

National Aquarium, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2023

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Independent Auditor's Report

RSM US LLP

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, 2023 and 2022, 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, 2023 and 2022, 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.

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
June 12, 2024

National Aquarium, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents	\$ 18,258,979	\$ 17,544,697
Restricted cash	35,553	78,278
Promises to give, net (Note 3)	93,444	1,396,615
Grants receivable	1,251,160	2,510,386
Prepaid expenses	712,769	603,801
Other assets	1,457,633	1,063,357
Lease right-of-use assets—finance (Note 7)	61,608	101,762
Lease right-of-use assets—operating (Note 7)	4,707,698	4,844,054
Investments (Notes 4 and 5)	28,284,235	26,540,416
Loans receivable (Note 8)	13,613,540	13,613,540
Interest rate swap asset (Notes 5 and 8)	1,032,233	1,323,022
Property and equipment, net (Note 6)	77,317,670	76,864,054
Cash restricted for capital expansion	5,308,624	3,905,694
Promises to give restricted for capital expansion (Note 3)	163,657	591,897
Investments restricted for endowment (Note 11)	5,307,649	5,019,155
	\$ 157,606,452	\$ 156,000,728
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (Note 13)	\$ 5,915,671	\$ 3,921,641
Accrued salaries and benefits	1,435,727	1,648,593
Deferred revenue and refundable advances	4,651,602	4,689,860
Lease liabilities—finance (Note 7)	61,583	101,612
Lease liabilities—operating (Note 7)	6,480,648	6,680,267
Other payable obligations, net of unamortized issuance costs (Note 13)	815,296	979,323
Notes payable (Note 8)	1,484,840	1,714,158
New market tax credit loan, net of unamortized issuance costs (Note 8)	19,272,184	19,046,214
Bonds payable, net of unamortized issuance costs (Note 8)	24,314,729	26,259,520
	64,432,280	65,041,188
Total liabilities		
Commitments and contingencies (Notes 9, 10 and 13)		
Net assets (Note 11):		
Without donor restrictions	81,651,010	78,453,274
With donor restrictions	11,523,162	12,506,266
	93,174,172	90,959,540
Total net assets		
Total liabilities and net assets		
	\$ 157,606,452	\$ 156,000,728

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Activities Years Ended December 31, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Admissions	\$ 29,687,231	\$ -	\$ 29,687,231
Contributions and grants	7,642,414	578,515	8,220,929
General and corporate membership programs	6,314,679	-	6,314,679
Education program	1,939,570	-	1,939,570
Group sales	1,706,702	-	1,706,702
Gift shop and food service	3,079,940	-	3,079,940
Auxiliary	1,557,586	-	1,557,586
Catered events	445,733	-	445,733
Contributions of nonfinancial assets	400,284	-	400,284
Net assets released from restrictions (Note 11):			
Satisfaction of program restrictions	2,183,157	(2,183,157)	-
Satisfaction of equipment acquisition restrictions	-	-	-
Total revenue, gains and other support	54,957,296	(1,604,642)	53,352,654
Expenses:			
Programs:			
Aquarium experience	31,859,270	-	31,859,270
Conservation and education	7,302,616	-	7,302,616
Total program expenses	39,161,886	-	39,161,886
Supporting services:			
Fundraising and membership	5,951,196	-	5,951,196
Advertising and promotions	4,451,879	-	4,451,879
General and administrative	4,462,549	-	4,462,549
Total supporting services expenses	14,865,624	-	14,865,624
Total expenses	54,027,510	-	54,027,510
Change in net assets before other financial items	929,786	(1,604,642)	(674,856)
Investment (loss) income, net (Note 4)	3,982,718	621,538	4,604,256
(Loss) gain on interest rate swap contract (Note 8)	(290,789)	-	(290,789)
Loss on disposal of property and equipment	(10,575)	-	(10,575)
Debt service (Note 8)	(1,413,404)	-	(1,413,404)
Total other financial items	2,267,950	621,538	2,889,488
Change in net assets	3,197,736	(983,104)	2,214,632
Net assets:			
Beginning	78,453,274	12,506,266	90,959,540
Ending	\$ 81,651,010	\$ 11,523,162	\$ 93,174,172

See notes to consolidated financial statements.

2022		
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
1,640,157	-	1,640,157
340,336	-	340,336
728,425	-	728,425
404,635	(404,635)	-
1,787,594	(1,787,594)	-
52,945,862	375,819	53,321,681
30,530,394	-	30,530,394
6,029,777	-	6,029,777
36,560,171	-	36,560,171
5,680,364	-	5,680,364
4,055,146	-	4,055,146
5,384,769	-	5,384,769
15,120,279	-	15,120,279
51,680,450	-	51,680,450
1,265,412	375,819	1,641,231
(5,653,773)	(1,226,416)	(6,880,189)
2,341,681	-	2,341,681
(55,528)	-	(55,528)
(1,408,168)	-	(1,408,168)
(4,775,788)	(1,226,416)	(6,002,204)
(3,510,376)	(850,597)	(4,360,973)
81,963,650	13,356,863	95,320,513
\$ 78,453,274	\$ 12,506,266	\$ 90,959,540

