

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

Consolidated Financial Report  
December 31, 2022

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**Independent Auditor's Report**

Board of Directors  
National Aquarium, Inc.

**Opinion**

We have audited the consolidated financial statements of National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Aquarium as of December 31, 2022 and 2021, 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.

**Basis for Opinion**

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

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Aquarium adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Aquarium's ability to continue as a going concern for a reasonable period of time.

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

*RSM US LLP*

Gaithersburg, Maryland  
May 25, 2023

# National Aquarium, Inc. and Subsidiaries

## Consolidated Statements of Financial Position December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 17,544,697	\$ 16,542,885
Restricted cash	78,278	120,878
Promises to give, net (Note 3)	1,396,615	2,084,322
Grants receivable	2,510,386	2,289,881
Prepaid expenses	603,801	487,867
Cash restricted for capital expansion	3,905,694	2,532,905
Promises to give restricted for capital expansion	591,897	962,235
Other assets	1,063,357	748,960
Lease right-of-use assets—finance (Note 7)	101,762	-
Lease right-of-use assets—operating (Note 7)	4,844,054	-
Investments (Notes 4 and 5)	26,540,416	34,341,174
Loans receivable (Note 8)	13,613,540	13,613,540
Interest rate swap asset (Notes 5 and 8)	1,323,022	-
Property and equipment, net (Note 6)	76,864,054	74,642,340
Investments restricted for endowment (Note 11)	5,019,155	6,130,439
<b>Total assets</b>	<b>\$ 156,000,728</b>	<b>\$ 154,497,426</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (Note 13)	\$ 3,921,641	\$ 2,987,609
Accrued salaries and benefits	1,648,593	792,879
Deferred revenue and refundable advances	4,689,860	4,935,380
Lease liabilities—finance (Note 7)	101,612	-
Lease liabilities—operating (Note 7)	6,680,267	-
Deferred rent	-	1,269,480
Other payable obligations, net of unamortized issuance costs (Note 13)	979,323	1,221,256
Interest rate swap liability (Notes 5 and 8)	-	1,018,659
Notes payable (Note 8)	1,714,158	-
New market tax credit loan, net of unamortized issuance costs (Note 8)	19,046,214	18,820,244
Bonds payable, net of unamortized issuance costs (Note 8)	26,259,520	28,131,406
<b>Total liabilities</b>	<b>65,041,188</b>	<b>59,176,913</b>
Commitments and contingencies (Notes 9, 10 and 13)		
Net assets (Note 11):		
Without donor restrictions	78,453,274	81,963,650
With donor restrictions	12,506,266	13,356,863
<b>Total net assets</b>	<b>90,959,540</b>	<b>95,320,513</b>
<b>Total liabilities and net assets</b>	<b>\$ 156,000,728</b>	<b>\$ 154,497,426</b>

See notes to consolidated financial statements.

# National Aquarium, Inc. and Subsidiaries

## Consolidated Statements of Activities Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Admissions	\$ 27,610,373	\$ -	\$ 27,610,373
Contributions and grants	9,164,275	2,568,048	11,732,323
General and corporate membership programs	5,862,155	-	5,862,155
Education program	1,382,895	-	1,382,895
Group sales	1,383,942	-	1,383,942
Gift shop and food service	2,641,075	-	2,641,075
Auxiliary	1,640,157	-	1,640,157
Catered events	340,336	-	340,336
In-kind revenue	728,425	-	728,425
Net assets released from restrictions (Note 11):			
Satisfaction of program restrictions	404,635	(404,635)	-
Satisfaction of equipment acquisition restrictions	1,787,594	(1,787,594)	-
<b>Total revenue, gains and other support</b>	<b>52,945,862</b>	<b>375,819</b>	<b>53,321,681</b>
Expenses:			
Programs:			
Aquarium experience	30,530,394	-	30,530,394
Conservation and education	6,029,777	-	6,029,777
<b>Total program expenses</b>	<b>36,560,171</b>	<b>-</b>	<b>36,560,171</b>
Supporting services:			
Fundraising and membership	5,680,364	-	5,680,364
Advertising and promotions	4,055,146	-	4,055,146
General and administrative	5,384,769	-	5,384,769
<b>Total supporting services expenses</b>	<b>15,120,279</b>	<b>-</b>	<b>15,120,279</b>
<b>Total expenses</b>	<b>51,680,450</b>	<b>-</b>	<b>51,680,450</b>
<b>Change in net assets before other financial items</b>	<b>1,265,412</b>	<b>375,819</b>	<b>1,641,231</b>
Investment (loss) income, net (Note 4)	(5,653,773)	(1,226,416)	(6,880,189)
Gain on interest rate swap contract (Note 8)	2,341,681	-	2,341,681
Loss on disposal of property and equipment	(55,528)	-	(55,528)
Debt service (Note 8)	(1,408,168)	-	(1,408,168)
Forgiveness of Paycheck Protection Program promissory note (Note 8)	-	-	-
<b>Total other financial items</b>	<b>(4,775,788)</b>	<b>(1,226,416)</b>	<b>(6,002,204)</b>
<b>Change in net assets</b>	<b>(3,510,376)</b>	<b>(850,597)</b>	<b>(4,360,973)</b>
Net assets:			
Beginning	81,963,650	13,356,863	95,320,513
Ending	<b>\$ 78,453,274</b>	<b>\$ 12,506,266</b>	<b>\$ 90,959,540</b>

See notes to consolidated financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 26,707,875	\$ -	\$ 26,707,875
17,572,855	1,950,986	19,523,841
4,278,239	-	4,278,239
650,165	-	650,165
954,109	-	954,109
1,835,016	-	1,835,016
1,313,846	-	1,313,846
109,333	-	109,333
462,968	-	462,968
280,290	(280,290)	-
1,620,597	(1,620,597)	-
55,785,293	50,099	55,835,392
28,636,124	-	28,636,124
5,349,756	-	5,349,756
33,985,880	-	33,985,880
5,343,006	-	5,343,006
3,589,840	-	3,589,840
4,682,607	-	4,682,607
13,615,453	-	13,615,453
47,601,333	-	47,601,333
8,183,960	50,099	8,234,059
3,968,850	779,918	4,748,768
1,107,166	-	1,107,166
-	-	-
(1,515,814)	-	(1,515,814)
3,813,263	-	3,813,263
7,373,465	779,918	8,153,383
15,557,425	830,017	16,387,442
66,406,225	12,526,846	78,933,071
\$ 81,963,650	\$ 13,356,863	\$ 95,320,513

