 and 2018:

	2019	2018
Capital campaign	\$ 1,334,931	\$ 899,298
Conservation, education and other	4,358,289	510,610
Unconditional promises to give before present value discount and allowance	5,693,220	1,409,908
Less present value discount	(64,920)	(22,103)
Less allowance in doubtful accounts	(25,000)	(25,000)
Promises to give, net	<u>\$ 5,603,300</u>	<u>\$ 1,362,805</u>
Amounts due in:		
Less than one year	\$ 1,674,828	\$ 544,640
One to five years	4,018,392	865,268
	<u>\$ 5,693,220</u>	<u>\$ 1,409,908</u>

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments

Investments owned by the Aquarium consist of the following at December 31, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 123,537	\$ 123,537	\$ 2,522,220	\$ 2,522,220
Mutual funds	30,446,523	33,171,313	26,108,269	27,301,975
Real estate fund	1,500,000	1,514,957	-	-
	<u>\$ 32,070,060</u>	<u>\$ 34,809,807</u>	<u>\$ 28,630,489</u>	<u>\$ 29,824,195</u>

Investment income is as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Net unrealized and realized gains (losses)	\$ 5,499,461	\$ (3,357,532)
Interest and dividends on investments	694,120	612,629
Investment fees	(80,285)	(138,680)
	<u>6,113,296</u>	<u>(2,883,583)</u>
Interest income on notes receivable	166,645	164,928
Total investment income	<u>\$ 6,279,941</u>	<u>\$ (2,718,655)</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

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: 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 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, 2019 and 2018.

	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Mutual funds (a):								
International	\$ 6,369,878	\$ -	\$ -	\$ 6,369,878	\$ 4,319,991	\$ -	\$ -	\$ 4,319,991
Fixed income	9,539,659	-	-	9,539,659	5,951,250	-	-	5,951,250
Value	16,112,827	-	-	16,112,827	11,783,100	-	-	11,783,100
Emerging market	-	-	-	-	1,662,163	-	-	1,662,163
Real estate	63,215	-	-	63,215	-	-	-	-
Global hard asset	1,085,734	-	-	1,085,734	3,585,471	-	-	3,585,471
Total investments at fair value	<u>\$ 33,171,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,171,313</u>	<u>\$ 27,301,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,301,975</u>
Real estate fund (b)				1,514,957				-
Total investments				<u>\$ 34,686,270</u>				<u>\$ 27,301,975</u>
Interest rate swap	\$ -	\$ 714,002	\$ -	\$ 714,002	\$ -	\$ 140,137	\$ -	\$ 140,137
Total liabilities	<u>\$ -</u>	<u>\$ 714,002</u>	<u>\$ -</u>	<u>\$ 714,002</u>	<u>\$ -</u>	<u>\$ 140,137</u>	<u>\$ -</u>	<u>\$ 140,137</u>

(a) 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.

(b) In accordance with Subtopic 820-10, as amended by ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Assets Value per Share (or its Equivalent)*, certain investments that were measured at net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

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, \$123,537 and \$2,522,220 of cash equivalents and a certificate of deposit in the Aquarium's investment portfolio at December 31, 2019 and 2018, respectively, have been excluded from this table.

The Aquarium invests in an entity which is measured at NAV per share, or its equivalents. Information pertaining to this investment is as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate fund (a)	<u>\$ 1,514,957</u>	\$ -	None	90 days

(a) This category includes a partnership which invests in commercial and residential real estate. The fair value of the investment in this category have been estimated using the NAV per share of the investment.

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 was 3.45%. Monthly principal and interest payments were scheduled for 10 years over a 13-year amortization table. The maturity date of the underlying bonds was June 2022, when BoFA had the ability to call the loan or grant an extension of the current terms. The loan balance was \$14,420,707 at December 31, 2018.

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 was 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% at December 31, 2018). Interest on the outstanding principal was due monthly beginning January 1, 2016. Principal payments were due monthly beginning January 1, 2018, and were scheduled for 10 years over a 25-year amortization table. The maturity date was 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 at December 31, 2018.