National Aquarium, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2023**

	Program Expenses			Support Expenses				
	Aquarium Experience	Conservation and Education	Total Programmatic Expenses	Fundraising and Membership	General and Administrative	Advertising and Promotions	Total Support Expenses	Total
Salary and wages	\$ 10,570,983	\$ 3,792,743	\$ 14,363,726	\$ 3,013,395	\$ 1,485,341	\$ 306,534	\$ 4,805,270	\$ 19,168,996
Benefits	1,570,951	589,714	2,160,665	512,819	994,835	60,333	1,567,987	3,728,652
Advertising and promotion	33,738	14,332	48,070	38,373	22,308	3,726,430	3,787,111	3,835,181
Charitable contributions	148	34,921	35,069	3,000	1,010	-	4,010	39,079
Conferences, conventions and meetings	50,345	31,943	82,288	11,959	10,166	2,440	24,565	106,853
Dues and subscriptions	722,398	197,124	919,522	180,300	139,421	16,451	336,172	1,255,694
Insurance	400,471	107,992	508,463	53,996	41,997	-	95,993	604,456
Bank and credit card fees	621,099	164,926	786,025	83,794	64,332	-	148,126	934,151
Miscellaneous expense	39,552	43,263	82,815	74,782	65,836	5,123	145,741	228,556
Occupancy	3,695,896	103,391	3,799,287	51,695	79,959	-	131,654	3,930,941
Office supplies	488,870	78,435	567,305	79,467	59,532	6,377	145,376	712,681
Professional fees	1,185,476	139,962	1,325,438	926,065	391,127	277,977	1,595,169	2,920,607
Program expenses	1,807,366	243,695	2,051,061	11,461	58,757	564	70,782	2,121,843
Travel expenses	144,340	273,338	417,678	36,598	34,699	5,705	77,002	494,680
Contract services	4,348,716	53,070	4,401,786	156,608	452,631	43,945	653,184	5,054,970
Taxes	5,571	1,366	6,937	683	3,553	-	4,236	11,173
Depreciation	6,173,350	1,432,401	7,605,751	716,201	557,045	-	1,273,246	8,878,997
Subtotal	31,859,270	7,302,616	39,161,886	5,951,196	4,462,549	4,451,879	14,865,624	54,027,510
Debt service	4,548	923	5,471	461	1,407,472	-	1,407,933	1,413,404
Total	\$ 31,863,818	\$ 7,303,539	\$ 39,167,357	\$ 5,951,657	\$ 5,870,021	\$ 4,451,879	\$ 16,273,557	\$ 55,440,914

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Program Expenses			Support Expenses				
	Aquarium Experience	Conservation and Education	Total Programmatic Expenses	Fundraising and Membership	General and Administrative	Advertising and Promotions	Total Support Expenses	Total
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
Subtotal	30,530,394	6,029,777	36,560,171	5,680,364	5,384,769	4,055,146	15,120,279	51,680,450
Debt service	5,105	1,338	6,443	670	1,401,055	-	1,401,725	1,408,168
Total	\$ 30,535,499	\$ 6,031,115	\$ 36,566,614	\$ 5,681,034	\$ 6,785,824	\$ 4,055,146	\$ 16,522,004	\$ 53,088,618

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,214,632	\$ (4,360,973)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,878,997	9,250,171
Amortization of new market tax credit loan issuance costs	225,970	225,970
Amortization of finance lease and issuance costs	40,154	41,162
Amortization of bond issue costs	3,551	2,718
Loss (gain) on interest rate swap agreement	290,789	(2,341,681)
Loss on disposal of property and equipment	10,575	55,528
Increase in discount on and allowance for promises to give	4,246	2,664
Notes payable premium amortization	(229,318)	(75,084)
Net realized and unrealized (gain) loss of investments	(3,212,116)	7,419,128
Contributions restricted to long-term investment	(3,963,667)	(1,407,086)
Right-of-use—operating amortization, net of additions	136,356	965,190
Changes in assets and liabilities:		
(Increase) decrease:		
Promises to give	1,727,165	1,055,381
Grants receivable	1,259,226	(220,505)
Prepaid expenses	(108,968)	(115,934)
Other assets	(394,276)	(314,397)
Increase (decrease) in:		
Accounts payable and accrued expenses	403,833	621,446
Accrued salaries and benefits	(212,866)	855,714
Deferred revenue and refundable advances	(38,258)	(245,520)
Lease liabilities—operating	(199,619)	(398,457)
Net cash provided by operating activities	6,836,406	11,015,435
Cash flows from investing activities:		
Purchases of property and equipment	(7,752,991)	(11,214,827)
Purchases of investments	(377,692)	(1,401,190)
Proceeds from sale of investments	1,557,495	2,894,104
Net cash used in investing activities	(6,573,188)	(9,721,913)
Cash flows from financing activities:		
Contributions restricted to long-term investments	3,963,667	1,407,086
Principal payments on bond payable	(1,948,341)	(1,874,604)
Principal payments on capital lease obligation	(164,028)	(241,933)
Issuance of note payable	-	1,789,242
Repayment of lease liability—financing	(40,029)	(41,312)
Net cash (used in) provided by financing activities	1,811,269	1,038,479
Net increase in cash, cash equivalents and restricted cash	2,074,487	2,332,001
Cash, cash equivalents and restricted cash:		
Beginning	21,528,669	19,196,668
Ending	\$ 23,603,156	\$ 21,528,669
Supplemental disclosure of cash flow information:		
Cash payments for interest for long-term debt and capital lease	\$ 1,354,124	\$ 1,349,723
Supplemental disclosures of noncash investing and financing activities:		
Property and equipment purchases in accounts payable and accrued expenses	\$ 2,044,713	\$ 454,516

