



THE FLORIDA AQUARIUM, INC.

Consolidated Financial Statements

September 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

THE FLORIDA AQUARIUM, INC.

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
The Florida Aquarium, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Florida Aquarium, Inc. (the Aquarium), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of The Florida Aquarium, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

KPMG LLP

January 20, 2017
Certified Public Accountants

THE FLORIDA AQUARIUM, INC.
Consolidated Statements of Financial Position
September 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 11,609,171	8,283,146
Accounts receivable, net	345,649	402,499
Pledges receivable, net	420,516	1,172,077
Other current assets	223,141	274,330
Total current assets	12,598,477	10,132,052
Noncurrent assets:		
Investments	678,983	599,650
Pledges receivable, net	377,234	717,578
Notes receivable	3,715,801	3,715,801
Deferred financing costs, net	219,689	278,273
Capital assets, net	12,672,052	9,576,372
Total noncurrent assets	17,663,759	14,887,674
Total assets	\$ 30,262,236	25,019,726
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,021,574	1,669,709
Current maturities of notes payable	261,114	783,333
Deferred revenue	1,758,752	1,577,308
Total current liabilities	4,041,440	4,030,350
Noncurrent liabilities:		
Notes payable, net of current maturities	5,958,149	6,219,263
Deferred revenue	1,810,044	455,173
Total liabilities	11,809,633	10,704,786
Net assets:		
Unrestricted	16,136,878	9,941,423
Temporarily restricted	2,085,111	4,150,452
Permanently restricted	230,614	223,065
Total net assets	18,452,603	14,314,940
Total liabilities and net assets	\$ 30,262,236	25,019,726

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.

Consolidated Statements of Activities

Year ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support:				
Admissions	\$ 11,768,785	—	—	11,768,785
Gift shop sales, net	660,978	—	—	660,978
Restaurant sales, net	960,165	—	—	960,165
Parking revenues	620,413	—	—	620,413
Community programs revenue	438,803	—	—	438,803
Contributions, memberships, and grants	3,886,446	775,479	—	4,661,925
Miscellaneous revenue	368,711	—	—	368,711
Net assets released from restrictions	2,912,604	(2,912,604)	—	—
	<u>21,616,905</u>	<u>(2,137,125)</u>	<u>—</u>	<u>19,479,780</u>
Total revenue and other support				
Operating expenses:				
Program services:				
Biological operations	4,069,108	—	—	4,069,108
Education	1,799,163	—	—	1,799,163
Life support and facilities	3,555,034	—	—	3,555,034
Guest services	2,760,596	—	—	2,760,596
Marketing and sales	2,216,843	—	—	2,216,843
	<u>14,400,744</u>	<u>—</u>	<u>—</u>	<u>14,400,744</u>
Total program services				
Support services:				
Executive, finance, and human resources	2,186,694	—	—	2,186,694
Development and membership	805,168	—	—	805,168
	<u>2,991,862</u>	<u>—</u>	<u>—</u>	<u>2,991,862</u>
Total support services				
Total operating expenses	<u>17,392,606</u>	<u>—</u>	<u>—</u>	<u>17,392,606</u>
Operating income before other income (expenses)	<u>4,224,299</u>	<u>(2,137,125)</u>	<u>—</u>	<u>2,087,174</u>
Other income (expenses):				
Interest income	37,493	—	—	37,493
Interest expense	(189,788)	—	—	(189,788)
Gain on disposal of capital assets	1,826	—	—	1,826
Change in value of beneficial interest in assets held by The Community Foundation	—	—	7,549	7,549
Unrealized gain on investments	—	71,784	—	71,784
Gain on settlement agreement, net	2,121,625	—	—	2,121,625
	<u>1,971,156</u>	<u>71,784</u>	<u>7,549</u>	<u>2,050,489</u>
Total other income (expenses)				
Change in net assets	6,195,455	(2,065,341)	7,549	4,137,663
Net assets, beginning of year	<u>9,941,423</u>	<u>4,150,452</u>	<u>223,065</u>	<u>14,314,940</u>
Net assets, end of year	<u>\$ 16,136,878</u>	<u>2,085,111</u>	<u>230,614</u>	<u>18,452,603</u>

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.