On May 30, 2019, the bond payable and note payable were repaid and refinanced with BB&T. At the time of the repayment, the balances on the bond payable and note payable were \$13,591,733 and \$16,691,037, respectively. The Aquarium issued two tax-exempt floating rate revenue bonds, Series A and Series B, in the amount of \$17,014,000 and \$15,595,000, respectively, totaling \$32,609,000. The balance of the bonds payable was \$31,743,050 at December 31, 2019. Interest on the bonds resets monthly based on 79% of the one-month LIBOR plus 1.35%. The interest rate at December 31, 2019 was 2.70%. The first principal payment on the bonds was due July 2019 and will continue until the final maturity date of June 1, 2034.

The bonds are subject to certain financial and nonfinancial covenants.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

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).

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, 2019 and 2018, Lender made equity distributions of \$143,394 and \$230,000, respectively, 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 property 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, 2019 and 2018.

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Interest rate swap contract: In connection with the delayed draw term loan, the Aquarium entered into an interest rate swap agreement, which was scheduled to expire December 15, 2027. At December 31, 2018, the Aquarium had 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. As a result of the refinancing discussed above, the previous interest rate swap was settled, and the Aquarium entered into two new interest rate swap agreements. At December 31, 2019, the Aquarium had two interest rate swap contracts to pay a fixed rate of 3.07% and receive a variable market rate on total \$11,000,000 of total notional amounts \$28,568,745 of indebtedness. The Aquarium recognized a net loss of \$573,865 for the year ended December 31, 2019 and gain of \$260,368 for the year ended December 31, 2018. Additionally, the Aquarium incurred \$525,166 in breakage fees as a result of early settlement of the original swap. The fees are included in loss on extinguishment of interest rate swap on the consolidated statements of activities.

Principal payment requirements on the notes payable, bond payable and deferred draw term loan at December 31, 2019, are due in future years as follows:

	NMTC Notes	Bonds Payable	Total
Years ending December 31:			
2020	\$ -	\$ 1,760,550	\$ 1,760,550
2021	-	1,817,352	1,817,352
2022	-	1,874,604	1,874,604
2023	-	1,932,600	1,932,600
2024	-	1,993,452	1,993,452
Thereafter	19,404,000	22,364,492	41,768,492
	19,404,000	31,743,050	51,147,050
Issuance costs, net of amortization	(1,035,696)	(39,176)	(1,074,872)
	<u>\$ 18,368,304</u>	<u>\$ 31,703,874</u>	<u>\$ 50,072,178</u>

Interest expense on long-term debt was \$1,379,662 and \$1,413,970 for the years ended December 31, 2019 and 2018, 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.

On May 30, 2019, the outstanding balance of the lease, \$2,771,401, was repaid and refinanced with the bonds described in Note 6. As a result of the refinancing, a loss of \$76,001 is included in loss on extinguishment of debt on the consolidated statement of activities.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Capital Lease Obligations (Continued)

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 value of the equipment installed.

Total principal payment requirements on the capital lease obligations at December 31, 2019, are due in future years as follows:

Years ending December 31:		
2020	\$	123,443
2021		127,834
2022		132,380
2023		137,089
2024		141,965
Thereafter		443,564
	\$	<u>1,106,275</u>

Interest expense relating to the capital leases totaled \$84,154 and \$152,946 for the years ended December 31, 2019 and 2018, 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Management and Lease Agreement (Continued)

- 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 10 years each, upon certain conditions being met by both parties, as defined by the agreement.

Note 9. Line of Credit

The Aquarium obtained an unsecured \$2,000,000 revolving line of credit with the refinancing of the bonds payable discussed in Note 6. The line of credit has a floating rate of interest equal to LIBOR plus 1.15%. There was no outstanding balance on the line of credit as of December 31, 2019. The line of credit was renewed March 15, 2020 and will expire March 15, 2021.

Note 10. Net Assets With Donor Restrictions

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

	2019	2018
NA:		
Capital expansion	\$ 2,957,738	\$ 1,837,911
Conservation and education programs	4,341,034	630,997
Aquarium experience	174,699	300,000
Henry Hall activities	4,500	87,694
Total NA	<u>7,477,971</u>	<u>2,856,602</u>
Foundation:		
Henry Hall activities	518,936	464,010
Investment in perpetuity (including amounts above original gift amount of \$2,271,172 for both years), the income from which is expendable to support:		
Endowments:		
Aquarium science and medicine	1,348,989	1,165,719
Lecture series	1,154,783	991,838
Marine life accessions	1,074,454	923,600
Education center	934,529	800,955
Professional excellence	546,469	469,155
Total Foundation	<u>5,578,160</u>	<u>4,815,277</u>
	<u>\$ 13,056,131</u>	<u>\$ 7,671,879</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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

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.