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium) is a nonprofit corporation that operates and manages an aquarium and centers for the study of marine sciences in Baltimore, Maryland and provides recreational and educational facilities for its guests. The Aquarium is comprised of four entities: National Aquarium, Inc. (NA), National Aquarium Foundation, Inc. (the Foundation), ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor).

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

Principles of consolidation: The consolidated financial statements include the accounts of NA, the Foundation, Lender and Lessor. All intercompany accounts and transactions were eliminated for consolidation purposes.

Basis of 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

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.

Contributions of nonfinancial assets: Contributed nonfinancial assets utilized in programs and activities consist of volunteer services and donated goods for the years ended December 31, 2023 and 2022. There are no associated donor restrictions for the contributed nonfinancial assets.

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, 2023 and 2022, the fair value of contributed services meeting the requirements for recognition in the consolidated financial statements was \$397,236 and \$687,002, 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 70,000 volunteer hours per year.

The Aquarium received \$3,048 and \$41,423 of donated goods during the years ended December 31, 2023 and 2022, respectively, which are valued using the estimated fair market value of the items provided by the donor.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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:

	2023	2022	2021
Contract receivables	\$ 603,277	\$ 549,239	\$ 362,570
Contract liabilities	4,377,025	4,477,308	4,274,266

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:

	2023	2022
Cash	\$ 18,258,979	\$ 17,544,697
Cash restricted for capital expansion	5,308,624	3,905,694
Unspent debt fee reserves	35,553	78,278
Cash, cash equivalents and restricted cash	<u>\$ 23,603,156</u>	<u>\$ 21,528,669</u>

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 \$43,214 and \$31,024 as of December 31, 2023 and 2022, respectively, are included in bonds payable on the consolidated statements of financial position. New market tax credit loan issuance costs of \$131,816 and \$357,786 as of December 31, 2023 and 2022, respectively, are included in new market tax credit loan on the consolidated statements of financial position. Amortization expense was \$229,970 and \$228,687 for each of the years ended December 31, 2023 and 2022, respectively, and is included with debt service expense on the consolidated statements of activities.

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

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Investments: Investments are recorded at fair value based on closing values on the last trading day of the year. The Foundation invests in a portfolio that includes mutual funds, equities and real estate 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.

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

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

* Facility improvements are depreciated over the shorter of the estimated useful life of the asset or the remaining term of the facilities agreement.

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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 recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Aquarium made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 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 received. To determine the present value of lease payments, the Aquarium made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). 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.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes 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 has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to the Entity, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Advertising: Advertising costs are expensed as incurred and were \$3,835,181 and \$3,621,922 and for the years ended December 31, 2023 and 2022, 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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 material unrelated business income for the years ended December 31, 2023 and 2022.

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.

Adopted accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The incurred loss model will be replaced with a current expected credit loss model for both originated and acquired financial instruments carried at amortized cost and off-balance-sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases and trade receivables. The ASU was effective for the Aquarium's fiscal year beginning January 1, 2023, and did not have a material impact on the consolidated financial statements.

Subsequent events: The Aquarium has evaluated subsequent events through June 12, 2024, 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, 2023 and 2022, are as follows:

	2023	2022
Cash, cash equivalents and restricted cash	\$ 23,603,156	\$ 21,528,669
Promises to give, net	257,101	1,988,512
Grants receivable	1,251,160	2,510,386
Accounts receivable	700,870	553,749
Investments	33,591,884	31,559,571
Total financial assets	<u>59,404,171</u>	<u>58,140,887</u>
Less:		
Refundable advances	1,178,304	1,414,646
Donor restricted endowments	5,307,649	5,019,155
Restrictions by donor with time or purpose restrictions	6,215,513	7,487,111
Fee reserve for new markets tax credit financings	35,553	78,278
Bank required amounts set aside for liquidity reserve	13,657,365	20,000,000
	<u>26,394,384</u>	<u>33,999,190</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,009,787</u>	<u>\$ 24,141,697</u>

Note 3. Promises to Give

Included in promises to give are the following unconditional promises to give at December 31, 2023 and 2022:

	2023	2022
Harbor Wetland	\$ 188,655	\$ 1,824,397
Capital Projects	34,192	44,692
Conservation, education and other	41,501	149,501
Unconditional promises to give before present value discount and allowance	264,348	2,018,590
Less present value discount	(5,747)	(17,578)
Less allowance for doubtful accounts	(1,500)	(12,500)
Promises to give, net	<u>\$ 257,101</u>	<u>\$ 1,988,512</u>
Amounts due in:	2023	2022
Less than one year	\$ 140,500	\$ 1,635,832
One to five years	123,848	382,758
	<u>\$ 264,348</u>	<u>\$ 2,018,590</u>

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments

Investments owned by the Aquarium consist of the following at December 31, 2023 and 2022:

	2023	2022
Cash equivalents	\$ 1,525,444	\$ 465,324
Mutual funds	24,757,352	24,219,961
Fixed income private placement funds	5,130,138	4,840,572
Real estate fund	1,697,745	2,033,714
Private investment	481,205	-
	<u>\$ 33,591,884</u>	<u>\$ 31,559,571</u>

Investment (loss) income is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Net unrealized and realized gain (loss)	\$ 3,212,116	\$ (7,419,128)
Interest and dividends on investments	457,448	405,537
Investment fees	(127,568)	(153,496)
	<u>3,541,996</u>	<u>(7,167,087)</u>
Interest income on notes receivable	1,062,260	286,898
Total investment income (loss)	<u>\$ 4,604,256</u>	<u>\$ (6,880,189)</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, 2023 and 2022:

	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Mutual funds (a):								
International	\$ 5,795,188	\$ -	\$ -	\$ 5,795,188	\$ 5,094,792	\$ -	\$ -	\$ 5,094,792
Fixed income	2,698,568	-	-	2,698,568	4,548,263	-	-	4,548,263
Value	15,032,984	-	-	15,032,984	13,554,525	-	-	13,554,525
Real estate	-	-	-	-	-	-	-	-
Global hard asset	1,230,612	-	-	1,230,612	1,022,381	-	-	1,022,381
Total investments at fair value	<u>\$ 24,757,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,757,352</u>	<u>\$ 24,219,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,219,961</u>
Real estate fund (b)				1,697,745				2,033,714
Fixed income private placement funds (b)				5,130,138				4,840,572
Private investment (b)				481,205				-
Cash, held at cost				1,525,444				465,324
Total investments				<u>\$ 33,591,884</u>				<u>\$ 31,559,571</u>
Deferred compensation plan assets	\$ 278,786	\$ -	\$ -	\$ 278,786	\$ 194,748	\$ -	\$ -	\$ 194,748
	<u>\$ 278,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,786</u>	<u>\$ 194,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,748</u>
Interest rate swap asset	\$ -	\$ 1,032,233	\$ -	\$ 1,032,233	\$ -	\$ 1,323,022	\$ -	\$ 1,323,022
	<u>\$ -</u>	<u>\$ 1,032,233</u>	<u>\$ -</u>	<u>\$ 1,032,233</u>	<u>\$ -</u>	<u>\$ 1,323,022</u>	<u>\$ -</u>	<u>\$ 1,323,022</u>
Liabilities:								
Deferred compensation plan liabilities	\$ -	\$ 278,786	\$ -	\$ 278,786	\$ -	\$ 194,748	\$ -	\$ 194,748
	<u>\$ -</u>	<u>\$ 278,786</u>	<u>\$ -</u>	<u>\$ 278,786</u>	<u>\$ -</u>	<u>\$ 194,748</u>	<u>\$ -</u>	<u>\$ 194,748</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, 2023 and 2022, are as follows:

	2023 Fair Value	2022 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate fund (a)	\$ 1,697,745	\$ 2,033,714	\$ -	None	90 days
Fixed income private placement funds (b)	5,130,138	4,840,572	-	None	None
Private investment (c)	481,205	-	-	None	180 days
Total	<u>\$ 7,309,088</u>	<u>\$ 6,874,286</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.

(c) This category includes a partnership which invests in differentiated lending opportunities. 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, 2023 and 2022, are as follows:

	2023	2022
Land	\$ 1,362,888	\$ 1,362,888
Furniture, fixtures and office equipment	14,454,584	14,427,912
Other equipment	16,786,405	16,614,211
Building and facility improvements	209,091,996	206,858,549
Construction in progress	7,513,339	689,619
	<u>249,209,212</u>	<u>239,953,179</u>
Less accumulated depreciation	(171,891,542)	(163,089,125)
	<u>\$ 77,317,670</u>	<u>\$ 76,864,054</u>

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 4.58 – 9.42 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 1.12 to 3.87 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, 2023 and 2022, consisted of the following:

	2023	2022
Assets:		
Operating lease assets	\$ 4,707,698	\$ 4,844,054
Financing lease assets	\$ 61,608	\$ 101,762
Liabilities:		
Operating lease liabilities	\$ 6,480,648	\$ 6,680,267
Financing lease liabilities	\$ 61,583	\$ 101,612

The components of lease expense for the year ended December 31, 2023 and 2022 are as follows:

	2023	2022
Operating lease cost	\$ 643,000	\$ 627,952
Short-term cost	-	-
Variable cost	-	-
Finance lease—amortization of ROU assets	40,154	41,162
Finance lease—interest on lease liabilities	1,797	1,234
	\$ 684,951	\$ 670,348