Consolidated Statements of Activities

Year ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support:				
Admissions	\$ 11,197,354	—	—	11,197,354
Gift shop sales, net	640,882	—	—	640,882
Restaurant sales, net	952,896	—	—	952,896
Parking revenues	628,435	—	—	628,435
Community programs revenue	465,760	—	—	465,760
Contributions, memberships, and grants	3,963,306	1,346,852	—	5,310,158
Miscellaneous revenue	365,192	—	—	365,192
Net assets released from restrictions	1,099,502	(1,099,502)	—	—
	<u>19,313,327</u>	<u>247,350</u>	<u>—</u>	<u>19,560,677</u>
Total revenue and other support				
Operating expenses:				
Program services:				
Biological operations	3,547,802	—	—	3,547,802
Education	1,530,506	—	—	1,530,506
Life support and facilities	3,556,020	—	—	3,556,020
Guest services	2,444,632	—	—	2,444,632
Marketing and sales	2,385,363	—	—	2,385,363
	<u>13,464,323</u>	<u>—</u>	<u>—</u>	<u>13,464,323</u>
Total program services				
Support services:				
Executive, finance, and human resources	1,912,898	—	—	1,912,898
Development and membership	1,000,064	—	—	1,000,064
	<u>2,912,962</u>	<u>—</u>	<u>—</u>	<u>2,912,962</u>
Total support services				
Total operating expenses	<u>16,377,285</u>	<u>—</u>	<u>—</u>	<u>16,377,285</u>
Operating income before other income (expenses)	<u>2,936,042</u>	<u>247,350</u>	<u>—</u>	<u>3,183,392</u>
Other income (expenses):				
Interest income	37,747	—	—	37,747
Interest expense	(209,064)	—	—	(209,064)
Loss on disposal of capital assets	(8,165)	—	—	(8,165)
Change in value of beneficial interest in assets held by The Community Foundation	—	—	(5,760)	(5,760)
Unrealized loss on investments	—	(2,368)	—	(2,368)
	<u>(179,482)</u>	<u>(2,368)</u>	<u>(5,760)</u>	<u>(187,610)</u>
Total other income (expenses)				
Change in net assets	2,756,560	244,982	(5,760)	2,995,782
Net assets, beginning of year	7,184,863	3,905,470	228,825	11,319,158
Net assets, end of year	\$ <u>9,941,423</u>	<u>4,150,452</u>	<u>223,065</u>	<u>14,314,940</u>

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.
Consolidated Statements of Cash Flows
Years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,137,663	2,995,782
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	871,874	778,561
Amortization of deferred financing costs	58,584	58,584
(Gain) loss on disposal of capital assets	(1,826)	8,165
Recovery (provision) for uncollectible receivables	(344)	4,166
Write-off of uncollectible receivables	(248)	—
Contributions received for long-term purposes	(882,000)	(1,013,890)
Change in value of beneficial interest in assets held by The Community Foundation	(7,549)	5,760
Unrealized (gain) loss on investments	(71,784)	2,368
Changes in operating assets and liabilities:		
Accounts receivable	57,442	(157,371)
Pledges receivable	1,091,905	27,350
Other current assets	51,189	(71,370)
Accounts payable and accrued expenses	3,854	229,046
Deferred revenue	1,536,315	(119,496)
Net cash provided by operating activities	<u>6,845,075</u>	<u>2,747,655</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	2,500	—
Capital expenditures	(3,620,217)	(1,725,785)
Net cash used in investing activities	<u>(3,617,717)</u>	<u>(1,725,785)</u>
Cash flows from financing activities:		
Cash received from contributions for long-term purposes	882,000	1,013,890
Repayments of notes payable	(783,333)	(783,330)
Net cash provided by financing activities	<u>98,667</u>	<u>230,560</u>
Net increase in cash and cash equivalents	3,326,025	1,252,430
Cash and cash equivalents, beginning of year	8,283,146	7,030,716
Cash and cash equivalents, end of year	<u>\$ 11,609,171</u>	<u>8,283,146</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest on notes payable	\$ 131,204	150,480
Purchases of property and equipment included in accounts payable and accrued expenses	348,011	39,349

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.
Consolidated Statement of Functional Expenses
Year ended September 30, 2016