**National Aquarium, Inc. and Subsidiaries**

**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	Program 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	\$ 10,982,355	\$ 2,804,883	\$ 13,787,238	\$ 3,014,348	\$ 1,562,749	\$ 295,900	\$ 4,872,997	\$ 18,660,235
Benefits	1,089,901	276,977	1,366,878	393,722	1,252,144	50,472	1,696,338	3,063,216
Advertising and promotion	80,126	70,987	151,113	91,264	3,462	3,376,083	3,470,809	3,621,922
Charitable contributions	3,865	41,217	45,082	5,189	105	750	6,044	51,126
Conferences, conventions and meetings	36,202	19,731	55,933	6,822	2,912	685	10,419	66,352
Dues and subscriptions	604,996	152,961	757,957	115,385	144,238	12,624	272,247	1,030,204
Insurance	401,497	108,594	510,091	54,298	42,231	-	96,529	606,620
Bank and credit card fees	320,618	87,264	407,882	43,982	401,012	9	445,003	852,885
Miscellaneous expense	55,546	30,017	85,563	37,445	286,755	10,443	334,643	420,206
Occupancy	3,828,453	125,519	3,953,972	70,511	49,898	3,876	124,285	4,078,257
Office supplies	410,058	99,782	509,840	62,084	66,250	3,690	132,024	641,864
Professional fees	901,395	77,220	978,615	894,223	325,530	256,929	1,476,682	2,455,297
Program expenses	1,894,093	190,862	2,084,955	3,225	45,534	634	49,393	2,134,348
Travel expenses	118,030	224,305	342,335	31,407	33,281	3,773	68,461	410,796
Contract services	3,410,087	188,396	3,598,483	90,928	526,634	39,278	656,840	4,255,323
Taxes	50,273	13,710	63,983	6,855	10,790	-	17,645	81,628
Depreciation	6,342,899	1,517,352	7,860,251	758,676	631,244	-	1,389,920	9,250,171
<b>Subtotal</b>	<b>30,530,394</b>	<b>6,029,777</b>	<b>36,560,171</b>	<b>5,680,364</b>	<b>5,384,769</b>	<b>4,055,146</b>	<b>15,120,279</b>	<b>51,680,450</b>
Debt service	5,105	1,338	6,443	670	1,401,055	-	1,401,725	1,408,168
<b>Total</b>	<b>\$ 30,535,499</b>	<b>\$ 6,031,115</b>	<b>\$ 36,566,614</b>	<b>\$ 5,681,034</b>	<b>\$ 6,785,824</b>	<b>\$ 4,055,146</b>	<b>\$ 16,522,004</b>	<b>\$ 53,088,618</b>

See notes to consolidated financial statements.

## National Aquarium, Inc. and Subsidiaries

### Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Program 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	\$ 10,763,429	\$ 2,394,054	\$ 13,157,483	\$ 2,891,423	\$ 1,322,464	\$ 265,477	\$ 4,479,364	\$ 17,636,847
Benefits	1,246,266	266,502	1,512,768	398,996	1,001,742	44,610	1,445,348	2,958,116
Advertising and promotion	79,649	95,180	174,829	117,904	19,230	3,026,741	3,163,875	3,338,704
Charitable contributions	500	72,140	72,640	700	-	200	900	73,540
Conferences, conventions and meetings	24,455	14,285	38,740	2,661	3,780	755	7,196	45,936
Dues and subscriptions	397,332	97,715	495,047	92,778	190,422	9,825	293,025	788,072
Insurance	357,300	96,967	454,267	48,484	37,710	-	86,194	540,461
Bank and credit card fees	138,505	36,472	174,977	19,503	520,625	46	540,174	715,151
Miscellaneous expense	29,922	5,844	35,766	26,703	24,064	1,456	52,223	87,989
Occupancy	3,416,523	112,720	3,529,243	67,088	161,257	5,364	233,709	3,762,952
Office supplies	363,319	78,240	441,559	51,276	71,698	2,905	125,879	567,438
Professional fees	589,382	82,732	672,114	779,252	318,111	228,767	1,326,130	1,998,244
Program expenses	1,498,374	177,063	1,675,437	9,721	27,977	64	37,762	1,713,199
Travel expenses	91,787	53,648	145,435	4,153	25,187	778	30,118	175,553
Contract services	3,227,991	194,015	3,422,006	46,176	345,370	2,803	394,349	3,816,355
Taxes	7,699	2,099	9,798	1,050	2,441	-	3,491	13,289
Depreciation	6,403,691	1,570,080	7,973,771	785,138	610,529	49	1,395,716	9,369,487
<b>Subtotal</b>	<b>28,636,124</b>	<b>5,349,756</b>	<b>33,985,880</b>	<b>5,343,006</b>	<b>4,682,607</b>	<b>3,589,840</b>	<b>13,615,453</b>	<b>47,601,333</b>
Debt service	12,235	3,337	15,572	1,668	1,498,574	-	1,500,242	1,515,814
<b>Total</b>	<b>\$ 28,648,359</b>	<b>\$ 5,353,093</b>	<b>\$ 34,001,452</b>	<b>\$ 5,344,674</b>	<b>\$ 6,181,181</b>	<b>\$ 3,589,840</b>	<b>\$ 15,115,695</b>	<b>\$ 49,117,147</b>

See notes to consolidated financial statements.

## National Aquarium, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (4,360,973)	\$ 16,387,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,250,171	9,369,487
Amortization of new market tax credit loan issuance costs	225,970	225,970
Amortization of capital lease and issuance costs	41,162	127,869
Amortization of bond issue costs	2,718	2,717
Forgiveness of Paycheck Protection Program promissory note	-	(3,813,263)
Gain on interest rate swap agreement	(2,341,681)	(1,107,166)
Loss on disposal of property and equipment	55,528	-
Increase in discount on and allowance for promises to give	2,664	4,721
Net realized and unrealized loss (gain) of investments	7,419,128	(4,182,899)
Contributions restricted to long-term investment	(1,407,086)	(1,663,809)
Deferred rent	-	703,157
Changes in assets and liabilities:		
(Increase) decrease:		
Promises to give	1,055,381	853,897
Grants receivable	(220,505)	(1,921,098)
Prepaid expenses	(115,934)	144,292
Other assets	(314,397)	(265,613)
Right-of-use—operating	965,190	-
Increase (decrease) in:		
Accounts payable and accrued expenses	621,446	(680,223)
Accrued salaries and benefits	855,714	193,153
Deferred revenue and refundable advances	(245,520)	2,031,783
Lease liabilities	(398,457)	-
<b>Net cash provided by operating activities</b>	<b>11,090,519</b>	<b>16,410,417</b>
Cash flows from investing activities:		
Purchases of property and equipment	(11,214,827)	(1,920,324)
Proceeds from disposition of property	-	-
Purchases of investments	(1,401,190)	(9,060,836)
Proceeds from sale of investments	2,894,104	10,024,909
<b>Net cash used in investing activities</b>	<b>(9,721,913)</b>	<b>(956,251)</b>
Cash flows from financing activities:		
Contributions restricted to long-term investments	1,407,086	1,663,809
Principal payments on bond payable	(1,874,604)	(1,817,352)
Proceeds from notes payable	-	-
Proceeds from line of credit	-	-
Principal payments on capital lease obligation	(241,933)	(172,273)
Repayment of line of credit	-	(3,000,000)
Issuance of note payable	1,714,158	-
Repayment of note payable	-	(710,000)
Repayment of lease liability—financing	(41,312)	-
<b>Net cash provided by (used in) financing activities</b>	<b>963,395</b>	<b>(4,035,816)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>2,332,001</b>	<b>11,418,350</b>
Cash, cash equivalents and restricted cash:		
Beginning	19,196,668	7,778,318
Ending	\$ 21,528,669	\$ 19,196,668
Supplemental disclosure of cash flow information:		
Cash paid for interest for long-term debt and capital lease	\$ 1,349,723	\$ 1,255,403
Supplemental disclosures of noncash investing and financing activities:		
Property and equipment purchases in accounts payable and accrued expenses	\$ 454,516	\$ 141,930
Reduction of principal notes payable by forgiveness	\$ -	\$ 3,770,500

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 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 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.