Net assets released from restrictions consisted of the following for the years ended December 31:

	2019	2018
Specific purpose restrictions accomplished:		
Capital expansion	\$ 471,410	\$ 625,524
Conservation and education programs	1,343,859	882,707
Aquarium experience	519,634	198,461
Henry Hall activities	179,397	160,652
	<u>2,514,300</u>	<u>1,867,344</u>
Release of appropriations subject to the Aquarium's spending policy:		
Aquarium science and medicine	64,185	61,674
Lecture series	54,576	51,004
Marine life accessions	45,774	43,514
Education center	39,687	37,645
Professional excellence	25,813	23,879
	<u>230,035</u>	<u>217,716</u>
Total restrictions released	<u>\$ 2,744,335</u>	<u>\$ 2,085,060</u>

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

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, 2019 and 2018, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,059,224	\$ 5,059,224
Non-endowment funds	85,077,537	7,996,907	93,074,444
Total funds	<u>\$ 85,077,537</u>	<u>\$ 13,056,131</u>	<u>\$ 98,133,668</u>

	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>

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

Changes in endowment net assets for the fiscal years ended December 31, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 4,351,267	\$ 4,351,267
Investment return, net	-	937,992	937,992
Appropriation of endowment assets for expenditures	-	(230,035)	(230,035)
Endowment net assets, end of the year	\$ -	\$ 5,059,224	\$ 5,059,224
	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

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 3% for 2019 and 2018. The plan also provides for discretionary employer contributions, but discretionary employer contributions were not made in 2019 and 2018. The 401(k) plan expense was approximately \$178,000 and \$213,000 for the years ended December 31, 2019 and 2018, respectively. The Aquarium also has a 457(f) plan. The Aquarium made contributions of approximately \$26,000 and \$25,000 to this plan for the years ended December 31, 2019 and 2018, respectively.

Plan assets for the 457(f) plan are not held in trust for plan participants but remain the property of the employer and are therefore recorded as equal amounts of accounts payable and accrued expenses liabilities and other assets in the consolidated statements of financial position.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 \$699,242 and \$904,639 for the years ended December 31, 2019 and 2018, respectively. The Aquarium had an agreement to sublease a portion of its leased office space under an operating sublease that expired June 2018 and was not extended.

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

Years ending December 31:	
2020	\$ 716,721
2021	734,658
2022	753,105
2023	317,043
	<u>\$ 2,521,527</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, 2019, the Aquarium has signed contract commitments for approximately \$338,561 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 \$1,119,801 and \$1,281,152 for the years ended December 31, 2019 and 2018, 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 13. Adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

During the year ended December 31, 2019, the Aquarium adopted ASU 2014-09, using the modified retrospective approach. As a result, revenue recognition was changed for the recognition of corporate memberships which are included in general and corporate membership programs on the consolidated statement of activities. Previously, the entire consideration paid for corporate memberships was recognized as membership revenue, and recognized ratably over the term of the membership. Starting in 2019, corporate memberships are considered a partial exchange transaction in which a portion of the consideration paid is allocated to membership for the value of the benefit(s) received by the member and recognized ratably over the term of the membership, with the remaining balance recognized immediately upon receipt as contribution revenue. The impact of adoption on the opening net assets was not material.

Note 14. Subsequent Events:

The Aquarium has evaluated subsequent events through May 27, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Aquarium's financial condition and future results of operations. Management is actively monitoring the global situation on its financial condition, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Aquarium is not able to accurately forecast the effects of the COVID-19 outbreak on its results of operations or financial condition for fiscal year 2020. On March 14, 2020, the Aquarium closed to the public as mandated by the Governor of the State of Maryland. As a result, revenues and cash flows directly related to attendance ceased. The facility remains closed to the public as of the date of the issuance of these consolidated financial statements.

The Aquarium, received a loan (the Loan) of \$3,770,500 from Truist Bank on April 20, 2020, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing on November 20, 2020. The Loan is guaranteed by the Small Business Administration and matures on April 20, 2022. There are no application or other fees associated with this Loan. Proceeds may be used to pay compensation and benefit costs in order to retain workers and to make mortgage interest payments, lease payments, and utility payments. The Aquarium intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, some or all of the Loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act.