	<u>Program services</u>					<u>Support services</u>			<u>Total</u>	
	<u>Biological operations</u>	<u>Education</u>	<u>Life support and facilities</u>	<u>Guest services</u>	<u>Marketing and sales</u>	<u>Total program services</u>	<u>Executive, finance, and HR</u>	<u>Development and membership</u>		<u>Total support services</u>
Operating expenses:										
Salaries and benefits	\$ 2,680,446	1,252,323	1,043,878	1,378,426	838,066	7,193,139	1,227,259	416,552	1,643,811	8,836,950
Advertising and promotions	24,943	—	—	—	1,087,753	1,112,696	8,316	87,583	95,899	1,208,595
Occupancy related	249,502	107,081	1,924,162	375,724	37,478	2,693,947	53,761	37,478	91,239	2,785,186
Insurance	78,283	51,198	73,161	93,714	4,096	300,452	42,148	4,096	46,244	346,696
Professional services	19,795	141,587	8,069	334,790	119,719	623,960	293,572	121,253	414,825	1,038,785
Animals, plants, and food	486,835	—	2,469	—	—	489,304	—	—	—	489,304
Printing and postage	8,371	12,425	38,096	2,724	25,977	87,593	11,059	60,867	71,926	159,519
Supplies and materials	208,492	126,932	218,501	159,625	8,966	722,516	49,926	52,825	102,751	825,267
Travel and professional development	99,848	26,431	10,501	15,743	60,627	213,150	127,008	20,208	147,216	360,366
Other operating expenses	43,843	126	2,815	54,936	—	101,720	367,994	350	368,344	470,064
Depreciation expense	168,750	81,060	233,382	344,914	34,161	862,267	5,651	3,956	9,607	871,874
Total operating expenses	\$ <u>4,069,108</u>	<u>1,799,163</u>	<u>3,555,034</u>	<u>2,760,596</u>	<u>2,216,843</u>	<u>14,400,744</u>	<u>2,186,694</u>	<u>805,168</u>	<u>2,991,862</u>	<u>17,392,606</u>

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.
Consolidated Statement of Functional Expenses
Year ended September 30, 2015

	<u>Program services</u>					<u>Support services</u>			<u>Total</u>	
	<u>Biological operations</u>	<u>Education</u>	<u>Life support and facilities</u>	<u>Guest services</u>	<u>Marketing and sales</u>	<u>Total program services</u>	<u>Executive, finance, and HR</u>	<u>Development and membership</u>		<u>Total support services</u>
Operating expenses:										
Salaries and benefits	\$ 2,313,177	1,039,570	970,937	1,374,755	776,029	6,474,468	1,058,222	532,553	1,590,775	8,065,243
Advertising and promotions	57,012	—	—	2,733	1,304,755	1,364,500	1,030	107,282	108,312	1,472,812
Occupancy related	248,038	87,617	2,094,634	366,525	37,171	2,833,985	38,766	33,826	72,592	2,906,577
Insurance	50,990	47,804	74,190	91,141	3,824	267,949	41,348	3,824	45,172	313,121
Professional services	12,721	157,828	18,893	113,950	106,966	410,358	224,854	160,011	384,865	795,223
Animals, plants, and food	419,046	—	3,379	—	—	422,425	—	—	—	422,425
Printing and postage	7,297	14,542	27,333	566	54,578	104,316	8,700	53,032	61,732	166,048
Supplies and materials	179,041	89,539	161,151	121,911	6,377	558,019	43,253	68,769	112,022	670,041
Travel and professional development	55,457	25,125	11,086	13,091	58,265	163,024	158,431	33,612	192,043	355,067
Other operating expenses	33,303	243	1,524	65,204	—	100,274	331,543	350	331,893	432,167
Depreciation expense	171,720	68,238	192,893	294,756	37,398	765,005	6,751	6,805	13,556	778,561
Total operating expenses	\$ <u>3,547,802</u>	<u>1,530,506</u>	<u>3,556,020</u>	<u>2,444,632</u>	<u>2,385,363</u>	<u>13,464,323</u>	<u>1,912,898</u>	<u>1,000,064</u>	<u>2,912,962</u>	<u>16,377,285</u>

See accompanying notes to consolidated financial statements.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) *Organization*

The Florida Aquarium, Inc. (the Aquarium) was incorporated on December 12, 1986 in the State of Florida, as a not-for-profit organization. Construction of an aquarium (the Facility) was completed and opened to the public in March 1995. In October 1996, the Aquarium sold the Facility and related assets to the City of Tampa, Florida (the City), and entered into an agreement with the City for management of the Facility (the Management Agreement). That Management Agreement expired on September 30, 2009. A new 30-year (with two automatic 10-year extensions) Lease and Operating Agreement (the Operating Agreement) was executed and became effective on October 1, 2009. The Operating Agreement defines the rights and obligations of the City and Aquarium management. The Aquarium's mission is to entertain, educate, and inspire stewardship about our natural environment.

The Florida Aquarium Foundation, Inc. (the Foundation) was incorporated October 10, 1996 in the State of Florida, as a not-for-profit organization. The Foundation was created to solicit and receive contributions or other support to be disbursed and used for charitable, education, and specific purposes, including the making of distributions for such purposes to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended. Unless otherwise determined by the Foundation's Board of Directors, the recipient of such distributions shall be the Aquarium. As the Foundation's Board of Directors are required to be appointed and elected by the Aquarium's Board of Directors, and the purpose of the Foundation is to support the Aquarium, the financial activities of the Aquarium and the Foundation have been consolidated. All significant intercompany balances and transactions have been eliminated in consolidation.

Collectively, the organizations are hereafter referred to as the Aquarium.