**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 determined to be an exchange transaction stream and 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.

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 cost reimbursable billing arrangements. These transactions are considered conditional non-exchange transactions. Revenue is recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as deferred revenue and refundable advances until conditions are met. Reimbursable grant costs incurred in excess of funds received are recorded as receivables.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within one 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 appropriate market rate. Amortization of the discount is included in contributions and grants revenue.

**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, 2022 and 2021, the fair value of contributed services meeting the requirements for recognition in the consolidated financial statements was \$687,002 and \$460,127, 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.

**Contract balances:** The timing of revenue recognition may not align with the right to invoice a customer. The Aquarium records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded.

Contract balances consist of the following at December 31:

	2022	2021	2020
Contract receivables	\$ 549,239	\$ 362,570	\$ 299,839
Contract liabilities	4,477,308	4,274,266	2,484,413

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

**Cash, cash equivalents and restricted cash:** 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:

	2022	2021
Cash	\$ 17,544,697	\$ 16,542,885
Cash restricted for capital expansion	3,905,694	2,532,905
Unspent debt proceeds and required reserves	78,278	120,878
Cash, cash equivalents and restricted cash	<u>\$ 21,528,669</u>	<u>\$ 19,196,668</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 \$31,024 and \$33,742 as of December 31, 2022 and 2021, respectively, are included in bonds payable on the consolidated statements of financial position. New market tax credit loan issuance costs of \$357,786 and \$583,756 as of December 31, 2022 and 2021, respectively, are included in new market tax credit loan on the consolidated statements of financial position. Amortization expense was \$228,687 for each of the years ended December 31, 2022 and 2021, 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 those 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)

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

	Years
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.

**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 (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.

**Leases:** The Aquarium determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Aquarium also considers whether its service arrangements include the right to control the use of an asset.

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. The Aquarium elected the package of practical expedients permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Aquarium has not elected to adopt the hindsight practical expedient, and therefore will measure the right-of-use (ROU) asset and lease liability using the remaining portion of the lease term at adoption on January 1, 2022.

The Aquarium made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, the Aquarium recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022 for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes in an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Aquarium's leases may include a non-lease component representing additional services transferred to the Aquarium, such as common area maintenance for real estate. The Aquarium made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

A lessee that is not a public business entity (PBE) is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, the Aquarium has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website. The Aquarium uses the implicit rate when readily determinable.

**Advertising:** Advertising costs are expensed as incurred and were \$3,621,922 and \$3,338,704 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

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.

**Interest rate swap agreement:** The Aquarium recognizes all derivative financial instruments in the consolidated 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 in conformity with generally accepted accounting principles 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.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

**Adopted accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing ROU lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Aquarium adopted the new lease standard on January 1, 2022, using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on January 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Aquarium's historical accounting treatment under ASC Topic 840, *Leases*. Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Aquarium's operating leases of approximately \$5,249,925 and \$7,078,724, respectively, and finance leases of approximately \$111,441 and \$111,441, respectively, on January 1, 2022. The adoption of the new lease standard did not materially impact the consolidated net income or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This standard is adopted beginning January 1, 2022, but did not have a material impact on the Aquarium.

**Subsequent events:** The Aquarium has evaluated subsequent events through May 25, 2023, the date on which 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, as approved on a case-by-case basis by the Aquarium's Board of Directors (Board), (b) 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, 2022 and 2021, are as follows:

	2022	2021
Cash, cash equivalents and restricted cash	\$ 21,528,669	\$ 19,196,668
Promises to give, net	1,988,512	3,046,557
Grants receivable	2,510,386	2,289,881
Accounts receivable	553,749	365,413
Investments	31,559,571	40,471,613
Total financial assets	58,140,887	65,370,132
Less:		
Refundable advances	1,414,646	1,540,749
Donor restricted endowments	5,019,155	6,130,439
Restrictions by donor with time or purpose restrictions	7,487,111	7,226,424
Fee reserve for new markets tax credit financings	78,278	120,878
Bank required amounts set aside for liquidity reserve	20,000,000	20,000,000
	33,999,190	35,018,490
Financial assets available to meet cash needs for general expenditures within one year	\$ 24,141,697	\$ 30,351,642

#### Note 3. Promises to Give

Included in promises to give are the following unconditional promises to give at December 31, 2022 and 2021:

	2022	2021
BLUEprint plan	\$ 1,869,089	\$ 2,909,927
Conservation, education and other	149,501	169,260
Unconditional promises to give before present value discount and allowance	2,018,590	3,079,187
Less present value discount	(17,578)	(12,630)
Less allowance for doubtful accounts	(12,500)	(20,000)
Promises to give, net	\$ 1,988,512	\$ 3,046,557
Amounts due in:		
Less than one year	\$ 1,635,833	\$ 1,470,286
One to five years	382,757	1,608,901
	\$ 2,018,590	\$ 3,079,187

## 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, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 465,324	\$ 465,324	\$ 1,581,375	\$ 1,581,375
Mutual funds	23,690,744	24,219,961	30,599,484	30,606,719
Hedge fund	5,669,496	4,840,572	6,205,000	6,409,333
Real estate fund	1,500,000	2,033,714	1,500,000	1,874,186
	<u>\$ 31,325,564</u>	<u>\$ 31,559,571</u>	<u>\$ 39,885,859</u>	<u>\$ 40,471,613</u>

Investment (loss) income is as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Net unrealized and realized (loss) gain	\$ (7,419,128)	\$ 4,182,899
Interest and dividends on investments	405,537	551,259
Investment fees	(153,496)	(151,109)
	<u>(7,167,087)</u>	<u>4,583,049</u>
Interest income on notes receivable	286,898	165,719
Total investment income	<u>\$ (6,880,189)</u>	<u>\$ 4,748,768</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, 2022 and 2021:

	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Mutual funds (a):								
International	\$ 5,094,792	\$ -	\$ -	\$ 5,094,792	\$ 6,886,273	\$ -	\$ -	\$ 6,886,273
Fixed income	4,548,263	-	-	4,548,263	3,509,432	-	-	3,509,432
Value	13,554,525	-	-	13,554,525	18,400,599	-	-	18,400,599
Real estate	-	-	-	-	69,362	-	-	69,362
Global hard asset	1,022,381	-	-	1,022,381	1,741,053	-	-	1,741,053
Total investments at fair value	<u>\$ 24,219,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,219,961</u>	<u>\$ 30,606,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,606,719</u>
Real estate fund (b)				2,033,714				1,874,186
Hedge fund (b)				4,840,572				6,409,333
Cash, held at cost				465,324				1,581,375
Total investments				<u>\$ 31,559,571</u>				<u>\$ 40,471,613</u>
Deferred compensation plan assets	\$ 194,748	\$ -	\$ -	\$ 194,748	\$ 131,412	\$ -	\$ -	\$ 131,412
	<u>\$ 194,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,748</u>	<u>\$ 131,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,412</u>
Interest rate swap asset	\$ -	\$ 1,323,022	\$ -	\$ 1,323,022	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ 1,323,022</u>	<u>\$ -</u>	<u>\$ 1,323,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities:</b>								
Deferred compensation plan liabilities	\$ -	\$ 194,748	\$ -	\$ 194,748	\$ -	\$ 131,412	\$ -	\$ 131,412
	<u>\$ -</u>	<u>\$ 194,748</u>	<u>\$ -</u>	<u>\$ 194,748</u>	<u>\$ -</u>	<u>\$ 131,412</u>	<u>\$ -</u>	<u>\$ 131,412</u>
Interest rate swap liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,659	\$ -	\$ 1,018,659
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,659</u>	<u>\$ -</u>	<u>\$ 1,018,659</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.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

- (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.