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

	2023	2022
Weighted-average remaining lease term for operating leases	9.18	10.37
Weighted-average discount rate for operating leases	1.80%	1.71%
Weighted-average remaining lease term for financing leases	2.22	2.93
Weighted-average discount rate for financing leases	2.49%	2.18%

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Leases (Continued)

Supplemental cash flow information related to leases is as follows:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 657,227	\$ 571,809
Operating cash outflows—payments on financing leases	1,797	1,234
Financing cash outflows—payments on finance leases	40,029	41,312
ROU assets obtained in exchange for new lease obligations:		
Operating leases	339,934	55,954
Finance leases	-	31,483

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, 2023, is as follows:

	Operating Leases	Financing Leases
Years ending December 31:		
2024	\$ 716,263	\$ 41,233
2025	732,860	9,823
2026	749,870	6,968
2027	767,387	5,806
2028	751,810	-
Thereafter	3,311,935	-
Total lease payments	7,030,125	63,830
Less imputed interest	(549,477)	(2,247)
Present value of lease liabilities	\$ 6,480,648	\$ 61,583

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 \$24,357,944 and \$26,290,544 at December 31, 2023 and 2022, 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, 2023 and 2022, was 5.54% and 4.60%, 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Long-Term Debt (Continued)

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.

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 30 and December 31 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 all funded indebtedness owed to the lender plus the undisbursed portion of any commitment loan amount from the lender. 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 (iii) 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 3.29% for both swaps. The amendments to the Bonds and swaps became effective June 1, 2023.

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. There were no equity distributions from the Lender during the years ending December 31, 2023 and 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Long-Term Debt (Continued)

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, 2023 and 2022.

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.

Principal payment requirements on the bonds payable and deferred draw term loan at December 31, 2023, are due in future years as follows:

	NMTC Notes	Bonds Payable	Total
Years ending December 31:			
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
2028	644,709	2,257,050	2,901,759
Thereafter	16,878,282	13,740,002	30,618,284
	19,404,000	24,357,944	43,761,944
Issuance costs, net of amortization	(131,816)	(43,215)	(175,031)
	<u>\$ 19,272,184</u>	<u>\$ 24,314,729</u>	<u>\$ 43,586,913</u>

Interest expense on long-term debt was \$1,183,882 and \$1,179,481 for the years ended December 31, 2023 and 2022, 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 \$25,338,692 and \$23,661,490 as of December 31, 2023 and 2022, respectively. In 2023, the Aquarium amended the interest rate swap contracts to extend the termination date from June 1, 2029 to June 1, 2034. Additionally, the fixed interest rates were increased from 3.07% to 3.29% for both swaps effective June 1, 2023. The estimated total fair value of these agreements were classified as assets of \$1,032,233 and \$1,323,022 in the Aquarium's consolidated statements of financial position as of December 31, 2023 and 2022, respectively. Net losses of \$290,789 were recognized for the year ended December 31, 2023 and recorded on the consolidated statements of activities. Net gains of \$2,341,681 were recognized for the year ended December 31, 2022 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. The Aquarium has recorded capital improvements made by Concessionaire totaling \$1,789,243. The unamortized balance was \$1,484,840 and \$1,714,158 at December 31, 2023 and 2022, respectively.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 agreement 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 in the amount of \$3,000,000 was amended on September 15, 2021. The amendment modified the index to Daily Simple SOFR with five look back days. The interest rate was 7.34% and 6.30% as of December 31, 2023 and 2022, respectively. There was no outstanding balance as of December 31, 2023 and 2022, respectively. The line of credit is set to mature of September 15, 2024.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose:		
NA:		
Capital expansion	\$ 5,472,281	\$ 5,247,692
Conservation and education programs	93,441	1,590,534
Aquarium experience	100,907	131,355
Henry Hall activities	1,250	1,150
Total NA	<u>5,667,879</u>	<u>6,970,731</u>
Foundation:		
Henry Hall activities	547,634	516,380
	<u>6,215,513</u>	<u>7,487,111</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	1,371,506	1,300,739
Lecture series	1,294,157	1,224,078
Marine life accessions	1,115,622	1,052,002
Education center	970,512	915,167
Professional excellence	555,852	527,169
Total Foundation	<u>5,307,649</u>	<u>5,019,155</u>
	<u>\$ 11,523,162</u>	<u>\$ 12,506,266</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.

The Blaustein Foundation has established endowed funds to provide grants to the Aquarium to finance purchases of aquarium specimens and to support programming activities of the Aquatic Education Resource Center. The original endowments were \$250,000 each and income from the endowments has been used for the intended purposes. Based on need and approval, annual earnings are used for grants to the Aquarium and those earnings in excess of expenditures are to be donor restricted for the designated purposes. The James McBride Endowment of \$149,944, with additional matching support by the Foundation of \$150,000, was established to provide funds for education for professional staff. A donor has established endowed funds in the form of a \$1,007,980 bequest to aid in providing additional veterinary support to the Aquarium.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Specific purpose restrictions accomplished:		
Capital expansion	\$ -	\$ 404,635
Conservation and education programs	1,814,410	1,576,488
Aquarium experience	30,448	55,295
Henry Hall activities	63,235	124,980
Professional excellence	-	30,831
	<u>1,908,093</u>	<u>2,192,229</u>
Release of appropriations subject to the Aquarium's spending policy:		
Aquarium science and medicine	75,282	-
Lecture series	67,362	-
Marine life accessions	54,500	-
Education center	47,411	-
Professional excellence	30,509	-
	<u>275,064</u>	<u>-</u>
Total restrictions released	<u>\$ 2,183,157</u>	<u>\$ 2,192,229</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, 2023 and 2022.