(b) *Basis of Accounting*

The consolidated financial statements of the Aquarium have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

All financial transactions have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets, based on the presence or absence of donor-imposed restrictions.

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the program and supporting services and operations of the Aquarium.
- Temporarily restricted net assets represent those amounts that are not available until future periods and/or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted gifts that are received and expended in the same fiscal year are classified as unrestricted revenue. 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 restricted support. Absent explicit donor stipulations about how those

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

long-lived assets must be maintained, the Aquarium reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. Generally, gains and related investment income on these gifts are available for unrestricted purposes, unless the donor designates restrictions on the use of earnings for a specific purpose, in which case the earnings are then considered temporarily or permanently restricted.

(c) *Fair Value Measurements*

The Aquarium utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Aquarium determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

See note 3 to the consolidated financial statements.

(d) *Liquidity*

Assets are presented in the accompanying consolidated financial statements according to their nearness to cash and liabilities according to their nearness of their maturity and resulting use of cash.

(e) *Cash and Cash Equivalents*

Cash and cash equivalents include cash held in commercial checking accounts and cash held in money market accounts with original maturities of 90 days or less.

(f) *Investments*

Investments include mutual funds reported at fair value based on quoted market rates, plus accrued interest and dividends; a beneficial interest in the assets of The Community Foundation of Tampa Bay (the Community Foundation) that is carried at fair value; and cash that is held for long-term endowment purposes. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(g) ***Capital Assets, Net***

Furniture, equipment, boats/vehicles, and leasehold improvements are capitalized if the original cost equals or exceeds \$5,000; and are stated at cost, if purchased, or at estimated fair value at date of receipt, if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3 – 7 years using the straight-line method. An exception is given to leasehold improvements associated with the Facility, which is leased from the City, which are depreciated over a useful life of up to 30 years. Maintenance, repairs, and minor renewals are expensed as incurred.

(h) ***Capitalized Interest***

The Aquarium's policy is to capitalize interest cost incurred on debt during the construction of major projects. No interest was capitalized for the years ended September 30, 2016 and 2015.

(i) ***Income Taxes***

The Aquarium and Foundation are not-for-profit organizations described in Section 501(c)(3) of the IRC, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC, and are also exempt from state income taxes. Management believes that the unrelated business income generated by the Aquarium is not material to the consolidated financial statements.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management asserts that no such uncertain tax positions exist for the Aquarium at September 30, 2016 and 2015.

(j) ***Revenue Recognition***

In the absence of donor restrictions, contributions are considered to be available for unrestricted use and related income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

Government funding and grants are recorded as unrestricted revenue as funds have been reimbursed for expenditures made for specific needs of the Aquarium.

Deferred revenue represents amounts collected from customers as deposits on future events at the Aquarium; ticket sales made by customers prior to their visit; and contributions from members for annual memberships. Deposits for future events are recognized as revenue when the events take place; advance ticket sales are recognized as revenue when redeemed for admission; and amounts collected for annual memberships are recognized as contributions ratably over the membership period.

Deferred revenue also includes the unamortized portion of a total of \$2.95 million received from the Aquarium's restaurant concessionaire for improvements to the food service operations, event center construction, outdoor catering spaces, and a 10 year contract extension. In accordance with the contract terms, the amount is to be amortized on a straight-line basis over the term of the contract. If the contract expires early or is terminated by either party, the Aquarium is responsible for refunding the

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

unamortized balance to the concessionaire. The unamortized portion in current deferred revenue at September 30, 2016 and 2015 is \$395,129 and \$248,276, respectively. The noncurrent portion is \$1,810,044 and \$455,173 at September 30, 2016 and 2015, respectively.

Revenue recognized from gift shop, restaurant, and photography sales relates to sales of products or services for which the Aquarium receives revenue based on a contractually defined commission structure.

(k) *Use of Estimates*

The preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management of the Aquarium to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of capital assets, the allowance for doubtful accounts, pledges receivable, and notes receivable.

(l) *Functional Allocation of Expenses*

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are allocated to program and support services based on various factors determined by management. The Aquarium's program services are classified within the following: biological operations (husbandry, conservation, veterinary care, dive operations, and horticulture); education (instructors, exhibit educators, community programs, and reservations); life support and facilities (including graphics and exhibits); guest services (admissions, Eco-tour boat, parking, safety and security, and environmental services); and marketing and sales, including public relations. The Aquarium's support services include the executive, finance, and human resources functions (including volunteer services and reception); and development and membership (responsible for all fund-raising activities).