The Aquarium invests in entities which are measured at NAV per share, or its equivalents. Information pertaining to these investments at December 31, 2022 and 2021, are as follows:

	2022 Fair Value	2021 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate fund (a)	\$ 2,033,714	\$ 1,874,186	\$ -	None	90 days
Hedge fund (b)	4,840,572	6,409,333	-	None	None
Total	<u>\$ 6,874,286</u>	<u>\$ 8,283,519</u>			

- (a) This category includes a partnership which invests in commercial and residential real estate. The fair value of the investment in this category has been estimated using the NAV per share of the investment.
- (b) This category includes investments in funds that provide exposure to broadly diversified institutional portfolios. The fair value of the investment in this category has been estimated using the NAV per share of the investment.

#### Note 6. Property and Equipment

Major classes of property and equipment at December 31, 2022 and 2021, are as follows:

	2022	2021
Land	\$ 1,362,888	\$ 1,362,888
Furniture, fixtures and office equipment	14,427,912	13,263,436
Other equipment	16,614,211	15,937,885
Building and leasehold improvements	206,858,549	196,516,988
Construction in progress	689,619	1,759,900
	<u>239,953,179</u>	<u>228,841,097</u>
Less accumulated depreciation	<u>(163,089,125)</u>	<u>(154,198,757)</u>
	<u>\$ 76,864,054</u>	<u>\$ 74,642,340</u>

Depreciation on these assets for the years ended December 31, 2022 and 2021, was \$9,250,171 and \$9,369,487, respectively.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 7. Leases

The Aquarium leases premises for general office and for use of furniture and aquaculture equipment from unrelated parties under operating lease agreements that have terms from transition of 1.58 to 11.45 years. The Candler Lease includes two options to renew of five years, generally at company's sole discretion, with renewal terms that can extend the lease term. These options to extend a lease are included in the lease terms when it is reasonably certain that the Aquarium will exercise that option. The Aquarium leases copiers and postage machines from unrelated parties under finance lease agreements that have terms from transition of 1.10 to 3.16 years. The Aquarium's leases generally do not contain any material restrictive covenants.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense patterns over the lease term.

Operating lease right-of-use assets and lease liabilities as of December 31, 2022, consisted of the following:

Assets:	
Operating lease assets	<u>\$ 4,844,054</u>
Financing lease assets	<u>\$ 101,762</u>
Liabilities:	
Operating lease liabilities	<u>\$ 6,680,267</u>
Financing lease liabilities	<u>\$ 101,612</u>

The components of lease expense are as follows:

Operating lease cost	\$ 627,952
Short-term cost	-
Variable cost	-
Finance lease—amortization of ROU assets	41,162
Finance lease—interest on lease liabilities	1,234
	<u>\$ 670,348</u>

Rent expense was approximately \$670,348 for the year ended December 31, 2022.

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows—payments on operating leases	\$ 571,809
Operating cash outflows—payments on financing leases	1,234
Financing cash outflows—payments on finance leases	41,312

ROU assets obtained in exchange for new lease obligations:	
Operating leases	55,954
Finance leases	31,483

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7. Leases (Continued)

ROU assets as of January 1, 2022:

Operating leases	\$ 5,249,925
Finance leases	111,441

The lease term and discount rate for operating leases are as follows:

Weighted-average remaining lease term for operating leases	10.37
Weighted-average discount rate for operating leases	1.71%
Weighted-average remaining lease term for financing leases	2.93
Weighted-average discount rate for financing leases	2.18%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the balance sheet as of December 31, 2022 is as follows:

	Operating Leases	Financing Leases
Years ending December 31:		
2023	\$ 622,398	\$ 41,826
2024	646,098	41,233
2025	660,590	9,823
2026	675,432	6,968
2027	690,715	5,807
Thereafter	4,018,247	-
Total lease payments	7,313,480	105,657
Less imputed interest	(633,213)	(4,045)
Present value of lease liabilities	<u>\$ 6,680,267</u>	<u>\$ 101,612</u>

Future minimum lease commitments, as determined under Topic 840, for non-cancellable leases are the same as those noted above.

#### Note 8. Long-Term Debt

**Bonds payable:** On May 30, 2019, the Aquarium issued two tax-exempt floating rate revenue bonds, Series A and Series B, in the amounts of \$17,014,000 and \$15,595,000, respectively, totaling \$32,609,000. The balance of the bonds payable was \$26,290,544 and \$28,165,148 at December 31, 2022 and 2021, respectively. Interest on the bonds resets monthly based on 79% of the one-month London Interbank Offered Rate (LIBOR) plus 1.35%. The interest rate at December 31, 2022 and 2021, was 4.60% and 1.43%, respectively. The bonds mature on June 1, 2034.

In May 2021, the Aquarium and BB&T (now Truist) agreed to amend both its non-taxable and taxable debts. The amendment describes the steps to mitigate a failure of the debt service coverage ratio, namely: establish a declining balance debt service reserve fund, increase required liquidity to \$20,000,000 as of June 30, 2021, and increase the reporting requirement to monthly (45 days after the close of each month). The amendment also waives measurement of the debt service coverage ratio at December 31, 2020 and June 30, 2021.

In March 2022, Truist and the Aquarium agreed, through amendment, to unwind the steps instituted in May 2021 to mitigate debt service coverage failure as of December 31, 2020. The amendment reinstated the covenants included in the May 30, 2019 refinance agreement.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. 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 of 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, 2021, the Lender made equity distributions of \$143,611 to the Aquarium. There were no equity distributions from the Lender during the year ended December 31, 2022.

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, 2022 and 2021.

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 8. Long-Term Debt (Continued)

Principal payment requirements on the bonds payable and deferred draw term loan at December 31, 2022, are due in future years as follows:

	NMTC Notes	Bonds Payable	Total
Years ending December 31:			
2023	\$ -	\$ 1,932,600	\$ 1,932,600
2024	-	1,993,452	1,993,452
2025	618,150	2,057,250	2,675,400
2026	627,003	2,122,044	2,749,047
2027	635,856	2,188,146	2,824,002
Thereafter	17,522,991	15,997,052	33,520,043
	19,404,000	26,290,544	45,694,544
Issuance costs, net of amortization	(357,786)	(31,024)	(388,810)
	<u>\$ 19,046,214</u>	<u>\$ 26,259,520</u>	<u>\$ 45,305,734</u>

Interest expense on long-term debt was \$1,179,481 and \$1,287,127 for the years ended December 31, 2022 and 2021, respectively, and is included with debt service expense on the consolidated statements of activities.

