

National Aquarium, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2024

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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, 2024 and 2023, 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, 2024 and 2023, 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 GAAS 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 29, 2025

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Financial Position December 31, 2024 and 2023

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 12,589,529 | \$ 18,258,979 |
| Restricted cash | - | 35,553 |
| Promises to give, net (Note 3) | 799,796 | 93,444 |
| Grants receivable (Note 4) | 1,358,023 | 1,251,160 |
| Prepaid expenses | 1,214,680 | 712,769 |
| Other assets | 1,512,639 | 1,457,633 |
| Lease right-of-use assets—financing (Note 8) | 165,699 | 61,608 |
| Lease right-of-use assets—operating (Note 8) | 4,220,282 | 4,707,698 |
| Investments (Notes 5 and 6) | 29,237,045 | 28,284,235 |
| Loans receivable (Note 9) | - | 13,613,540 |
| Interest rate swap asset (Notes 6 and 9) | 1,218,210 | 1,032,233 |
| Property and equipment, net (Note 7) | 76,868,900 | 77,317,670 |
| Cash restricted for capital expansion | 1,399,031 | 5,308,624 |
| Promises to give restricted for capital expansion (Note 3) | 166,348 | 163,657 |
| Investments restricted for endowment (Note 12) | 5,416,520 | 5,307,649 |
| Total assets | \$ 136,166,702 | \$ 157,606,452 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 3,262,372 | \$ 5,915,671 |
| Accrued salaries and benefits | 1,015,285 | 1,435,727 |
| Deferred revenue and refundable advances | 4,108,357 | 4,651,602 |
| Lease liabilities—financing (Note 8) | 866,705 | 61,583 |
| Lease liabilities—operating (Note 8) | 5,872,916 | 6,480,648 |
| Other payable obligations, net of unamortized issuance costs | - | 815,296 |
| Notes payable (Note 9) | 1,299,410 | 1,484,840 |
| New market tax credit loan, net of unamortized issuance costs (Note 9) | - | 19,272,184 |
| Bonds payable, net of unamortized issuance costs (Note 9) | 22,325,426 | 24,314,729 |
| Total liabilities | 38,750,471 | 64,432,280 |
| Commitments and contingencies (Notes 10, 11 and 14) | | |
| Net assets (Note 12): | | |
| Without donor restrictions | 88,367,017 | 81,651,010 |
| With donor restrictions | 9,049,214 | 11,523,162 |
| Total net assets | 97,416,231 | 93,174,172 |
| Total liabilities and net assets | \$ 136,166,702 | \$ 157,606,452 |

See notes to consolidated financial statements.

National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Activities Years Ended December 31, 2024 and 2023

| | 2024 | | |
|--|-------------------------------|----------------------------|--------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, gains and other support: | | | |
| Admissions | \$ 29,483,790 | \$ - | \$ 29,483,790 |
| Contributions and grants | 4,238,870 | 2,587,384 | 6,826,254 |
| General and corporate membership programs | 6,035,919 | - | 6,035,919 |
| Education program | 1,958,881 | - | 1,958,881 |
| Group sales | 1,695,872 | - | 1,695,872 |
| Gift shop and food service | 3,038,516 | - | 3,038,516 |
| Auxiliary | 1,701,352 | - | 1,701,352 |
| Catered events | 688,103 | - | 688,103 |
| Contributions of nonfinancial assets | 364,377 | - | 364,377 |
| Net assets released from restrictions (Note 12): | | | |
| Satisfaction of program restrictions | 5,475,856 | (5,475,856) | - |
| Total revenue, gains and other support | 54,681,536 | (2,888,472) | 51,793,064 |
| Expenses: | | | |
| Programs: | | | |
| Aquarium experience | 31,674,197 | - | 31,674,197 |
| Conservation and education | 7,633,916 | - | 7,633,916 |
| Total program expenses | 39,308,113 | - | 39,308,113 |
| Supporting services: | | | |
| Fundraising and membership | 6,037,998 | - | 6,037,998 |
| Advertising and promotions | 4,792,864 | - | 4,792,864 |
| General and administrative | 6,005,209 | - | 6,005,209 |
| Total supporting services expenses | 16,836,071 | - | 16,836,071 |
| Total expenses | 56,144,184 | - | 56,144,184 |
| Change in net assets before other financial items | (1,462,648) | (2,888,472) | (4,351,120) |
| Investment income, net (Note 5) | 2,754,071 | 414,524 | 3,168,595 |
| Gain (loss) on interest rate swap contract (Note 9) | 185,977 | - | 185,977 |
| Loss on disposal of property and equipment | (657) | - | (657) |
| Loss on extinguishment of debt | (947) | - | (947) |
| Debt service (Note 9) | (1,134,504) | - | (1,134,504) |
| Gain on New Markets Tax Credits | 6,374,715 | - | 6,374,715 |
| Total other financial items | 8,178,655 | 414,524 | 8,593,179 |
| Change in net assets | 6,716,007 | (2,473,948) | 4,242,059 |
| Net assets: | | | |
| Beginning | 81,651,010 | 11,523,162 | 93,174,172 |
| Ending | \$ 88,367,017 | \$ 9,049,214 | \$ 97,416,231 |

See notes to consolidated financial statements.