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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions (Continued)

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 three 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, 2023 and 2022, is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,307,649	\$ 5,307,649
Non-endowment funds	81,651,010	6,215,513	87,866,523
Total funds	\$ 81,651,010	\$ 11,523,162	\$ 93,174,172

	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	\$ 78,453,274	\$ 12,506,266	\$ 90,959,540

Changes in endowment net assets for the fiscal years ended December 31, 2023 and 2022, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 5,019,155	\$ 5,019,155
Investment return, net	-	563,558	563,558
Appropriation of endowment assets for expenditures	-	(275,064)	(275,064)
Endowment net assets, end of the year	\$ -	\$ 5,307,649	\$ 5,307,649

	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	\$ -	\$ 5,019,155	\$ 5,019,155

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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. The Aquarium reinstated the employer match in 2022. In 2023, this match was increased to 100% of participant contributions up to the first 1%, and 50% of participant contributions up to 6% total. No discretionary contributions were made in 2023 or 2022. The 401(k) plan expense was \$577,827 and \$231,354 for the years ended December 31, 2023 and 2022, respectively. The Aquarium also has a 457(f) plan. The Aquarium made contributions of approximately \$55,800 to this plan for the years ended December 31, 2023 and 2022.

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.

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. In 2021, due to COVID-19 disruptions, payments were paused until the 4D attraction could operate at full capacity and the agreement was extended through September 2029. The Aquarium deferred these payments totaling \$231,002 and beginning November 2027, principal payments will reduce the deferred obligation.

Total principal payment requirements on the capital lease obligations at December 31, 2023, are due in future years as follows:

Years ending December 31:	
2024	\$ 160,195
2025	160,195
2026	160,195
2027	160,373
2028	126,947
Thereafter	90,527
	<hr/>
	858,432
Less amount representing interest	(43,136)
	<hr/>
	\$ 815,296
	<hr/>

Interest expense totaled \$23,106 and \$27,815 for the years ended December 31, 2023 and 2022, respectively, and is included with debt service expense on the consolidated statements of activities.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Commitments and Contingencies (Continued)

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 \$1,159,785 and \$916,682 for the years ended December 31, 2023 and 2022, respectively. The Aquarium includes a provision for estimated claims of \$104,364 and \$91,676 in accounts payable and accrued expenses on the consolidated statements of financial position, as of December 31, 2023 and 2022, 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.

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. Conditional Grants

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 \$1,053,338 to be earned on this conditional grant as of December 31, 2023.

During the year ended December 31, 2023, the Aquarium was awarded an additional \$3,500,000 capital grant from the State of Maryland for long-term capital projects. The Aquarium has \$3,500,000 to be earned on this conditional grant as of December 31, 2023.

These amounts 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.

Note 15. Related-Party Transactions

The Aquarium has a contractual relationship with a consultant (and affiliate of the consultant beginning in 2023) that is connected to a member of the Board of Directors (the Director). This relationship has been disclosed by the Director on an annual conflict of interest form and the Executive Committee has reviewed and approved the consultant agreement, with the Director recused from all such deliberations. For the years ended December 31, 2023 and 2022, expenses under this agreement totaled \$2,234,541 and \$1,738,335, respectively.

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, 2023 and 2022, 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
June 12, 2024

National Aquarium, Inc. and Subsidiaries

Consolidating Statements of Financial Position Years Ended December 31, 2023 and 2022