**Interest rate swap contracts:** In May 2019, Aquarium entered into two new interest rate swap agreements related to its issuance of the Series A and Series B bonds with notional amounts totaling \$23,661,490 and \$25,348,634 as of December 31, 2022 and 2021, respectively. Under the terms of the swaps, which expire June 2029, the Aquarium pays a monthly fixed interest rate of 3.07%. The estimated total fair value of these agreements were classified as an asset of \$1,323,022 and liability of \$1,018,659 in the Aquarium's consolidated statements of financial position as of December 31, 2022 and 2021, respectively. Net gains of \$2,341,681 and \$1,107,166 were recognized for the years ended December 31, 2022 and 2021, respectively, and recorded on the consolidated statements of activities.

**Notes payable:** The Aquarium recorded a note payable equal to the cost of capital improvements made by its Concessionaire. The costs are amortized over seven years for equipment purchased from the prior concession operator and ten years for new furniture, fixtures, equipment, and leasehold improvements. The unamortized cost remaining at contract termination would be payable to the Concessionaire. As of December 31, 2022, the Aquarium recorded capital improvements made by Concessionaire totaling \$1,789,243. The unamortized balance as of December 31, 2022, was \$1,714,158.

**Paycheck Protection Program loan:** 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 was 1.0% per annum. The Loan was guaranteed by the Small Business Administration (SBA) and was scheduled to mature on April 20, 2022. Under the terms of the PPP, some or all of the Loan may be forgiven if the funds were used for qualifying expenses as described in the CARES Act. The Aquarium applied for and received forgiveness for the entire loan amount on June 16, 2021, and has recognized both the \$3,770,500 loan and \$42,763 of interest expense as revenue without donor restrictions in the consolidated statement of activities for the year ended December 31, 2021. The loan is subject to audit by the SBA for a period of six years following forgiveness.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 9. Management and Facility Agreement**

In 1987, the Aquarium entered into a management and facility 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 10 years each, upon certain conditions being met by both parties, as defined by the agreement.

As part of a public/private partnership, the Aquarium considers the administration of the facility as an exchange type transaction and does not consider use and administration of City owned assets as part of any contribution concept.

#### **Note 10. Line of Credit**

The Aquarium's revolving line of credit was amended on June 2, 2020. The amendment increased the total amount of the line to \$3,000,000 with a floating rate of interest equal to one-month LIBOR plus 200 basis points and established a minimum rate of 2.75%. The interest rate was 6.30 % and 2.75% as of December 31, 2022 and 2021, respectively. There was no outstanding balance as of December 31, 2022 and 2021, respectively. The line of credit is set to mature of September 15, 2024.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for a specified purpose:		
NA:		
Capital expansion	\$ 5,247,692	\$ 3,495,140
Conservation and education programs	1,590,534	2,987,958
Aquarium experience	131,355	110,564
Henry Hall activities	1,150	1,250
Total NA	<u>6,970,731</u>	<u>6,594,912</u>
Foundation:		
Henry Hall activities	516,380	631,512
	<u>7,487,111</u>	<u>7,226,424</u>
Subject to the Aquarium's spending policy and appropriation:		
Foundation:		
Investment in perpetuity (including amounts above original gift amount totaling \$2,271,172 for both years), the income from which is expendable to support:		
Aquarium science and medicine	1,300,739	1,605,163
Lecture series	1,224,078	1,438,795
Marine life accessions	1,052,002	1,292,320
Education center	915,167	1,124,231
Professional excellence	527,169	669,930
Total Foundation	<u>5,019,155</u>	<u>6,130,439</u>
	<u>\$ 12,506,266</u>	<u>\$ 13,356,863</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 the Aquarium for use in their designated purposes.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 11. 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, 2022 and 2021:

	2022	2021
Specific purpose restrictions accomplished:		
Capital expansion	\$ 404,635	\$ 50,255
Conservation and education programs	1,576,488	1,454,810
Aquarium experience	55,295	42,162
Henry Hall activities	124,980	123,625
Professional excellence	30,831	-
	<u>2,192,229</u>	<u>1,670,852</u>
Release of appropriations subject to the Aquarium's spending policy:		
Aquarium science and medicine	-	64,185
Lecture series	-	54,576
Marine life accessions	-	45,774
Education center	-	39,687
Professional excellence	-	25,813
	<u>-</u>	<u>230,035</u>
Total restrictions released	<u>\$ 2,192,229</u>	<u>\$ 1,900,887</u>

**Interpretation of relevant law:** The Board 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.

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Aquarium to retain as a fund for perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as a reduction of net assets with donor restrictions. There were no deficiencies as of December 31, 2022 and 2021.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 11. 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 3 years, 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, 2022 and 2021, is as follows:

2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,019,155	\$ 5,019,155
Non-endowment funds	78,453,274	7,487,111	85,940,385
Total funds	<u>\$ 78,453,274</u>	<u>\$ 12,506,266</u>	<u>\$ 90,959,540</u>
2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,130,439	\$ 6,130,439
Non-endowment funds	81,963,650	7,226,424	89,190,074
Total funds	<u>\$ 81,963,650</u>	<u>\$ 13,356,863</u>	<u>\$ 95,320,513</u>

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 11. Net Assets With Donor Restrictions (Continued)

Changes in endowment net assets for the fiscal years ended December 31, 2022 and 2021, are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 6,130,439	\$ 6,130,439
Investment loss, net	-	(1,111,284)	(1,111,284)
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 5,019,155</u>	<u>\$ 5,019,155</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 5,634,888	\$ 5,634,888
Investment return, net	-	725,586	725,586
Appropriation of endowment assets for expenditures	-	(230,035)	(230,035)
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 6,130,439</u>	<u>\$ 6,130,439</u>

#### Note 12. Employee Benefit Plans

The Aquarium has a 401(k) plan for employees which provides for an employer match of participant contributions and the option to make discretionary employer contributions. In 2019, the Aquarium matched 50% of participant contributions up to 3% total. In 2020, the Aquarium continued matching 3% until March 29, 2020. Effective March 29, 2020, the Aquarium discontinued its employee match for the balance of the year. No discretionary contributions were made in 2022 or 2021. The 401(k) plan expense was \$231,354 and \$6,795 for the years ended December 31, 2022 and 2021, respectively. The Aquarium also has a 457(f) plan. The Aquarium made contributions of approximately \$55,800 and \$42,000 to this plan for the years ended December 31, 2022 and 2021, 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

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#### Note 13. Commitments and Contingencies

**Iwerks agreement:** 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, 2022, are due in future years as follows:

Years ending December 31:	
2023	\$ 223,202
2024	160,195
2025	160,195
2026	160,195
2027	146,846
Thereafter	231,002
	<hr/> 1,081,635
Less amount representing interest	(102,312)
	<hr/> \$ 979,323

Interest expense totaled \$27,815 and \$36,678 for the years ended December 31, 2022 and 2021, respectively, and is included with debt service expense on the consolidated statements of activities.