(m) *Contributed Services*

Contributions of services are recognized in the consolidated financial statements if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Community members volunteer in all areas of Aquarium operations. The Aquarium has approximately 250 active volunteers who contributed 32,639 and 36,127 hours of service for fiscal years 2016 and 2015, respectively. A dollar valuation of this effort is not reflected in the consolidated financial statements.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(2) Cash, Cash Equivalents, and Investments

The Aquarium's investment policy authorizes investments in U.S. government obligations and direct obligations of U.S. government agencies, equities, and short-term money markets composed of certificates of deposit, money market funds, and repurchase agreements. The policy specifically prohibits investments in certain items such as derivatives, commodities, foreign securities listed solely outside the United States of America, direct real estate or mortgages, and security loans. At September 30, 2016 and 2015, cash, cash equivalents, and investments are classified as follows:

	2016	
	Cost	Fair value
Cash and cash equivalents	\$ 11,609,171	11,609,171
Vanguard 500 Index Mutual Funds	218,413	545,986
Money market fund	32,014	32,014
Common stock	2,489	7,057
Beneficial interest in assets held by The Community Foundation	50,000	93,926
Total cash, cash equivalents, and investments	\$ 11,912,087	12,288,154

	2015	
	Cost	Fair value
Cash and cash equivalents	\$ 8,283,146	8,283,146
Vanguard 500 Index Mutual Funds	208,215	473,604
Money market fund	31,903	31,903
Common stock	2,489	7,767
Beneficial interest in assets held by The Community Foundation	50,000	86,376
Total cash, cash equivalents, and investments	\$ 8,575,753	8,882,796

Of the cash and cash equivalents, \$1,187,718 and \$1,911,061 is restricted by the donor for specific purposes at September 30, 2016 and 2015, respectively.

Investment return for the years ended September 30, 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividends	\$ 37,493	37,747
Net unrealized gain (loss) on investments	71,784	(2,368)
Total investment return	\$ 109,277	35,379

(3) Fair Value Measurements

(a) Fair Value of Financial Instruments

Fair value is defined as the amount 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.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

The fair values of the financial instruments represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Aquarium's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Aquarium based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

(b) ***Fair Value Hierarchy***

The tables below summarize the fair values of financial assets that are measured at fair value on a recurring and nonrecurring basis as of September 30, 2016 and 2015:

	September 30, 2016	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Recurring:				
Cash and cash equivalents	\$ 11,609,171	11,609,171	—	—
Vanguard 500 Index Mutual Funds	545,986	545,986	—	—
Money market fund	32,014	32,014	—	—
Common stock	7,057	7,057	—	—
Beneficial interest in assets held by The Community Foundation	93,926	—	93,926	—
Total recurring	12,288,154	12,194,228	93,926	—
Nonrecurring:				
Pledges receivable	797,750	—	—	797,750
Notes receivable	3,715,801	—	3,715,801	—
Total assets	<u>\$ 16,801,705</u>	<u>12,194,228</u>	<u>3,809,727</u>	<u>797,750</u>
Liabilities:				
Notes payable	\$ 6,219,263	—	6,219,263	—
	<u>\$ 6,219,263</u>	<u>—</u>	<u>6,219,263</u>	<u>—</u>

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

	September 30, 2015	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Recurring:				
Cash and cash equivalents	\$ 8,283,146	8,283,146	—	—
Vanguard 500 Index Mutual Funds	473,604	473,604	—	—
Money market fund	31,903	31,903	—	—
Common stock	7,767	7,767	—	—
Beneficial interest in assets held by The Community Foundation	86,376	—	86,376	—
Total recurring	8,882,796	8,796,420	86,376	—
Nonrecurring:				
Pledges receivable	1,889,655	—	—	1,889,655
Notes receivable	3,715,801	—	3,715,801	—
Total assets	\$ 14,488,252	8,796,420	3,802,177	1,889,655
Liabilities:				
Notes payable	\$ 7,002,596	—	7,002,596	—
	\$ 7,002,596	—	7,002,596	—

The Aquarium's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended September 30, 2016 or 2015.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(4) Accounts Receivable

Accounts receivable at September 30, 2016 and 2015 are as follows:

	2016	2015
Customers	\$ 199,074	299,484
Aramark Sports & Entertainment Services, Inc.	61,500	43,264
Event Network, Inc.	39,976	37,357
Sharpshooter Spectrum Venture LLC	60,099	37,298
Less allowance for doubtful accounts	(15,000)	(14,904)
Accounts receivable, net	\$ 345,649	402,499

(5) Pledges Receivable

Pledges receivable at September 30, 2016 and 2015 are as follows:

	2016	2015
Total unconditional promises to give	\$ 845,101	1,955,118
Less:		
Unamortized discount	(28,351)	(46,463)
Allowance for doubtful pledges	(19,000)	(19,000)
Net unconditional promises to give	\$ 797,750	1,889,655

Amounts due in more than one year are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the date on which the promises were received. The discount rates applied range from 0.36% to 1.68% at September 30, 2016 and 2015.