| 2023 | | |
|-------------------------------|----------------------------|---------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 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 |
| 1,557,586 | - | 1,557,586 |
| 445,733 | - | 445,733 |
| 400,284 | - | 400,284 |
| 2,183,157 | (2,183,157) | - |
| 54,957,296 | (1,604,642) | 53,352,654 |
| 31,859,270 | - | 31,859,270 |
| 7,302,616 | - | 7,302,616 |
| 39,161,886 | - | 39,161,886 |
| 5,951,196 | - | 5,951,196 |
| 4,451,879 | - | 4,451,879 |
| 4,462,549 | - | 4,462,549 |
| 14,865,624 | - | 14,865,624 |
| 54,027,510 | - | 54,027,510 |
| 929,786 | (1,604,642) | (674,856) |
| 3,982,718 | 621,538 | 4,604,256 |
| (290,789) | - | (290,789) |
| (10,575) | - | (10,575) |
| - | - | - |
| (1,413,404) | - | (1,413,404) |
| - | - | - |
| 2,267,950 | 621,538 | 2,889,488 |
| 3,197,736 | (983,104) | 2,214,632 |
| 78,453,274 | 12,506,266 | 90,959,540 |
| \$ 81,651,010 | \$ 11,523,162 | \$ 93,174,172 |

National Aquarium, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2024

| | 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 | \$ 11,128,391 | \$ 4,016,182 | \$ 15,144,573 | \$ 3,158,057 | \$ 1,438,670 | \$ 326,649 | \$ 4,923,376 | \$ 20,067,949 |
| Benefits | 576,240 | 333,402 | 909,642 | 395,549 | 2,422,480 | 68,234 | 2,886,263 | 3,795,905 |
| Advertising and promotion | 32,539 | 17,239 | 49,778 | 38,697 | 10,553 | 3,859,918 | 3,909,168 | 3,958,946 |
| Charitable contributions | 3,375 | 36,291 | 39,666 | 5,725 | 1,027 | 350 | 7,102 | 46,768 |
| Conferences, conventions and meetings | 58,045 | 19,975 | 78,020 | 17,581 | 8,833 | 2,128 | 28,542 | 106,562 |
| Dues and subscriptions | 751,805 | 202,742 | 954,547 | 148,734 | 189,769 | 10,455 | 348,958 | 1,303,505 |
| Insurance | 484,755 | 131,266 | 616,021 | 65,804 | 50,948 | 85 | 116,837 | 732,858 |
| Bank and credit card fees | 621,417 | 165,785 | 787,202 | 84,849 | 64,663 | 7 | 149,519 | 936,721 |
| Miscellaneous expense | 76,049 | 34,852 | 110,901 | 48,930 | 76,696 | 3,030 | 128,656 | 239,557 |
| Occupancy | 3,405,225 | 106,587 | 3,511,812 | 53,294 | 41,451 | - | 94,745 | 3,606,557 |
| Office supplies | 358,896 | 99,294 | 458,190 | 63,647 | 290,778 | 6,560 | 360,985 | 819,175 |
| Professional fees | 575,495 | 114,294 | 689,789 | 967,082 | 361,127 | 451,330 | 1,779,539 | 2,469,328 |
| Program expenses | 1,925,871 | 302,534 | 2,228,405 | 7,282 | 66,489 | 107 | 73,878 | 2,302,283 |
| Travel expenses | 176,820 | 317,013 | 493,833 | 46,525 | 26,430 | 7,121 | 80,076 | 573,909 |
| Contract services | 5,069,798 | 289,746 | 5,359,544 | 212,885 | 391,872 | 56,890 | 661,647 | 6,021,191 |
| Taxes | 4,538 | 1,238 | 5,776 | 619 | 1,292 | - | 1,911 | 7,687 |
| Depreciation and amortization | 6,424,938 | 1,445,476 | 7,870,414 | 722,738 | 562,131 | - | 1,284,869 | 9,155,283 |
| Subtotal | 31,674,197 | 7,633,916 | 39,308,113 | 6,037,998 | 6,005,209 | 4,792,864 | 16,836,071 | 56,144,184 |
| Debt service | 88,429 | 1,595 | 90,024 | 798 | 1,043,682 | - | 1,044,480 | 1,134,504 |
| Total | \$ 31,762,626 | \$ 7,635,511 | \$ 39,398,137 | \$ 6,038,796 | \$ 7,048,891 | \$ 4,792,864 | \$ 17,880,551 | \$ 57,278,688 |

See notes to consolidated financial statements.

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 and amortization | 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 Statements of Cash Flows Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 4,242,059 | \$ 2,214,632 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation of property and equipment | 8,911,195 | 8,878,997 |
| Amortization of new market tax credit loan issuance costs | 131,816 | 225,970 |
| Amortization of finance lease and issuance costs | 41,586 | 40,154 |
| Interest paid on finance leases | (28,794) | (1,797) |
| Amortization of bond issue costs | 4,148 | 3,551 |
| Gain on New Market Tax Credits | (6,374,715) | - |
| (Gain) loss on interest rate swap agreement | (185,977) | 290,789 |
| Loss on disposal of property and equipment | 657 | 10,575 |
| Loss on extinguishment of debt | 947 | - |
| Increase in discount on and allowance for promises to give | 24,458 | 4,246 |
| Notes payable premium amortization | (185,430) | (229,318) |
| Net realized and unrealized gain of investments | (2,004,553) | (3,212,116) |
| Contributions restricted to long-term investment | (889,050) | (3,963,667) |
| Right-of-use—operating amortization | 487,416 | 136,356 |
| Changes in assets and liabilities: | | |
| (Increase) decrease: | | |
| Promises to give | (733,501) | 1,727,165 |
| Grants receivable | (106,863) | 1,259,226 |
| Prepaid expenses | (501,911) | (108,968) |
| Other assets | (210,843) | (394,276) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (532,795) | 403,833 |
| Accrued salaries and benefits | (420,442) | (212,866) |
| Deferred revenue and refundable advances | (543,245) | (38,258) |
| Lease liabilities—operating | (607,732) | (199,619) |
| Lease liabilities—financing | 195,804 | 1,797 |
| Net cash provided by operating activities | 714,235 | 6,836,406 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (9,989,171) | (7,752,991) |
| Purchases of investments | (8,931,469) | (377,692) |
| Proceeds from sale of investments | 9,874,341 | 1,557,495 |
| Net cash used in investing activities | (9,046,299) | (6,573,188) |
| Cash flows from financing activities: | | |
| Contributions restricted to long-term investments | 889,050 | 3,963,667 |
| Principal payments on bond payable | (1,994,398) | (1,948,341) |
| Principal payments on capital lease obligation | - | (164,028) |
| Repayment of lease liability—financing | (177,184) | (40,029) |
| Net cash (used in) provided by financing activities | (1,282,532) | 1,811,269 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (9,614,596) | 2,074,487 |
| Cash, cash equivalents and restricted cash: | | |
| Beginning | 23,603,156 | 21,528,669 |
| Ending | \$ 13,988,560 | \$ 23,603,156 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 1,064,359 | \$ 1,354,124 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Property and equipment purchases in accounts payable and accrued expenses | \$ 664,301 | \$ 2,044,713 |
| Forgiveness of New Market Tax Credit loan receivable and accrued interest | \$ 13,769,377 | \$ - |
| Forgiveness of New Market Tax Credit loan payable and accrued interest | \$ 20,144,092 | \$ - |