**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 was subject to an annual 2.9% increase through the fixed rate period, which ended 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 Aquarium. 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 \$916,682 and \$1,044,682 for the years ended December 31, 2022 and 2021, respectively. The Aquarium includes a provision for estimated claims of \$91,676 and \$113,496 in accounts payable and accrued expenses on the consolidated statements of financial position, as of December 31, 2022 and 2021, respectively.

**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.

## National Aquarium, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 13. Commitments and Contingencies (Continued)

**Federal awards:** The Aquarium participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

#### Note 14. Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before September 30, 2021. Qualified wages can't include any amounts submitted on the PPP loan forgiveness application. The Aquarium met eligibility requirements as an employer to receive the tax credit based off qualified wages for the first two quarters of 2021, resulting in additional income of \$3,786,993 recorded with contributions and grants on the consolidated statements of activities for the year ended December 31, 2021. As of December 31, 2022 and 2021, \$1,879,763 remains outstanding and is included in grants receivable on the statement of financial position. The Aquarium received \$1,841,928 in ERTC payments subsequent to year-end.

#### Note 15. Conditional Grants

During the year ended December 31, 2021, the Aquarium was awarded \$7,000,000 in capital grant awards from the state of Maryland for the Rain Forest Glazing Project expenditures. The Aquarium has \$1,815,510 and \$6,700,000 to be earned on this conditional grant as of December 31, 2022 and 2021, respectively. The amounts to be earned are not recognized in the consolidated financial statements as such revenue is recognized over the multi-year period indicated in the grant agreement, conditional upon management of the Aquarium complying with grant requirements.

During the year ended December 31, 2022, the Aquarium was awarded an additional \$3,000,000 capital grant from the State of Maryland for long term capital projects. The Aquarium has \$3,000,000 to be earned on this conditional grant as of December 31, 2022. This amount is not recognized in the consolidated financial statements as such revenue is recognized over the multi-year period indicated in the grant agreement, conditional upon management of the Aquarium complying with grant requirements.

#### Note 16. Subsequent Event

On May 19, 2023, the Aquarium and Truist Bank agreed to amend the tax-exempt floating rate revenue bonds, Series A and Series B, in order to: (i) provide for the replacement of LIBOR with a SOFR based interest rate in light of the anticipated cessation of LIBOR on June 30, 2023, (ii) extend the Mandatory Redemption Date (as defined in the Agreement) from June 1, 2029 to the final maturity date of the Bonds on June 1, 2034 (iii) reduce the debt service coverage ratio covenant to a minimum threshold of 1.10, tested as of June 30th and December 31st of each year, and (iv) modify the minimum unrestricted liquid asset covenant such that unrestricted liquidity shall be maintained in an amount equal to or greater than 50% of the sum of committed balance of any Truist exposure. In conjunction with the amendments, the Aquarium amended and restated trade confirmations in connection with the Aquarium's two (2) interest rate swap agreements related to the Series A and Series B Bonds in order to: (i) increase the notional amount of the swaps to hedge the entire outstanding amount of the Bonds, (ii) provide for the replacement of LIBOR with a SOFR based interest rate, and (ii) extend the termination date from June 1, 2029 to June 1, 2034. As a result of the swap amendments, the fixed interest rates were increased from 3.07% to 3.292% for both swaps. The amendments to the Bonds and swaps will become effective June 1, 2023.

**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, 2022 and 2021, and have issued our report thereon, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets and cash flows 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 and other supplementary 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*

Gaithersburg, Maryland  
May 25, 2023

## National Aquarium, Inc. and Subsidiaries

### Consolidating Statements of Financial Position Years Ended December 31, 2022 and 2021

	2022					
	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 17,249,248	\$ -	\$ 291,256	\$ 4,193	\$ -	\$ 17,544,697
Restricted cash	-	-	-	78,278	-	78,278
Promises to give, net	1,396,615	-	-	-	-	1,396,615
Grants receivable	2,510,386	-	-	-	-	2,510,386
Prepaid expenses	468,801	-	-	135,000	-	603,801
Cash restricted for capital expansion	3,905,694	-	-	-	-	3,905,694
Promises to give restricted for capital expansion	591,897	-	-	-	-	591,897
Other assets	906,566	18,764	138,027	-	-	1,063,357
Lease right-of-use assets—finance	101,762	-	-	-	-	101,762
Lease right-of-use assets—operating	4,844,054	-	-	-	-	4,844,054
Due from affiliate	-	93,644	-	-	(93,644)	-
Investments	-	26,540,416	-	-	-	26,540,416
Loans receivable	-	-	13,613,540	-	-	13,613,540
Investment in subsidiary	14,040,889	-	-	-	(14,040,889)	-
Interest rate swap asset	1,323,022	-	-	-	-	1,323,022
Property and equipment, net	61,209,769	-	-	15,654,285	-	76,864,054
Investments restricted for endowment (Note 11)	-	5,019,155	-	-	-	5,019,155
<b>Total assets</b>	<b>\$ 108,548,703</b>	<b>\$ 31,671,979</b>	<b>\$ 14,042,823</b>	<b>\$ 15,871,756</b>	<b>\$ (14,134,533)</b>	<b>\$ 156,000,728</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 3,302,454	\$ -	\$ -	\$ 619,187	\$ -	\$ 3,921,641
Accrued salaries and benefits	1,648,593	-	-	-	-	1,648,593
Due to affiliate	10,107	83,537	-	-	(93,644)	-
Deferred revenue and refundable advances	4,689,860	-	-	-	-	4,689,860
Deferred rent	-	-	-	-	-	-
Lease liabilities—finance	101,612	-	-	-	-	101,612
Lease liabilities—operating	6,680,267	-	-	-	-	6,680,267
Other payable obligations, net of unamortized issuance costs	979,323	-	-	-	-	979,323
Interest rate swap liability	-	-	-	-	-	-
Line of credit	-	-	-	-	-	-
Notes payable	1,714,158	-	-	-	-	1,714,158
New market tax credit loan, net of unamortized issuance costs	-	-	-	19,046,214	-	19,046,214
Bonds payable, net of unamortized issuance costs	26,259,520	-	-	-	-	26,259,520
<b>Total liabilities</b>	<b>45,385,894</b>	<b>83,537</b>	<b>-</b>	<b>19,665,401</b>	<b>(93,644)</b>	<b>65,041,188</b>
<b>Net assets (deficit):</b>						
Without donor restrictions	56,192,078	26,052,907	14,042,823	(3,793,645)	(14,040,889)	78,453,274
With donor restrictions	6,970,731	5,535,535	-	-	-	12,506,266
<b>Total net assets (deficit)</b>	<b>63,162,809</b>	<b>31,588,442</b>	<b>14,042,823</b>	<b>(3,793,645)</b>	<b>(14,040,889)</b>	<b>90,959,540</b>
<b>Total liabilities and net assets</b>	<b>\$ 108,548,703</b>	<b>\$ 31,671,979</b>	<b>\$ 14,042,823</b>	<b>\$ 15,871,756</b>	<b>\$ (14,134,533)</b>	<b>\$ 156,000,728</b>