	2023					
	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 17,819,536	\$ -	\$ 435,501	\$ 3,942	\$ -	\$ 18,258,979
Restricted cash	-	-	-	35,553	-	35,553
Promises to give, net	93,444	-	-	-	-	93,444
Grants receivable	1,251,160	-	-	-	-	1,251,160
Prepaid expenses	677,769	-	-	35,000	-	712,769
Other assets	1,260,870	38,666	158,097	-	-	1,457,633
Lease right-of-use assets—finance	61,608	-	-	-	-	61,608
Lease right-of-use assets—operating	4,707,698	-	-	-	-	4,707,698
Due from affiliate	-	93,644	-	-	(93,644)	-
Investments	-	28,284,235	-	-	-	28,284,235
Loans receivable	-	-	13,613,540	-	-	13,613,540
Investment in subsidiary	14,207,138	-	-	-	(14,207,138)	-
Interest rate swap asset	1,032,233	-	-	-	-	1,032,233
Property and equipment, net	62,283,267	-	-	15,034,403	-	77,317,670
Cash restricted for capital expansion	5,308,624	-	-	-	-	5,308,624
Promises to give restricted for capital expansion (Note 3)	163,657	-	-	-	-	163,657
Investments restricted for endowment	-	5,307,649	-	-	-	5,307,649
Total assets	\$ 108,867,004	\$ 33,724,194	\$ 14,207,138	\$ 15,108,898	\$ (14,300,782)	\$ 157,606,452
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 5,190,879	\$ -	\$ -	\$ 724,792	\$ -	\$ 5,915,671
Accrued salaries and benefits	1,435,727	-	-	-	-	1,435,727
Due to affiliate	-	93,644	-	-	(93,644)	-
Deferred revenue and refundable advances	4,651,602	-	-	-	-	4,651,602
Lease liabilities—finance	61,583	-	-	-	-	61,583
Lease liabilities—operating	6,480,648	-	-	-	-	6,480,648
Other payable obligations, net of unamortized issuance costs	815,296	-	-	-	-	815,296
Notes payable	1,484,840	-	-	-	-	1,484,840
New market tax credit loan, net of unamortized issuance costs	-	-	-	19,272,184	-	19,272,184
Bonds payable, net of unamortized issuance costs	24,314,729	-	-	-	-	24,314,729
Total liabilities	44,435,304	93,644	-	19,996,976	(93,644)	64,432,280
Net assets (deficit):						
Without donor restrictions	58,763,821	27,775,267	14,207,138	(4,888,078)	(14,207,138)	81,651,010
With donor restrictions	5,667,879	5,855,283	-	-	-	11,523,162
Total net assets (deficit)	64,431,700	33,630,550	14,207,138	(4,888,078)	(14,207,138)	93,174,172
Total liabilities and net assets	\$ 108,867,004	\$ 33,724,194	\$ 14,207,138	\$ 15,108,898	\$ (14,300,782)	\$ 157,606,452

2022

	National Aquarium, Inc.	National Aquarium Foundation, Inc.	ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations	Total
\$	17,249,248	\$ -	\$ 291,256	\$ 4,193	\$ -	\$ 17,544,697
	-	-	-	78,278	-	78,278
	1,396,615	-	-	-	-	1,396,615
	2,510,386	-	-	-	-	2,510,386
	468,801	-	-	135,000	-	603,801
	906,566	18,764	138,027	-	-	1,063,357
	101,762	-	-	-	-	101,762
	4,844,054	-	-	-	-	4,844,054
	-	93,644	-	-	(93,644)	-
	-	26,540,416	-	-	-	26,540,416
	-	-	13,613,540	-	-	13,613,540
	14,040,889	-	-	-	(14,040,889)	-
	1,323,022	-	-	-	-	1,323,022
	61,209,769	-	-	15,654,285	-	76,864,054
	3,905,694	-	-	-	-	3,905,694
	591,897	-	-	-	-	591,897
	-	5,019,155	-	-	-	5,019,155
\$	108,548,703	\$ 31,671,979	\$ 14,042,823	\$ 15,871,756	\$ (14,134,533)	\$ 156,000,728
\$	3,302,454	\$ -	\$ -	\$ 619,187	\$ -	\$ 3,921,641
	1,648,593	-	-	-	-	1,648,593
	10,107	83,537	-	-	(93,644)	-
	4,689,860	-	-	-	-	4,689,860
	101,612	-	-	-	-	101,612
	6,680,267	-	-	-	-	6,680,267
	979,323	-	-	-	-	979,323
	1,714,158	-	-	-	-	1,714,158
	-	-	-	19,046,214	-	19,046,214
	26,259,520	-	-	-	-	26,259,520
	45,385,894	83,537	-	19,665,401	(93,644)	65,041,188
	56,192,078	26,052,907	14,042,823	(3,793,645)	(14,040,889)	78,453,274
	6,970,731	5,535,535	-	-	-	12,506,266
	63,162,809	31,588,442	14,042,823	(3,793,645)	(14,040,889)	90,959,540
\$	108,548,703	\$ 31,671,979	\$ 14,042,823	\$ 15,871,756	\$ (14,134,533)	\$ 156,000,728

National Aquarium, Inc. and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2023