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. As of December 31, 2024, the Aquarium is comprised of two entities: National Aquarium, Inc. (NA) and National Aquarium Foundation, Inc. (the Foundation). ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor) are also included in the Aquarium's consolidated subsidiaries, but these entities were dissolved in 2024 after the completion of a structured transaction.

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 refundable advances.

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, 2024 and 2023. 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, 2024 and 2023, the fair value of contributed services meeting the requirements for recognition in the consolidated financial statements was \$346,447 and \$397,236, 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. Volunteer hours are valued using the estimated fair market value of the services using published rates for volunteer time.

The Aquarium received \$17,930 and \$3,048 of donated goods during the years ended December 31, 2024 and 2023, 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 receivables are recorded net of any allowance for credit losses. The allowance for credit loss represents an estimate of credit losses over the lifetime of the receivable. The estimation process is based on historical experience, current conditions, asset-specific characteristics, and reasonable and supportable forecasts about future economic and market conditions. As of December 31, 2024 and 2023, there was no allowance for credit losses.

Contract balances consist of the following at December 31:

| | 2024 | 2023 | 2022 |
|----------------------|------------|------------|------------|
| Contract receivables | \$ 534,034 | \$ 700,870 | \$ 553,749 |
| Contract liabilities | 4,108,357 | 4,461,798 | 4,451,724 |

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:

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Cash | \$ 12,589,529 | \$ 18,258,979 |
| Cash restricted for capital expansion | 1,399,031 | 5,308,624 |
| Unspent debt fee reserves | - | 35,553 |
| Cash, cash equivalents and restricted cash | <u>\$ 13,988,560</u> | <u>\$ 23,603,156</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 \$39,066 and \$43,214 as of December 31, 2024 and 2023, respectively, are included in bonds payable on the consolidated statements of financial position. New market tax credit loan issuance costs of \$0 and \$131,816 as of December 31, 2024 and 2023, respectively, are included in new market tax credit loan on the consolidated statements of financial position. Amortization expense was \$135,964 and \$229,970 for the years ended December 31, 2024 and 2023, 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 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, fixed income private placement funds and private investments. 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.

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.

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:

| | 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 |
| 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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 measured 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. 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 \$3,958,946 and \$3,835,181 and for the years ended December 31, 2024 and 2023, respectively.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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 material unrelated business income for the years ended December 31, 2024 and 2023.

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.

Reclassifications: For comparative purposes, certain items related to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Subsequent events: The Aquarium has evaluated subsequent events through May 29, 2025, 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, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Cash, cash equivalents and restricted cash | \$ 13,988,560 | \$ 23,603,156 |
| Promises to give, net | 966,144 | 257,101 |
| Grants receivable | 1,358,023 | 1,251,160 |
| Accounts receivable | 534,034 | 700,870 |
| Investments | 34,653,565 | 33,591,884 |
| Total financial assets | 51,500,326 | 59,404,171 |
| Less: | | |
| Refundable advances | - | 189,804 |
| Donor restricted endowments | 5,416,520 | 5,307,649 |
| Restrictions by donor with time or purpose restrictions | 3,632,694 | 6,215,513 |
| Fee reserve for new markets tax credit financings | - | 35,553 |
| Bank required amounts set aside for liquidity reserve | 12,662,714 | 13,657,365 |
| | 21,711,928 | 25,405,884 |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 29,788,398</u> | <u>\$ 33,998,287</u> |

Note 3. Promises to Give

Included in promises to give are the following unconditional promises to give at December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Harbor Wetland | \$ 142,655 | \$ 188,655 |
| Capital Projects | 23,693 | 34,192 |
| Conservation, education and other | 831,500 | 41,501 |
| Unconditional promises to give before present value discount and allowance | 997,848 | 264,348 |
| Less present value discount | (30,204) | (5,747) |
| Less allowance for doubtful accounts | (1,500) | (1,500) |
| Promises to give, net | <u>\$ 966,144</u> | <u>\$ 257,101</u> |

Future payments on promises to give at December 31, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|--------------------|-------------------|-------------------|
| Amounts due in: | | |
| Less than one year | \$ 292,155 | \$ 140,500 |
| One to five years | 705,693 | 123,848 |
| | <u>\$ 997,848</u> | <u>\$ 264,348</u> |

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Grants Receivable

Future payments on grants receivable at December 31, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|--------------------|---------------------|---------------------|
| Amounts due in: | | |
| Less than one year | \$ 958,023 | \$ 1,251,160 |
| One to five years | 400,000 | - |
| | <u>\$ 1,358,023</u> | <u>\$ 1,251,160</u> |