2021

National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
\$ 16,387,897	\$ -	\$ 150,629	\$ 4,359	\$ -	\$ 16,542,885
-	-	-	120,878	-	120,878
2,084,322	-	-	-	-	2,084,322
2,289,881	-	-	-	-	2,289,881
252,867	-	-	235,000	-	487,867
2,532,905	-	-	-	-	2,532,905
962,235	-	-	-	-	962,235
619,827	16,440	112,693	-	-	748,960
-	-	-	-	-	-
-	-	-	-	-	-
-	93,644	-	-	(93,644)	-
-	35,452,458	-	-	-	35,452,458
-	-	13,613,540	-	-	13,613,540
13,874,906	-	-	-	(13,874,906)	-
-	-	-	-	-	-
58,368,173	-	-	16,274,167	-	74,642,340
-	5,019,155	-	-	-	5,019,155
<u>\$ 97,373,013</u>	<u>\$ 40,581,697</u>	<u>\$ 13,876,862</u>	<u>\$ 16,634,404</u>	<u>\$ (13,968,550)</u>	<u>\$ 154,497,426</u>

\$ 2,473,304	\$ -	\$ -	\$ 514,305	\$ -	\$ 2,987,609
792,879	-	-	-	-	792,879
93,644	-	-	-	(93,644)	-
4,935,380	-	-	-	-	4,935,380
1,269,480	-	-	-	-	1,269,480
-	-	-	-	-	-
-	-	-	-	-	-
1,221,256	-	-	-	-	1,221,256
1,018,659	-	-	-	-	1,018,659
-	-	-	-	-	-
-	-	-	-	-	-
0	-	-	18,820,244	-	18,820,244
28,131,406	-	-	-	-	28,131,406
<u>39,936,008</u>	<u>-</u>	<u>-</u>	<u>19,334,549</u>	<u>(93,644)</u>	<u>59,176,913</u>
50,842,093	33,819,746	13,876,862	(2,700,145)	(13,874,906)	81,963,650
6,594,912	6,761,951	-	-	-	13,356,863
<u>57,437,005</u>	<u>40,581,697</u>	<u>13,876,862</u>	<u>(2,700,145)</u>	<u>(13,874,906)</u>	<u>95,320,513</u>
<u>\$ 97,373,013</u>	<u>\$ 40,581,697</u>	<u>\$ 13,876,862</u>	<u>\$ 16,634,404</u>	<u>\$ (13,968,550)</u>	<u>\$ 154,497,426</u>

# National Aquarium, Inc. and Subsidiaries

## Consolidating Statement of Activities Year Ended December 31, 2022

	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	\$ 27,610,373	\$ -	\$ 27,610,373	\$ -	\$ -	\$ -
Contributions and grants	9,164,275	2,568,048	11,732,323	-	-	-
General and corporate membership programs	5,862,155	-	5,862,155	-	-	-
Education program	1,382,895	-	1,382,895	-	-	-
Group sales	1,383,942	-	1,383,942	-	-	-
Gift shop and food service	2,641,075	-	2,641,075	-	-	-
Auxiliary	1,640,157	-	1,640,157	-	-	-
Catered events	340,336	-	340,336	-	-	-
Intercompany grants	1,950,800	-	1,950,800	10,107	-	10,107
In-kind revenue	728,425	-	728,425	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	404,635	(404,635)	-	-	-	-
Satisfaction of equipment acquisition restrictions	1,787,594	(1,787,594)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>54,896,662</b>	<b>375,819</b>	<b>55,272,481</b>	<b>10,107</b>	<b>-</b>	<b>10,107</b>
Expenses:						
Programs:						
Aquarium experience	30,061,233	-	30,061,233	-	-	-
Conservation and education	6,154,409	-	6,154,409	1,836,275	-	1,836,275
<b>Total program expenses</b>	<b>36,215,642</b>	<b>-</b>	<b>36,215,642</b>	<b>1,836,275</b>	<b>-</b>	<b>1,836,275</b>
Supporting services:						
Fundraising and membership	5,680,364	-	5,680,364	-	-	-
Advertising and promotions	4,055,146	-	4,055,146	-	-	-
General and administrative	5,271,381	-	5,271,381	-	-	-
<b>Total supporting services expenses</b>	<b>15,006,891</b>	<b>-</b>	<b>15,006,891</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>51,222,533</b>	<b>-</b>	<b>51,222,533</b>	<b>1,836,275</b>	<b>-</b>	<b>1,836,275</b>
<b>Change in net assets before other financial items</b>	<b>3,674,129</b>	<b>375,819</b>	<b>4,049,948</b>	<b>(1,826,168)</b>	<b>-</b>	<b>(1,826,168)</b>
Investment income (loss), net	286,898	-	286,898	(5,940,671)	(1,226,416)	(7,167,087)
Gain on interest rate swap contract	2,341,681	-	2,341,681	-	-	-
Loss on disposal of property and equipment	(55,528)	-	(55,528)	-	-	-
Debt service	(897,195)	-	(897,195)	-	-	-
Forgiveness of Paycheck Protection Program promissory note	-	-	-	-	-	-
<b>Total other financial items</b>	<b>1,675,856</b>	<b>-</b>	<b>1,675,856</b>	<b>(5,940,671)</b>	<b>(1,226,416)</b>	<b>(7,167,087)</b>
<b>Change in net assets</b>	<b>5,349,985</b>	<b>375,819</b>	<b>5,725,804</b>	<b>(7,766,839)</b>	<b>(1,226,416)</b>	<b>(8,993,255)</b>
Net assets (deficit):						
Beginning	50,842,093	6,594,912	57,437,005	33,819,746	6,761,951	40,581,697
Equity distribution	-	-	-	-	-	-
Ending	<b>\$ 56,192,078</b>	<b>\$ 6,970,731</b>	<b>\$ 63,162,809</b>	<b>\$ 26,052,907</b>	<b>\$ 5,535,535</b>	<b>\$ 31,588,442</b>