Gross pledges receivable expected to be collected after September 30, 2016 are as follows:

Year ending September 30:	
2017	\$ 439,516
2018	145,585
2019	105,000
2020	155,000
	\$ 845,101

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(6) Notes Receivable

To initiate the New Market Tax Credit (NMTC) transaction described in note 12, the Foundation issued a leveraged loan to UDF/USBCDC Florida Fund XXVIII, LLC (UDF/USBCDC) of \$3,715,801 on June 28, 2013. The note requires 1% interest only quarterly payments (\$9,290) until January 10, 2021. Quarterly principal and interest payments of \$68,902 are due after that date until the note matures on April 1, 2035. The first quarterly interest payment was due and received on October 10, 2013. During the seven year NMTC compliance period, no prepayments on the note are permitted. As collateral for the note, the Foundation has been granted a security interest in UDF/USBCDC's 99.99% ownership interests in Urban Development Fund XXVIII, LLC (UDF XXVIII).

(7) Capital Assets

Capital assets at September 30, 2016 and 2015 are as follows:

	2016	2015
Furniture and equipment	\$ 3,487,916	3,484,305
Eco-tour boat	1,199,755	1,198,423
Vehicles	391,101	368,519
Leasehold improvements	9,125,767	9,114,905
Construction in progress	4,404,657	658,147
	18,609,196	14,824,299
Less accumulated depreciation	(5,937,144)	(5,247,927)
Capital assets, net	\$ 12,672,052	9,576,372

As per the Operating Agreement through September 30, 2039, the Aquarium is leasing the Facility from the City for \$10 per year for a period of 30 years unless sooner terminated, and provides further that the lease shall automatically be renewed for two successive 10-year terms unless any party gives the other party 180 days' notice of termination of the lease agreement prior to the expiration of any term. According to information provided by the City, the estimated insured value of the Facility (excluding contents) is approximately \$49 million.

In fiscal year 2010, architectural and engineering design work began on the Aquarium's capital expansion project, Rising Tides. Rising Tides will renovate and add over 40,000 square feet to the existing Facility, including five new classrooms; a new conference room; exhibit area; and an event center that can seat 300 guests for a catered event. Rising Tides also will address renovations at the ticket entry and in the lobby, existing animal exhibitory, and dive facilities. It is currently estimated that Rising Tides will cost \$16 million. Construction began in November 2012, with the final phase beginning in late 2015. Construction is expected to be completed by the middle of 2017.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(8) Notes Payable

Notes payable at September 30, 2016 and 2015 are as follows:

	2016	2015
Rising Tides Phase I credit agreement	\$ 261,114	1,044,447
NMTC promissory notes	5,958,149	5,958,149
	6,219,263	7,002,596
Less current maturities of notes payable	(261,114)	(783,333)
Notes payable, net of current maturities	\$ 5,958,149	6,219,263

On February 22, 2013, the Aquarium executed a credit agreement to borrow up to \$2.5 million to fund the construction of the first phase of the Rising Tides capital expansion project. The credit agreement consisted of a nonrevolving line of credit, which converted to a 3 year term loan on February 23, 2014, at a variable rate of the monthly LIBOR plus 235 basis points (2.975% at September 30, 2016 and 2.6% at September 30, 2015). Monthly interest-only payments were due during the first year. Beginning on March 5, 2014, equal monthly principal payments of \$65,277 plus interest are being made. The loan matures on February 15, 2017. There are no mandatory call provisions prior to the end term of the loan. The credit agreement is collateralized with Rising Tides' pledges receivable. At any given time, the amount of Rising Tides' pledges receivable outstanding must equal at least 50% of the principal outstanding. Additionally, the Aquarium must maintain a debt service coverage ratio of at least 1.25 to 1.

In association with the NMTC transaction described in note 12, the Aquarium executed three promissory notes with UDF XXVIII on June 28, 2013. The first note (A) of \$3,715,801 requires 1% quarterly interest only payments (\$9,290) through December 31, 2020. Beginning January 1, 2021, quarterly principal and interest payments of \$45,262 are due until the note matures on October 1, 2043. The second note (B) of \$1,068,785 requires 3.33% quarterly interest only payments (\$8,898) through December 31, 2020. Beginning January 1, 2021, quarterly principal and interest payments of \$16,674 are due until the note matures on October 1, 2043. The final note (C) of \$1,173,563 requires 3.33% quarterly interest only payments (\$9,770) through December 31, 2020. On December 13, 2019, a mandatory principal payment of \$449,037 is due. Beginning January 1, 2021, quarterly principal and interest payments of \$11,304 are due until the note matures on October 1, 2043. During the seven year mandatory NMTC compliance period, no prepayments on the three notes are permitted. When the seven year period ends, it is anticipated that the put/call agreements described in note 12 will be exercised. When these agreements are exercised, the Foundation will acquire the interests in UDF XXVIII whose only assets are the promissory notes, and UDF XXVIII will be liquidated. The Foundation will then hold the debt and the remaining debt obligation of approximately \$5.5 million will be eliminated in consolidation with the Aquarium. Accordingly, of the scheduled maturities of \$6,219,263 the Aquarium expects to only pay approximately \$710,000. All three notes are secured by the Aquarium's leasehold interest in the Facility under the Operating Agreement, plus substantially all of the Aquarium's assets and interests.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