Note 5. Investments

Investments owned by the Aquarium consist of the following at December 31, 2024 and 2023:

| | 2024 | 2023 |
|--------------------------------------|----------------------|----------------------|
| Cash equivalents | \$ 654,823 | \$ 1,525,444 |
| Mutual funds | 31,254,315 | 24,757,352 |
| Fixed income private placement funds | - | 5,130,138 |
| Real estate fund | 1,641,071 | 1,697,745 |
| Private investment | 1,103,356 | 481,205 |
| | <u>\$ 34,653,565</u> | <u>\$ 33,591,884</u> |

Investment income is as follows for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|---------------------------------------|---------------------|---------------------|
| Net unrealized and realized gain | \$ 2,004,553 | \$ 3,212,116 |
| Interest and dividends on investments | 594,280 | 457,448 |
| Investment fees | (153,831) | (127,568) |
| | <u>2,445,002</u> | <u>3,541,996</u> |
| Interest income on notes receivable | 723,593 | 1,062,260 |
| Total investment income | <u>\$ 3,168,595</u> | <u>\$ 4,604,256</u> |

Note 6. 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair Value Measurements (Continued)

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

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

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

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. Deferred compensation plan liabilities are not directly observable, but can be reliably estimated using inputs that are observable 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, 2024 and 2023:

| | 2024 | | | | 2023 | | | |
|--|---------------------|---------------------|-------------|---------------------|---------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | | | | |
| Mutual funds (a): | | | | | | | | |
| International | \$ 4,253,202 | \$ - | \$ - | \$ 4,253,202 | \$ 5,795,188 | \$ - | \$ - | \$ 5,795,188 |
| Fixed income | 9,551,629 | - | - | 9,551,629 | 2,698,568 | - | - | 2,698,568 |
| Value | 14,547,099 | - | - | 14,547,099 | 15,032,984 | - | - | 15,032,984 |
| Global hard asset | 2,902,385 | - | - | 2,902,385 | 1,230,612 | - | - | 1,230,612 |
| Total investments | | | | | | | | |
| at fair value | <u>\$31,254,315</u> | <u>\$ -</u> | <u>\$ -</u> | 31,254,315 | <u>\$24,757,352</u> | <u>\$ -</u> | <u>\$ -</u> | 24,757,352 |
| Real estate fund (b) | | | | 1,641,071 | | | | 1,697,745 |
| Fixed income private placement funds (b) | | | | - | | | | 5,130,138 |
| Private investment (b) | | | | 1,103,356 | | | | 481,205 |
| Cash, held at cost | | | | 654,823 | | | | 1,525,444 |
| Total investments | | | | <u>\$34,653,565</u> | | | | <u>\$33,591,884</u> |
| Deferred compensation plan assets | | | | | | | | |
| | \$ 399,027 | \$ - | \$ - | \$ 399,027 | \$ 278,786 | \$ - | \$ - | \$ 278,786 |
| | <u>\$ 399,027</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 399,027</u> | <u>\$ 278,786</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278,786</u> |
| Interest rate swap asset | | | | | | | | |
| | \$ - | \$ 1,218,210 | \$ - | \$ 1,218,210 | \$ - | \$ 1,032,233 | \$ - | \$ 1,032,233 |
| | <u>\$ -</u> | <u>\$ 1,218,210</u> | <u>\$ -</u> | <u>\$ 1,218,210</u> | <u>\$ -</u> | <u>\$ 1,032,233</u> | <u>\$ -</u> | <u>\$ 1,032,233</u> |
| Liabilities: | | | | | | | | |
| Deferred compensation plan liabilities | \$ - | \$ 399,027 | \$ - | \$ 399,027 | \$ - | \$ 278,786 | \$ - | \$ 278,786 |
| | <u>\$ -</u> | <u>\$ 399,027</u> | <u>\$ -</u> | <u>\$ 399,027</u> | <u>\$ -</u> | <u>\$ 278,786</u> | <u>\$ -</u> | <u>\$ 278,786</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 6. 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, 2024 and 2023, are as follows:

| | 2024 Fair Value | 2023 Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
|--|---------------------|---------------------|------------------------|-------------------------|-----------------------------|
| Real estate fund (a) | 1,641,071 | \$ 1,697,745 | \$ - | None | 90 days |
| Fixed income private placement funds (b) | - | 5,130,138 | - | None | None |
| Private investment (c) | 1,103,356 | 481,205 | - | None | 180 days |
| Total | <u>\$ 2,744,427</u> | <u>\$ 7,309,088</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 7. Property and Equipment

Major classes of property and equipment at December 31, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Land | \$ 1,362,888 | \$ 1,362,888 |
| Furniture, fixtures and office equipment | 14,629,575 | 14,454,584 |
| Other equipment | 26,053,134 | 16,786,405 |
| Building and facility improvements | 211,527,965 | 209,091,996 |
| Construction in progress | 2,681,040 | 7,513,339 |
| | <u>256,254,602</u> | <u>249,209,212</u> |
| Less accumulated depreciation | <u>(179,385,702)</u> | <u>(171,891,542)</u> |
| | <u>\$ 76,868,900</u> | <u>\$ 77,317,670</u> |

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. 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 3 – 5 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. The Aquarium also has a lease with the Institute of Marine and Environmental Technology (IMET) for aquaculture facility space with the option to renew annually for up to five years. 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 to 4 years. In 2024, the Aquarium transitioned the iWerks agreement for its 4D attraction under Topic 842, which had previously been recognized as a capital lease obligation. 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, 2024 and 2023, consisted of the following:

| | 2024 | 2023 |
|-----------------------------|--------------|--------------|
| Assets: | | |
| Operating lease assets | \$ 4,220,282 | \$ 4,707,698 |
| Financing lease assets | \$ 165,699 | \$ 61,608 |
| Liabilities: | | |
| Operating lease liabilities | \$ 5,872,916 | \$ 6,480,648 |
| Financing lease liabilities | \$ 866,705 | \$ 61,583 |