ACRC Lender, LLC		ACRC Lessor, Inc.		Eliminations		Total		
Without Donor Restrictions		Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
\$	-	\$	-	\$	-	\$	-	\$
-	-	-	-	-	-	27,610,373	-	27,610,373
-	-	-	-	-	-	9,164,275	2,568,048	11,732,323
-	-	-	-	-	-	5,862,155	-	5,862,155
-	-	-	-	-	-	1,382,895	-	1,382,895
-	-	-	-	-	-	1,383,942	-	1,383,942
-	-	-	-	-	-	2,641,075	-	2,641,075
-	265,246	(265,246)	-	(265,246)	1,640,157	-	-	1,640,157
-	-	-	-	-	340,336	-	-	340,336
-	-	(1,960,907)	-	(1,960,907)	-	-	-	-
-	-	-	-	-	728,425	-	-	728,425
-	-	-	-	-	404,635	(404,635)	-	-
-	-	-	-	-	1,787,594	(1,787,594)	-	-
-	265,246	(2,226,153)	-	(2,226,153)	52,945,862	375,819	-	53,321,681
-	734,407	(265,246)	-	(265,246)	30,530,394	-	-	30,530,394
-	-	(1,960,907)	-	(1,960,907)	6,029,777	-	-	6,029,777
-	734,407	(2,226,153)	-	(2,226,153)	36,560,171	-	-	36,560,171
-	-	-	-	-	5,680,364	-	-	5,680,364
-	-	-	-	-	4,055,146	-	-	4,055,146
22	113,366	-	-	-	5,384,769	-	-	5,384,769
22	113,366	-	-	-	15,120,279	-	-	15,120,279
22	847,773	(2,226,153)	-	(2,226,153)	51,680,450	-	-	51,680,450
(22)	(582,527)	-	-	-	1,265,412	375,819	-	1,641,231
165,983	-	(165,983)	-	(165,983)	(5,653,773)	(1,226,416)	-	(6,880,189)
-	-	-	-	-	2,341,681	-	-	2,341,681
-	-	-	-	-	(55,528)	-	-	(55,528)
-	(510,973)	-	-	-	(1,408,168)	-	-	(1,408,168)
-	-	-	-	-	-	-	-	-
165,983	(510,973)	(165,983)	-	(165,983)	(4,775,788)	(1,226,416)	-	(6,002,204)
165,961	(1,093,500)	(165,983)	-	(165,983)	(3,510,376)	(850,597)	-	(4,360,973)
13,876,862	(2,700,145)	(13,874,906)	-	(13,874,906)	81,963,650	13,356,863	-	95,320,513
-	-	-	-	-	-	-	-	-
\$	14,042,823	\$	(3,793,645)	\$	(14,040,889)	\$	-	\$
					(14,040,889)	\$	78,453,274	\$
						\$	12,506,266	\$
								90,959,540

## National Aquarium, Inc. and Subsidiaries

### Consolidating Statement of Activities Year Ended December 31, 2021

	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	\$ 26,707,875	\$ -	\$ 26,707,875	\$ -	\$ -	\$ -
Contributions and grants	17,572,855	1,950,986	19,523,841	-	-	-
General and corporate membership programs	4,278,239	-	4,278,239	-	-	-
Education program	650,165	-	650,165	-	-	-
Group sales	954,109	-	954,109	-	-	-
Gift shop and food service	1,835,016	-	1,835,016	-	-	-
Auxiliary	1,313,846	-	1,313,846	-	-	-
Catered events	109,333	-	109,333	-	-	-
Intercompany grants	1,237,049	-	1,237,049	93,644	-	93,644
In-kind revenue	462,968	-	462,968	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	50,255	(50,255)	-	230,035	(230,035)	-
Satisfaction of equipment acquisition restrictions	1,620,597	(1,620,597)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>56,792,307</b>	<b>280,134</b>	<b>57,072,441</b>	<b>323,679</b>	<b>(230,035)</b>	<b>93,644</b>
Expenses:						
Programs:						
Aquarium experience	28,166,204	-	28,166,204	-	-	-
Conservation and education	5,524,272	-	5,524,272	1,156,177	-	1,156,177
<b>Total program expenses</b>	<b>33,690,476</b>	<b>-</b>	<b>33,690,476</b>	<b>1,156,177</b>	<b>-</b>	<b>1,156,177</b>
Supporting services:						
Fundraising and membership	5,343,006	-	5,343,006	-	-	-
Advertising and promotions	3,589,840	-	3,589,840	-	-	-
General and administrative	4,569,089	-	4,569,089	-	-	-
<b>Total supporting services expenses</b>	<b>13,501,935</b>	<b>-</b>	<b>13,501,935</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>47,192,411</b>	<b>-</b>	<b>47,192,411</b>	<b>1,156,177</b>	<b>-</b>	<b>1,156,177</b>
<b>Change in net assets before other financial items</b>	<b>9,599,896</b>	<b>280,134</b>	<b>9,880,030</b>	<b>(832,498)</b>	<b>(230,035)</b>	<b>(1,062,533)</b>
Investment income, net	165,719	-	165,719	3,803,131	779,918	4,583,049
Gain on interest rate swap contract	1,107,166	-	1,107,166	-	-	-
Debt service	(1,006,319)	-	(1,006,319)	-	-	-
Forgiveness of Paycheck Protection Program promissory note	3,813,263	-	3,813,263	-	-	-
<b>Total other financial items</b>	<b>4,079,829</b>	<b>-</b>	<b>4,079,829</b>	<b>3,803,131</b>	<b>779,918</b>	<b>4,583,049</b>
<b>Change in net assets</b>	<b>13,679,725</b>	<b>280,134</b>	<b>13,959,859</b>	<b>2,970,633</b>	<b>549,883</b>	<b>3,520,516</b>
Net assets (deficit):						
Beginning	37,162,368	6,314,778	43,477,146	30,849,113	6,212,068	37,061,181
Equity distribution	-	-	-	-	-	-
Ending	\$ 50,842,093	\$ 6,594,912	\$ 57,437,005	\$ 33,819,746	\$ 6,761,951	\$ 40,581,697

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,707,875	\$ -	\$ 26,707,875	
-	-	-	-	-	17,572,855	1,950,986	19,523,841	
-	-	-	-	-	4,278,239	-	4,278,239	
-	-	-	-	-	650,165	-	650,165	
-	-	-	-	-	954,109	-	954,109	
-	-	-	-	-	1,835,016	-	1,835,016	
-	230,833	(230,833)	-	(230,833)	1,313,846	-	1,313,846	
-	-	-	-	-	109,333	-	109,333	
-	-	(1,330,693)	-	(1,330,693)	-	-	-	
-	-	-	-	-	462,968	-	462,968	
-	-	-	-	-	280,290	(280,290)	-	
-	-	-	-	-	1,620,597	(1,620,597)	-	
-	230,833	(1,561,526)	-	(1,561,526)	55,785,293	50,099	55,835,392	
-	700,753	(230,833)	-	(230,833)	28,636,124	-	28,636,124	
-	-	(1,330,693)	-	(1,330,693)	5,349,756	-	5,349,756	
-	700,753	(1,561,526)	-	(1,561,526)	33,985,880	-	33,985,880	
-	-	-	-	-	5,343,006	-	5,343,006	
-	-	-	-	-	3,589,840	-	3,589,840	
25	113,493	-	-	-	4,682,607	-	4,682,607	
25	113,493	-	-	-	13,615,453	-	13,615,453	
25	814,246	(1,561,526)	-	(1,561,526)	47,601,333	-	47,601,333	
(25)	(583,413)	-	-	-	8,183,960	50,099	8,234,059	
165,719	-	(165,719)	-	(165,719)	3,968,850	779,918	4,748,768	
-	-	-	-	-	1,107,166	-	1,107,166	
-	(509,495)	-	-	-	(1,515,814)	-	(1,515,814)	
-	-	-	-	-	3,813,263	-	3,813,263	
165,719	(509,495)	(165,719)	-	(165,719)	7,373,465	779,918	8,153,383	
165,694	(1,092,908)	(165,719)	-	(165,719)	15,557,425	830,017	16,387,442	
13,854,779	(1,607,237)	(13,852,798)	-	(13,852,798)	66,406,225	12,526,846	78,933,071	
(143,611)	-	143,611	-	143,611	-	-	-	
\$ 13,876,862	\$ (2,700,145)	\$ (13,874,906)	\$ -	\$ (13,874,906)	\$ 81,963,650	\$ 13,356,863	\$ 95,320,513	