The principal maturities of the note payable for the years subsequent to September 30, 2016 are due as follows:

2017	\$	261,114
2018		—
2019		—
2020		449,037
2021		197,404
Beyond		5,311,708
	\$	6,219,263

(9) Restrictions and Limitations on Net Assets

Temporarily restricted net assets of \$2,085,111 and \$4,150,452 at September 30, 2016 and 2015, respectively, consisted of donor-restricted contributions and pledges for specific purposes related to educational programming, conservation and research initiatives, and new exhibits under development. Net assets of \$2,912,604 and \$1,099,502 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended September 30, 2016 and 2015, respectively.

Of the temporarily-restricted net asset balance, \$1,049,153 and \$3,590,994, at September 30, 2016 and 2015, respectively, relate to donations received for the Rising Tides expansion project.

Permanently restricted net assets of \$230,614 and \$223,065 at September 30, 2016 and 2015, respectively, are composed of the following donor categories:

		2016	2015
General endowment	\$	136,689	136,689
Beneficial interest in assets held by The Community Foundation		93,925	86,376
	\$	230,614	223,065

(10) Endowments

FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC Subtopic 958-205 also requires enhanced disclosures about an organization’s endowment funds, whether or not the organization is subject to an enacted version of UPMIFA. These disclosures shall enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds (both donor restricted and board designated).

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(a) ***Interpretation of Relevant Law***

As of July 1, 2012, the Aquarium follows UPMIFA. The Aquarium's management, in working with the Aquarium's and Foundation's Board of Directors, has determined that the Aquarium's permanently restricted net assets meet the definition of endowment funds under both UMIFA and UPMIFA.

The Aquarium classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) although not applicable prior to July 1, 2012, any future accumulations to the permanent endowment that are made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Aquarium considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Aquarium and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Aquarium.
- The investment policies of the Aquarium.

(b) ***Fund Deficiencies***

UPMIFA includes guidelines about what constitutes prudent spending. Aquarium donors may place purpose restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds. If the fair value of assets associated with individual donor-restricted endowment funds falls below the level that UPMIFA requires the Aquarium to retain as permanently restricted, these deficiencies are reported in unrestricted net assets. These deficiencies can result from unfavorable market conditions and fluctuations. There were no such deficiencies at September 30, 2016 or 2015.

(c) ***Return Objective and Risk Parameters***

The investment objectives for the Aquarium are stated below in order of importance:

- a. Growth of Capital – Emphasis on long-term growth of the investment assets. The returns should meet or exceed appropriate benchmark indices while incurring less risk than such benchmarks/indices.
- b. Preservation of Purchasing Power after Spending – Asset growth that exceeds spending plus inflation over a three-year period.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

- c. The investment goal of the equity portfolio is that the annual return will match and/or exceed appropriate performance benchmark(s) by investment style to the asset managers selected.

The Aquarium's Board of Directors recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation and U.S. dollar depreciation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the asset manager the opportunity to achieve satisfactory long-term results consistent with the goals, objectives, and character of the Aquarium. All assets selected for the portfolio must have a readily ascertainable market value, and must be readily marketable.

(d) ***Strategies Employed for Achieving Objectives***

To meet the needs of the Aquarium, the Aquarium's investment strategy emphasizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) by following the strategies outlined above.

(e) ***Spending Policy and How the Investment Objective Relates to Spending Policy***

The Aquarium's Board of Directors, has adopted a spending policy that governs the annual distributions from the endowment funds that may be expended for current operations of the Aquarium. This policy authorizes the Aquarium to distribute from its endowment funds up to 5% of the value, excluding any illiquid securities or assets, at the beginning of the Aquarium's fiscal year in quarterly installments. No distributions from the endowment investments have ever been made. All income earned has been reinvested in endowment principal.