The components of lease expense for the year ended December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|------------|------------|
| Operating lease cost | \$ 645,270 | \$ 643,000 |
| Finance lease—amortization of ROU assets | 41,586 | 40,154 |
| Finance lease—interest on lease liabilities | 28,794 | 1,797 |
| | \$ 715,650 | \$ 684,951 |

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

| | 2024 | 2023 |
|--|-------|-------|
| Weighted-average remaining lease term for operating leases | 8.21 | 9.18 |
| Weighted-average discount rate for operating leases | 1.83% | 1.80% |
| Weighted-average remaining lease term for financing leases | 4.68 | 2.22 |
| Weighted-average discount rate for financing leases | 3.51% | 2.49% |

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Leases (Continued)

Supplemental cash flow information related to leases is as follows:

| | 2024 | 2023 |
|---|------------|------------|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash outflows—payments on operating leases | \$ 716,552 | \$ 657,227 |
| Operating cash outflows—payments on financing leases | 28,794 | 1,797 |
| Financing cash outflows—payments on finance leases | 177,184 | 40,029 |
| ROU assets obtained in exchange for new lease obligations: | | |
| Operating leases | \$ - | \$ 339,934 |
| Financing leases | 145,676 | - |

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the statement of financial position as of December 31, 2024, is as follows:

| | Operating Leases | Financing Leases |
|------------------------------------|---------------------|---------------------|
| Years ending December 31: | | |
| 2025 | \$ 733,561 | \$ 201,435 |
| 2026 | 750,592 | 201,435 |
| 2027 | 768,131 | 199,334 |
| 2028 | 752,252 | 192,211 |
| 2029 | 722,130 | 144,158 |
| Thereafter | 2,589,660 | - |
| Total lease payments | 6,316,326 | 938,573 |
| Less imputed interest | (443,410) | (71,868) |
| Present value of lease liabilities | <u>\$ 5,872,916</u> | <u>\$ 866,705</u> |

Note 9. 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 through a financial institution. The balance of the bonds payable was \$22,364,492 and \$24,357,944 at December 31, 2024 and 2023, respectively.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

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. 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, 2024 and 2023, was 4.75% and 5.54%, respectively. The bonds mature on June 1, 2034. 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 3.29% for both swaps. The amendments to the Bonds and swaps became effective June 1, 2023.

Principal payment requirements on the bonds payable at December 31, 2024, are due in future years as follows:

| | <u>Bonds Payable</u> |
|-------------------------------------|-----------------------------|
| Years ending December 31: | |
| 2025 | \$ 2,057,250 |
| 2026 | 2,122,044 |
| 2027 | 2,188,146 |
| 2028 | 2,257,050 |
| 2029 | 2,328,900 |
| Thereafter | <u>11,411,102</u> |
| | 22,364,492 |
| Issuance costs, net of amortization | <u>(39,066)</u> |
| | <u><u>\$ 22,325,426</u></u> |

New markets 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

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, 2024 and 2023.

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, 2023.

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.

In July 2024, the Aquarium unwound the New Market Tax Credit (NMTC) transaction following the required 7-year compliance period. The unwind resulted in the exit of both the Community Development Entities (CDEs) and entity serving in the investment fund role and left the Aquarium the sole remaining party in the transaction and owner of both leverage and QLICI loans. As part of the unwind, NA became the owner of the entity serving in the investment fund role owing the leverage loans to Lender totaling \$13,613,540. NA also became the owner of the QLICI loans owed by Lessor totaling \$19,404,000. As such, related loans were forgiven between Lender and NA, and NA and Lessor. With no regulations requiring the existence of Lender and Lessor entities, both were consolidated into NA, resulting in a net gain of \$6,374,715 on a consolidated basis as the result of the NMTC loan forgiveness. As of December 31, 2024, both Lender and Lessor were dissolved as entities.

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 \$22,364,492 and \$24,357,944 as of December 31, 2024 and 2023, 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 \$1,218,210 and \$1,032,233 in the Aquarium's consolidated statements of financial position as of December 31, 2024 and 2023, respectively. Net gains of \$185,978 were recognized for the year ended December 31, 2024 and recorded on the consolidated statements of activities. Net losses of \$290,789 were recognized for the year ended December 31, 2023 and recorded on the consolidated statements of activities.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

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 \$1,299,410 and \$1,484,840 at December 31, 2024 and 2023, respectively.

Interest expense: Interest expense on long-term debt was \$998,540 and \$1,183,882 for the years ended December 31, 2024 and 2023, respectively, and is included with debt service expense on the consolidated statements of activities.

Note 10. 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 11. Line of Credit

The Aquarium's existing revolving line of credit in the amount of \$3,000,000 is set to mature on December 2, 2027. The most recent amendment modified the index to Daily Simple SOFR with five look back days. The interest rate was 6.31% and 7.34% as of December 31, 2024 and 2023, respectively. There was no outstanding balance as of December 31, 2024 and 2023, respectively.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2024 and 2023:

| | 2024 | 2023 |
|--|---------------------|----------------------|
| Subject to expenditure for a specified purpose: | | |
| NA: | | |
| Capital expansion | \$ 1,565,379 | \$ 5,472,281 |
| Conservation and education programs | 116,773 | 77,781 |
| Aquarium experience | 149,018 | 100,907 |
| Henry Hall activities | 1,250 | 1,250 |
| Time restriction | 1,239,704 | 15,660 |
| Total NA | <u>3,072,124</u> | <u>5,667,879</u> |
| Foundation: | | |
| Henry Hall activities | 560,570 | 547,634 |
| | <u>3,632,694</u> | <u>6,215,513</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 | 1,396,275 | 1,371,506 |
| Lecture series | 1,318,951 | 1,294,157 |
| Marine life accessions | 1,141,970 | 1,115,622 |
| Education center | 993,433 | 970,512 |
| Professional excellence | 565,891 | 555,852 |
| Total Foundation | <u>5,416,520</u> | <u>5,307,649</u> |
| | <u>\$ 9,049,214</u> | <u>\$ 11,523,162</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 12. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions consisted of the following for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Specific purpose restrictions accomplished: | | |
| Capital expansion | \$ 4,434,451 | \$ - |
| Conservation and education programs | 152,009 | 261,668 |
| Aquarium experience | 14,955 | 30,448 |
| Lecture series | 58,706 | - |
| Henry Hall activities | 79,782 | 63,235 |
| Time restriction | 469,069 | 1,552,742 |
| | <u>5,208,972</u> | <u>1,908,093</u> |
| Release of appropriations subject to the Aquarium's spending policy: | | |
| Aquarium science and medicine | 72,327 | 75,282 |
| Lecture series | 66,826 | 67,362 |
| Marine life accessions | 52,632 | 54,500 |
| Education center | 45,786 | 47,411 |
| Professional excellence | 29,313 | 30,509 |
| | <u>266,884</u> | <u>275,064</u> |
| Total restrictions released | <u>\$ 5,475,856</u> | <u>\$ 2,183,157</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, 2024 and 2023.

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 12. 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, 2024 and 2023, is as follows:

| | 2024 | | |
|----------------------------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$ 5,416,520 | \$ 5,416,520 |
| Non-endowment funds | 88,367,017 | 3,632,694 | 91,999,711 |
| Total funds | <u>\$ 88,367,017</u> | <u>\$ 9,049,214</u> | <u>\$ 97,416,231</u> |

| | 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 | <u>\$ 81,651,010</u> | <u>\$ 11,523,162</u> | <u>\$ 93,174,172</u> |

Changes in endowment net assets for the fiscal years ended December 31, 2024 and 2023, are as follows:

| | 2024 | | |
|--|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of the year | \$ - | \$ 5,307,649 | \$ 5,307,649 |
| Investment return, net | - | 375,755 | 375,755 |
| Appropriation of endowment assets for expenditures | - | (266,884) | (266,884) |
| Endowment net assets, end of the year | <u>\$ -</u> | <u>\$ 5,416,520</u> | <u>\$ 5,416,520</u> |

| | 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 | <u>\$ -</u> | <u>\$ 5,307,649</u> | <u>\$ 5,307,649</u> |

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. 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 up to 3% of participant contributions 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 2024 or 2023. The 401(k) plan expense was \$626,997 and \$577,827 for the years ended December 31, 2024 and 2023, respectively. The Aquarium also has a 457(f) plan. The Aquarium made contributions of approximately \$123,225, and \$55,800 to this plan for the years ended December 31, 2024 and 2023, 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.

Note 14. Commitments and Contingencies

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 \$1,125,177 and \$1,159,785 for the years ended December 31, 2024 and 2023, respectively. The Aquarium includes a provision for estimated claims of \$113,147 and \$104,364 in accounts payable and accrued expenses on the consolidated statements of financial position, as of December 31, 2024 and 2023, 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.

National Aquarium, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. 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 \$895,337 to be earned on this conditional grant as of December 31, 2024.

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, 2024.

During the year ended December 31, 2024, the Aquarium was awarded an additional \$2,250,000 capital grant from the State of Maryland for long-term capital projects. The Aquarium has \$2,250,000 to be earned on this conditional grant as of December 31, 2024.

In 2024, the State of Maryland implemented a new online platform and grant processing system. This system change is the primary reason for the significant outstanding balances on the capital grants as of December 31, 2024 and is not expected to continue in 2025 and beyond.

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 16. 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, 2024 and 2023, expenses under this agreement totaled \$2,300,000 and \$2,234,541, 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, 2024 and 2023, and have issued our report thereon, dated May 29, 2025, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Gaithersburg, Maryland
May 29, 2025

National Aquarium, Inc. and Subsidiaries

Consolidating Statements of Financial Position Years Ended December 31, 2024 and 2023