Although the Aquarium cannot estimate the length or the gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it will have a material adverse effect on the Aquarium's results of future operations and financial position in fiscal year 2020.

Independent Auditor's Report on the Supplementary Information

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, 2019 and 2018, and have issued our report thereon dated May 27, 2020, 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 27, 2020

National Aquarium, Inc. and Subsidiaries

Consolidating Statements of Financial Position December 31, 2019 and 2018

2019

	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 9,325,513	\$ -	\$ 3,444	\$ 24,167	\$ -	\$ 9,353,124
Restricted cash	1,000,000	-	-	206,166	-	1,206,166
Promises to give, net	5,603,300	-	-	-	-	5,603,300
Grants receivable	496,015	-	-	-	-	496,015
Prepaid expenses	447,292	-	-	435,000	-	882,292
Other assets	528,120	15,065	72,360	-	-	615,545
Due from affiliate	249,098	-	-	-	(249,098)	-
Investments	-	34,809,807	-	-	-	34,809,807
Loans receivable	-	-	13,613,540	-	-	13,613,540
Investment in subsidiary	13,687,343	-	-	-	(13,687,343)	-
	<u>31,336,681</u>	<u>34,824,872</u>	<u>13,689,344</u>	<u>665,333</u>	<u>(13,936,441)</u>	<u>66,579,789</u>
Property and equipment:						
Land	1,362,888	-	-	-	-	1,362,888
Furniture, fixtures and office equipment	12,851,950	-	-	-	-	12,851,950
Other equipment	14,631,495	-	-	-	-	14,631,495
Building and leasehold improvements	177,021,876	-	-	18,596,456	-	195,618,332
Construction in progress	1,235,432	-	-	-	-	1,235,432
	<u>207,103,641</u>	<u>-</u>	<u>-</u>	<u>18,596,456</u>	<u>-</u>	<u>225,700,097</u>
Less accumulated depreciation	(133,716,504)	-	-	(1,082,525)	-	(134,799,029)
Property and equipment, net	<u>73,387,137</u>	<u>-</u>	<u>-</u>	<u>17,513,931</u>	<u>-</u>	<u>90,901,068</u>
Total assets	<u>\$ 104,723,818</u>	<u>\$ 34,824,872</u>	<u>\$ 13,689,344</u>	<u>\$ 18,179,264</u>	<u>\$ (13,936,441)</u>	<u>\$ 157,480,857</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 1,986,641	\$ -	\$ -	\$ 306,688	\$ -	\$ 2,293,329
Accrued salaries and benefits	1,037,516	-	-	-	-	1,037,516
Due to affiliate	-	249,098	-	-	(249,098)	-
Deferred revenue	3,686,089	-	-	-	-	3,686,089
Deferred rent	437,800	-	-	-	-	437,800
Capital lease obligations	1,106,275	-	-	-	-	1,106,275
Interest rate swap	714,002	-	-	-	-	714,002
Note payable	-	-	-	-	-	-
New market tax credit loan, net of unamortized issuance costs	-	-	-	18,368,304	-	18,368,304
Bonds payable, net of unamortized issuance costs	31,703,874	-	-	-	-	31,703,874
Total liabilities	<u>40,672,197</u>	<u>249,098</u>	<u>-</u>	<u>18,674,992</u>	<u>(249,098)</u>	<u>59,347,189</u>
Net assets:						
Without donor restrictions	56,573,650	28,997,614	13,689,344	(495,728)	(13,687,343)	85,077,537
With donor restrictions	7,477,971	5,578,160	-	-	-	13,056,131
Total net assets	<u>64,051,621</u>	<u>34,575,774</u>	<u>13,689,344</u>	<u>(495,728)</u>	<u>(13,687,343)</u>	<u>98,133,668</u>
Total liabilities and net assets	<u>\$ 104,723,818</u>	<u>\$ 34,824,872</u>	<u>\$ 13,689,344</u>	<u>\$ 18,179,264</u>	<u>\$ (13,936,441)</u>	<u>\$ 157,480,857</u>