	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	\$ 29,687,231	\$ -	\$ 29,687,231	\$ -	\$ -	\$ -
Contributions and grants	7,642,414	578,515	8,220,929	-	-	-
General and corporate membership programs	6,314,679	-	6,314,679	-	-	-
Education program	1,939,570	-	1,939,570	-	-	-
Group sales	1,706,702	-	1,706,702	-	-	-
Gift shop and food service	3,079,940	-	3,079,940	-	-	-
Auxiliary	1,557,586	-	1,557,586	-	-	-
Catered events	445,733	-	445,733	-	-	-
Intercompany grants	1,334,682	301,790	1,636,472	-	-	-
Contributions of nonfinancial assets	400,284	-	400,284	-	-	-
Net assets released from restrictions: Satisfaction of program restrictions	2,183,157	(2,183,157)	-	301,790	(301,790)	-
Total revenue, gains and other support	56,291,978	(1,302,852)	54,989,126	301,790	(301,790)	-
Expenses:						
Programs:						
Aquarium experience	31,525,305	-	31,525,305	600,000	-	600,000
Conservation and education	7,302,638	-	7,302,638	901,790	-	901,790
Total program expenses	38,827,943	-	38,827,943	1,501,790	-	1,501,790
Supporting services:						
Fundraising and membership	5,951,196	-	5,951,196	-	-	-
Advertising and promotions	4,451,879	-	4,451,879	-	-	-
General and administrative	4,349,203	-	4,349,203	-	-	-
Total supporting services expenses	14,752,278	-	14,752,278	-	-	-
Total expenses	53,580,221	-	53,580,221	1,501,790	-	1,501,790
Change in net assets before other financial items	2,711,757	(1,302,852)	1,408,905	(1,200,000)	(301,790)	(1,501,790)
Investment income, net	1,062,292	-	1,062,292	2,922,360	621,538	3,543,898
Loss on interest rate swap contract	(290,789)	-	(290,789)	-	-	-
Loss on disposal of property and equipment	(10,575)	-	(10,575)	-	-	-
Debt service	(900,942)	-	(900,942)	-	-	-
Total other financial items	(140,014)	-	(140,014)	2,922,360	621,538	3,543,898
Change in net assets	2,571,743	(1,302,852)	1,268,891	1,722,360	319,748	2,042,108
Net assets (deficit):						
Beginning	56,192,078	6,970,731	63,162,809	26,052,907	5,535,535	31,588,442
Ending	\$ 58,763,821	\$ 5,667,879	\$ 64,431,700	\$ 27,775,267	\$ 5,855,283	\$ 33,630,550

ACRC Lender, LLC	ACRC Lessor, Inc.	Eliminations			Total		
		Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,687,231	\$ -	\$ 29,687,231
-	-	-	-	-	7,642,414	578,515	8,220,929
-	-	-	-	-	6,314,679	-	6,314,679
-	-	-	-	-	1,939,570	-	1,939,570
-	-	-	-	-	1,706,702	-	1,706,702
-	-	-	-	-	3,079,940	-	3,079,940
-	285,917	(285,917)	-	(285,917)	1,557,586	-	1,557,586
-	-	-	-	-	445,733	-	445,733
-	-	(1,334,682)	(301,790)	(1,636,472)	-	-	-
-	-	-	-	-	400,284	-	400,284
-	-	(301,790)	301,790	-	2,183,157	(2,183,157)	-
-	285,917	(1,922,389)	-	(1,922,389)	54,957,296	(1,604,642)	53,352,654
-	619,882	(885,917)	-	(885,917)	31,859,270	-	31,859,270
-	134,660	(1,036,472)	-	(1,036,472)	7,302,616	-	7,302,616
-	754,542	(1,922,389)	-	(1,922,389)	39,161,886	-	39,161,886
-	-	-	-	-	5,951,196	-	5,951,196
-	-	-	-	-	4,451,879	-	4,451,879
-	113,346	-	-	-	4,462,549	-	4,462,549
-	113,346	-	-	-	14,865,624	-	14,865,624
-	867,888	(1,922,389)	-	(1,922,389)	54,027,510	-	54,027,510
-	(581,971)	-	-	-	929,786	(1,604,642)	(674,856)
164,315	-	(166,249)	-	(166,249)	3,982,718	621,538	4,604,256
-	-	-	-	-	(290,789)	-	(290,789)
-	-	-	-	-	(10,575)	-	(10,575)
-	(512,462)	-	-	-	(1,413,404)	-	(1,413,404)
164,315	(512,462)	(166,249)	-	(166,249)	2,267,950	621,538	2,889,488
164,315	(1,094,433)	(166,249)	-	(166,249)	3,197,736	(983,104)	2,214,632
14,042,823	(3,793,645)	(14,040,889)	-	(14,040,889)	78,453,274	12,506,266	90,959,540
\$ 14,207,138	\$ (4,888,078)	\$ (14,207,138)	\$ -	\$ (14,207,138)	\$ 81,651,010	\$ 11,523,162	\$ 93,174,172

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
Contributions of nonfinancial assets	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)	-	-	-	-
Total revenue, gains and other support	54,896,662	375,819	55,272,481	10,107	-	10,107
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
Total program expenses	36,215,642	-	36,215,642	1,836,275	-	1,836,275
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	-	-	-
Total supporting services expenses	15,006,891	-	15,006,891	-	-	-
Total expenses	51,222,533	-	51,222,533	1,836,275	-	1,836,275
Change in net assets before other financial items	3,674,129	375,819	4,049,948	(1,826,168)	-	(1,826,168)
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)	-	-	-
Total other financial items	1,675,856	-	1,675,856	(5,940,671)	(1,226,416)	(7,167,087)
Change in net assets	5,349,985	375,819	5,725,804	(7,766,839)	(1,226,416)	(8,993,255)
Net assets (deficit):						
Beginning	50,842,093	6,594,912	57,437,005	33,819,746	6,761,951	40,581,697
Ending	\$ 56,192,078	\$ 6,970,731	\$ 63,162,809	\$ 26,052,907	\$ 5,535,535	\$ 31,588,442

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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