| | 2024 | | | | | |
|--|----------------------------|--|---------------------|----------------------|---------------------|-----------------------|
| | National Aquarium, Inc. | National Aquarium Foundation, Inc. | ACRC Lender, LLC | ACRC Lessor, Inc. | Eliminations | Total |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 12,589,529 | \$ - | \$ - | \$ - | \$ - | \$ 12,589,529 |
| Restricted cash | - | - | - | - | - | - |
| Promises to give, net | 799,796 | - | - | - | - | 799,796 |
| Grants receivable | 1,358,023 | - | - | - | - | 1,358,023 |
| Prepaid expenses | 1,214,680 | - | - | - | - | 1,214,680 |
| Other assets | 1,493,370 | 19,269 | - | - | - | 1,512,639 |
| Lease right-of-use assets—financing | 165,699 | - | - | - | - | 165,699 |
| Lease right-of-use assets—operating | 4,220,282 | - | - | - | - | 4,220,282 |
| Due from affiliate | - | 121,436 | - | - | (121,436) | - |
| Investments | - | 29,237,045 | - | - | - | 29,237,045 |
| Loans receivable | - | - | - | - | - | - |
| Investment in subsidiary | - | - | - | - | - | - |
| Interest rate swap asset | 1,218,210 | - | - | - | - | 1,218,210 |
| Property and equipment, net | 76,868,900 | - | - | - | - | 76,868,900 |
| Cash restricted for capital expansion | 1,399,031 | - | - | - | - | 1,399,031 |
| Promises to give restricted for capital expansion | 166,348 | - | - | - | - | 166,348 |
| Investments restricted for endowment | - | 5,416,520 | - | - | - | 5,416,520 |
| Total assets | \$ 101,493,868 | \$ 34,794,270 | \$ - | \$ - | \$ (121,436) | \$ 136,166,702 |
| Liabilities and Net Assets | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 3,262,372 | \$ - | \$ - | \$ - | \$ - | \$ 3,262,372 |
| Accrued salaries and benefits | 1,015,285 | - | - | - | - | 1,015,285 |
| Due to affiliate | - | 121,436 | - | - | (121,436) | - |
| Deferred revenue and refundable advances | 4,108,357 | - | - | - | - | 4,108,357 |
| Lease liabilities—financing | 866,705 | - | - | - | - | 866,705 |
| Lease liabilities—operating | 5,872,916 | - | - | - | - | 5,872,916 |
| Other payable obligations, net of unamortized issuance costs | - | - | - | - | - | - |
| Notes payable | 1,299,410 | - | - | - | - | 1,299,410 |
| New market tax credit loan, net of unamortized issuance costs | - | - | - | - | - | - |
| Bonds payable, net of unamortized issuance costs | 22,325,426 | - | - | - | - | 22,325,426 |
| Total liabilities | 38,750,471 | 121,436 | - | - | (121,436) | 38,750,471 |
| Net assets (deficit): | | | | | | |
| Without donor restrictions | 59,671,273 | 28,695,744 | - | - | - | 88,367,017 |
| With donor restrictions | 3,072,124 | 5,977,090 | - | - | - | 9,049,214 |
| Total net assets (deficit) | 62,743,397 | 34,672,834 | - | - | - | 97,416,231 |
| Total liabilities and net assets | \$ 101,493,868 | \$ 34,794,270 | \$ - | \$ - | \$ (121,436) | \$ 136,166,702 |

2023

| | National Aquarium, Inc. | National Aquarium Foundation, Inc. | ACRC Lender, LLC | ACRC Lessor, Inc. | Eliminations | Total |
|----|----------------------------|--|---------------------|----------------------|-----------------|----------------|
| \$ | 17,819,536 | \$ - | \$ 435,501 | \$ 3,942 | \$ - | \$ 18,258,979 |
| | - | - | - | 35,553 | - | 35,553 |
| | 93,444 | - | - | - | - | 93,444 |
| | 1,251,160 | - | - | - | - | 1,251,160 |
| | 677,769 | - | - | 35,000 | - | 712,769 |
| | 1,260,870 | 38,666 | 158,097 | - | - | 1,457,633 |
| | 61,608 | - | - | - | - | 61,608 |
| | 4,707,698 | - | - | - | - | 4,707,698 |
| | - | 93,644 | - | - | (93,644) | - |
| | - | 28,284,235 | - | - | - | 28,284,235 |
| | - | - | 13,613,540 | - | - | 13,613,540 |
| | 14,207,138 | - | - | - | (14,207,138) | - |
| | 1,032,233 | - | - | - | - | 1,032,233 |
| | 62,283,267 | - | - | 15,034,403 | - | 77,317,670 |
| | 5,308,624 | - | - | - | - | 5,308,624 |
| | 163,657 | - | - | - | - | 163,657 |
| | - | 5,307,649 | - | - | - | 5,307,649 |
| \$ | 108,867,004 | \$ 33,724,194 | \$ 14,207,138 | \$ 15,108,898 | \$ (14,300,782) | \$ 157,606,452 |

| | | | | | | |
|----|------------|--------|------|------------|----------|--------------|
| \$ | 5,190,879 | \$ - | \$ - | \$ 724,792 | \$ - | \$ 5,915,671 |
| | 1,435,727 | - | - | - | - | 1,435,727 |
| | - | 93,644 | - | - | (93,644) | - |
| | 4,651,602 | - | - | - | - | 4,651,602 |
| | 61,583 | - | - | - | - | 61,583 |
| | 6,480,648 | - | - | - | - | 6,480,648 |
| | 815,296 | - | - | - | - | 815,296 |
| | 1,484,840 | - | - | - | - | 1,484,840 |
| | - | - | - | 19,272,184 | - | 19,272,184 |
| | 24,314,729 | - | - | - | - | 24,314,729 |
| | 44,435,304 | 93,644 | - | 19,996,976 | (93,644) | 64,432,280 |

| | | | | | |
|----------------|---------------|---------------|---------------|-----------------|----------------|
| 58,763,821 | 27,775,267 | 14,207,138 | (4,888,078) | (14,207,138) | 81,651,010 |
| 5,667,879 | 5,855,283 | - | - | - | 11,523,162 |
| 64,431,700 | 33,630,550 | 14,207,138 | (4,888,078) | (14,207,138) | 93,174,172 |
| \$ 108,867,004 | \$ 33,724,194 | \$ 14,207,138 | \$ 15,108,898 | \$ (14,300,782) | \$ 157,606,452 |