2018

	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
\$	9,423,819	\$ -	\$ 3,444	\$ 24,425	\$ -	\$ 9,451,688
	-	-	-	248,362	-	248,362
	1,362,805	-	-	-	-	1,362,805
	365,597	-	-	-	-	365,597
	972,475	-	-	535,000	-	1,507,475
	450,322	4,411	50,562	-	-	505,295
	238,729	-	-	-	(238,729)	-
	-	29,824,195	-	-	-	29,824,195
	-	-	13,613,540	-	-	13,613,540
	13,665,546	-	-	-	(13,665,546)	-
	26,479,293	29,828,606	13,667,546	807,787	(13,904,275)	56,878,957
	1,362,888	-	-	-	-	1,362,888
	12,792,742	-	-	-	-	12,792,742
	14,014,120	-	-	-	-	14,014,120
	176,934,266	-	-	18,596,036	-	195,530,302
	330,637	-	-	420	-	331,057
	205,434,653	-	-	18,596,456	-	224,031,109
	(124,200,219)	-	-	(462,648)	-	(124,662,867)
	81,234,434	-	-	18,133,808	-	99,368,242
\$	107,713,727	\$ 29,828,606	\$ 13,667,546	\$ 18,941,595	\$ (13,904,275)	\$ 156,247,199
\$	1,598,252	\$ -	\$ -	\$ 206,229	\$ -	\$ 1,804,481
	1,119,768	-	-	-	-	1,119,768
	-	238,729	-	-	(238,729)	-
	3,843,502	-	-	-	-	3,843,502
	527,171	-	-	-	-	527,171
	3,990,140	-	-	-	-	3,990,140
	140,137	-	-	-	-	140,137
	16,899,910	-	-	-	-	16,899,910
	-	-	-	18,142,334	-	18,142,334
	14,375,841	-	-	-	-	14,375,841
	42,494,721	238,729	-	18,348,563	(238,729)	60,843,284
	62,362,404	24,774,600	13,667,546	593,032	(13,665,546)	87,732,036
	2,856,602	4,815,277	-	-	-	7,671,879
	65,219,006	29,589,877	13,667,546	593,032	(13,665,546)	95,403,915
\$	107,713,727	\$ 29,828,606	\$ 13,667,546	\$ 18,941,595	\$ (13,904,275)	\$ 156,247,199

National Aquarium, Inc. and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2019

	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	\$ 24,621,367	\$ -	\$ 24,621,367	\$ -	\$ -	\$ -
Contributions and grants	5,558,632	7,116,606	12,675,238	-	-	-
General and corporate membership programs	5,254,743	-	5,254,743	-	-	-
Education program	1,776,764	-	1,776,764	-	-	-
Group sales	1,716,021	-	1,716,021	-	-	-
Gift shop and food service	1,857,170	-	1,857,170	-	-	-
Auxiliary	1,886,371	-	1,886,371	-	-	-
Catered events	645,780	-	645,780	-	-	-
Intercompany grants	1,000,000	-	1,000,000	115,000	-	115,000
Net assets released from restrictions:						
Satisfaction of program restrictions	2,023,827	(2,023,827)	-	249,098	(249,098)	-
Satisfaction of equipment acquisition restrictions	471,410	(471,410)	-	-	-	-
Total revenue, gains and other support	46,812,085	4,621,369	51,433,454	364,098	(249,098)	115,000
Expenses:						
Programs:						
Aquarium experience	29,039,781	-	29,039,781	493,301	-	493,301
Conservation and education	7,464,040	-	7,464,040	749,098	-	749,098
Total program expenses	36,503,821	-	36,503,821	1,242,399	-	1,242,399
Supporting services:						
General and administrative	4,836,553	-	4,836,553	-	-	-
Fundraising and membership	5,280,948	-	5,280,948	-	-	-
Advertising and promotions	3,484,000	-	3,484,000	-	-	-
Total supporting services expenses	13,601,501	-	13,601,501	-	-	-
Total expenses	50,105,322	-	50,105,322	1,242,399	-	1,242,399
Change in net assets before other financial items	(3,293,237)	4,621,369	1,328,132	(878,301)	(249,098)	(1,127,399)
Investment income, net	1,453	-	1,453	5,101,315	1,011,981	6,113,296
Income on investment in subsidiary	165,191	-	165,191	-	-	-
Loss on interest rate swap contract	(573,865)	-	(573,865)	-	-	-
Debt service	(1,189,923)	-	(1,189,923)	-	-	-
Gain on disposition of property	162,899	-	162,899	-	-	-
Loss on extinguishment of interest rate swap contract	(525,166)	-	(525,166)	-	-	-
Loss on extinguishment of debt	(536,106)	-	(536,106)	-	-	-
Total other financial items	(2,495,517)	-	(2,495,517)	5,101,315	1,011,981	6,113,296
Change in net assets	(5,788,754)	4,621,369	(1,167,385)	4,223,014	762,883	4,985,897
Net assets:						
Beginning	62,362,404	2,856,602	65,219,006	24,774,600	4,815,277	29,589,877
Equity distribution (Note 6)	-	-	-	-	-	-
Ending	\$ 56,573,650	\$ 7,477,971	\$ 64,051,621	\$ 28,997,614	\$ 5,578,160	\$ 34,575,774

ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations			Total		
		Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,621,367	\$ -	\$ 24,621,367
-	-	-	-	-	5,558,632	7,116,606	12,675,238
-	-	-	-	-	5,254,743	-	5,254,743
-	-	-	-	-	1,776,764	-	1,776,764
-	-	-	-	-	1,716,021	-	1,716,021
-	-	-	-	-	1,857,170	-	1,857,170
-	174,167	(174,167)	-	(174,167)	1,886,371	-	1,886,371
-	-	-	-	-	645,780	-	645,780
-	(22,999)	(1,092,001)	-	(1,092,001)	-	-	-
-	-	-	-	-	2,272,925	(2,272,925)	-
-	-	-	-	-	471,410	(471,410)	-
-	151,168	(1,266,168)	-	(1,266,168)	46,061,183	4,372,271	50,433,454
-	619,877	(174,167)	-	(174,167)	29,978,792	-	29,978,792
-	-	(1,092,001)	-	(1,092,001)	7,121,137	-	7,121,137
-	619,877	(1,266,168)	-	(1,266,168)	37,099,929	-	37,099,929
-	113,483	-	-	-	4,950,036	-	4,950,036
-	-	-	-	-	5,280,948	-	5,280,948
-	-	-	-	-	3,484,000	-	3,484,000
-	113,483	-	-	-	13,714,984	-	13,714,984
-	733,360	(1,266,168)	-	(1,266,168)	50,814,913	-	50,814,913
-	(582,192)	-	-	-	(4,753,730)	4,372,271	(381,459)
165,192	-	-	-	-	5,267,960	1,011,981	6,279,941
-	-	(165,191)	-	(165,191)	-	-	-
-	-	-	-	-	(573,865)	-	(573,865)
-	(506,568)	-	-	-	(1,696,491)	-	(1,696,491)
-	-	-	-	-	162,899	-	162,899
-	-	-	-	-	(525,166)	-	(525,166)
-	-	-	-	-	(536,106)	-	(536,106)
165,192	(506,568)	(165,191)	-	(165,191)	2,099,231	1,011,981	3,111,212
165,192	(1,088,760)	(165,191)	-	(165,191)	(2,654,499)	5,384,252	2,729,753
13,667,546	593,032	(13,665,546)	-	(13,665,546)	87,732,036	7,671,879	95,403,915
(143,394)	-	143,394	-	143,394	-	-	-
<u>\$ 13,689,344</u>	<u>\$ (495,728)</u>	<u>\$ (13,687,343)</u>	<u>\$ -</u>	<u>\$ (13,687,343)</u>	<u>\$ 85,077,537</u>	<u>\$ 13,056,131</u>	<u>\$ 98,133,668</u>

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)	-	-	-	-
Total revenue, gains and other support	49,157,546	(179,659)	48,977,887	238,575	(238,540)	35
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
Total program expenses	37,513,378	-	37,513,378	1,353,729	-	1,353,729
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	-	-	-
Total supporting services expenses	14,099,567	-	14,099,567	-	-	-
Total expenses	51,612,945	-	51,612,945	1,353,729	-	1,353,729
Change in net assets before other financial items	(2,455,399)	(179,659)	(2,635,058)	(1,115,154)	(238,540)	(1,353,694)
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)	-	-	-
Total other financial items	(903,784)	-	(903,784)	(2,461,999)	(421,684)	(2,883,683)
Change in net assets	(3,359,183)	(179,659)	(3,538,842)	(3,577,153)	(660,224)	(4,237,377)
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	