National Aquarium, Inc. and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2024

| | 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 | \$ 29,483,790 | \$ - | \$ 29,483,790 | \$ - | \$ - | \$ - |
| Contributions and grants | 4,238,870 | 2,587,384 | 6,826,254 | - | - | - |
| General and corporate membership programs | 6,035,919 | - | 6,035,919 | - | - | - |
| Education program | 1,958,881 | - | 1,958,881 | - | - | - |
| Group sales | 1,695,872 | - | 1,695,872 | - | - | - |
| Gift shop and food service | 3,038,516 | - | 3,038,516 | - | - | - |
| Auxiliary | 1,701,352 | - | 1,701,352 | - | - | - |
| Catered events | 688,103 | - | 688,103 | - | - | - |
| Intercompany grants | 1,110,000 | 292,717 | 1,402,717 | - | - | - |
| Contributions of nonfinancial assets | 364,377 | - | 364,377 | - | - | - |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program restrictions | 5,475,856 | (5,475,856) | - | 292,717 | (292,717) | - |
| Total revenue, gains and other support | 55,791,536 | (2,595,755) | 53,195,781 | 292,717 | (292,717) | - |
| Expenses: | | | | | | |
| Programs: | | | | | | |
| Aquarium experience | 31,163,148 | - | 31,163,148 | 555,000 | - | 555,000 |
| Conservation and education | 7,633,916 | - | 7,633,916 | 847,717 | - | 847,717 |
| Total program expenses | 38,797,064 | - | 38,797,064 | 1,402,717 | - | 1,402,717 |
| Supporting services: | | | | | | |
| Fundraising and membership | 6,037,998 | - | 6,037,998 | - | - | - |
| Advertising and promotions | 4,792,864 | - | 4,792,864 | - | - | - |
| General and administrative | 5,970,076 | - | 5,970,076 | - | - | - |
| Total supporting services expenses | 16,800,938 | - | 16,800,938 | - | - | - |
| Total expenses | 55,598,002 | - | 55,598,002 | 1,402,717 | - | 1,402,717 |
| Change in net assets before other financial items | 193,534 | (2,595,755) | (2,402,221) | (1,110,000) | (292,717) | (1,402,717) |
| Investment income, net | 723,594 | - | 723,594 | 2,030,477 | 414,524 | 2,445,001 |
| Gain on interest rate swap contract | 185,977 | - | 185,977 | - | - | - |
| Loss on disposal of property and equipment | (657) | - | (657) | - | - | - |
| Loss on extinguishment of debt | (947) | - | (947) | - | - | - |
| Debt service | (853,472) | - | (853,472) | - | - | - |
| Gain on New Markets Tax Credits | 20,803,515 | - | 20,803,515 | - | - | - |
| Total other financial items | 20,858,010 | - | 20,858,010 | 2,030,477 | 414,524 | 2,445,001 |
| Change in net assets | 21,051,544 | (2,595,755) | 18,455,789 | 920,477 | 121,807 | 1,042,284 |
| Net asset transfers for dissolution of Lender/Lessor | (20,144,092) | - | (20,144,092) | - | - | - |
| Net assets (deficit): | | | | | | |
| Beginning | 58,763,821 | 5,667,879 | 64,431,700 | 27,775,267 | 5,855,283 | 33,630,550 |
| Ending | \$ 59,671,273 | \$ 3,072,124 | \$ 62,743,397 | \$ 28,695,744 | \$ 5,977,090 | \$ 34,672,834 |

| 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 | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,483,790 | \$ - | \$ 29,483,790 | |
| - | - | - | - | - | 4,238,870 | 2,587,384 | 6,826,254 | |
| - | - | - | - | - | 6,035,919 | - | 6,035,919 | |
| - | - | - | - | - | 1,958,881 | - | 1,958,881 | |
| - | - | - | - | - | 1,695,872 | - | 1,695,872 | |
| - | - | - | - | - | 3,038,516 | - | 3,038,516 | |
| - | 108,833 | (108,833) | - | (108,833) | 1,701,352 | - | 1,701,352 | |
| - | - | - | - | - | 688,103 | - | 688,103 | |
| - | - | (1,110,000) | (292,717) | (1,402,717) | - | - | - | |
| - | - | - | - | - | 364,377 | - | 364,377 | |
| - | - | (292,717) | 292,717 | - | 5,475,856 | (5,475,856) | - | |
| - | 108,833 | (1,511,550) | - | (1,511,550) | 54,681,536 | (2,888,472) | 51,793,064 | |
| - | 619,882 | (663,833) | - | (663,833) | 31,674,197 | - | 31,674,197 | |
| - | - | (847,717) | - | (847,717) | 7,633,916 | - | 7,633,916 | |
| - | 619,882 | (1,511,550) | - | (1,511,550) | 39,308,113 | - | 39,308,113 | |
| - | - | - | - | - | 6,037,998 | - | 6,037,998 | |
| - | - | - | - | - | 4,792,864 | - | 4,792,864 | |
| - | 35,133 | - | - | - | 6,005,209 | - | 6,005,209 | |
| - | 35,133 | - | - | - | 16,836,071 | - | 16,836,071 | |
| - | 655,015 | (1,511,550) | - | (1,511,550) | 56,144,184 | - | 56,144,184 | |
| - | (546,182) | - | - | - | (1,462,648) | (2,888,472) | (4,351,120) | |
| 88,351 | - | (88,351) | - | (88,351) | 2,754,071 | 414,524 | 3,168,595 | |
| - | - | - | - | - | 185,977 | - | 185,977 | |
| - | - | - | - | - | (657) | - | (657) | |
| - | - | - | - | - | (947) | - | (947) | |
| - | (281,032) | - | - | - | (1,134,504) | - | (1,134,504) | |
| (524,200) | (14,428,800) | 524,200 | - | 524,200 | 6,374,715 | - | 6,374,715 | |
| (435,849) | (14,709,832) | 435,849 | - | 435,849 | 8,178,655 | 414,524 | 8,593,179 | |
| (435,849) | (15,256,014) | 435,849 | - | 435,849 | 6,716,007 | (2,473,948) | 4,242,059 | |
| (13,771,289) | 20,144,092 | 13,771,289 | - | 13,771,289 | - | - | - | |
| 14,207,138 | (4,888,078) | (14,207,138) | - | (14,207,138) | 81,651,010 | 11,523,162 | 93,174,172 | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 88,367,017 | \$ 9,049,214 | \$ 97,416,231 | |

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 | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 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 |