Changes in endowment funds consist of the following for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2015	\$ —	376,585	223,065	599,650
Investment return	—	71,784	—	71,784
Change in value of beneficial interests	—	—	7,549	7,549
Total endowment funds at September 30, 2016	<u>\$ —</u>	<u>448,369</u>	<u>230,614</u>	<u>678,983</u>

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

Changes in endowment funds consist of the following for the year ended September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2014	\$ —	378,953	228,825	607,778
Investment return	—	(2,368)	—	(2,368)
Change in value of beneficial interests	—	—	(5,760)	(5,760)
Total endowment funds at September 30, 2015	<u>\$ —</u>	<u>376,585</u>	<u>223,065</u>	<u>599,650</u>

(11) Retirement Savings Plan

Effective January 1, 1994, a retirement savings plan was established pursuant to IRC Section 403(b). Substantially all employees are eligible to participate in the plan. Contributions are made at the discretion of the Board of Directors. Contributions totaling \$21,308 and \$20,283, included in the accompanying consolidated statements of activities, were made for the years ended September 30, 2016 and 2015, respectively.

(12) New Markets Tax Credits Transaction

On June 28, 2013, the Aquarium, the Foundation, Urban Development Fund [(UDF), an IRS approved Community Development Entity (CDE)], and US Bancorp (tax credit investor) closed on a series of transactions in order to facilitate the use of both the federal and state of Florida new markets tax credits (NMTC) program to provide funding for the Aquarium. The NMTC program permits tax credit investors to claim credits against state and federal income taxes for Qualified Equity Investments (QEIs) made to CDEs, which provide Qualified Low Income Community Investment (QLICI) loans to Qualified Active Low Income Community Businesses (QALICBs). The taxpayer, US Bancorp, is provided with tax credits that equal 39% of the QEI, realized over a seven year period. UDF and US Bancorp formed several legal entities to execute this transaction, including UDF/USBCDC, and UDF XXVIII.

The Foundation advanced approximately \$3.7 million via a leveraged loan to UDF/USBCDC, as described in note 6. US Bancorp provided an investment of approximately \$2.2 million into UDF/USBCDC. There is no requirement for repayment of this investment as long as compliance with the NMTC agreements is maintained. Subsequently, UDF/USBCDC provided approximately \$5.9 million QEI to UDF XXVIII. The \$5.9 million was then loaned by UDF XXVIII to the Aquarium in the form of three QLICI promissory notes, as described in note 8.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

In conjunction with the transaction, the Foundation entered into put/call agreements with the UDF and US Bancorp-related entities that own UDF/USBCDC. These put/call agreements will either obligate or entitle the Foundation to repurchase the interests in the CDEs at the end of the mandatory seven year compliance period. The value attributed to the put/call is considered de minimis and has not been recorded in the accompanying consolidated financial statements. When the put/call is exercised, the Foundation would acquire the interests in the CDEs and the CDEs would be liquidated. The Foundation would then become the holder of the three QLICI promissory notes due from the Aquarium. For reporting purposes, the notes would then be eliminated in consolidation.

The NMTCs are subject to 100% recapture for a period of seven years as described in the IRC. The Aquarium must comply with various regulations and contractual provisions that apply to the NMTC arrangement. Noncompliance could result in projected tax benefits not being realized, and therefore, require the Aquarium to indemnify the tax credit investors for any loss or recapture of NMTCs. It is not anticipated that any credit recapture events will occur.

Direct costs incurred in structuring and executing the NMTC transaction totaled \$405,155 and have been deferred and are being amortized as expense over the expected term of the notes, which is seven years. Incremental costs to maintain the structure during the compliance period will be expensed as incurred.

The approximately \$5.9 million in proceeds received from the QLICI loans were used for Aquarium operations, repairs and maintenance, new exhibitory, and the Rising Tides expansion. The funds were expended by June 30, 2014. The funds were held in an Aquarium bank account, but withdrawals from the account were subject to a Disbursing Agreement with UDF and US Bancorp.

(13) Commitments and Contingencies

(a) *Grant Funding*

The Aquarium participates in various federal and state-assisted grant programs that are subject to review and audit by grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of the Aquarium. Management that the ultimate disallowance pertaining to these regulations, if any, would be immaterial to the overall financial condition of the Aquarium.

(b) *Insurance Claims*

The Aquarium is involved in certain claims arising from the ordinary course of operations, and has purchased commercial insurance policies to cover these risks. In the opinion of the Aquarium and legal counsel, the range of potential liabilities will not materially affect the financial position of the Aquarium.

THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(c) ***Rising Tides Campaign***

In August 2011, a \$2.5 million commitment to Rising Tides was received from MOS Holdings, Inc. (Mosaic). The agreement includes several conditions, including the exclusive naming opportunity for the new event center for 15 years following the grand opening. Additional educational programming, outreach events, teacher workshops, and conservation programs are to be developed and conducted by the Aquarium, with Mosaic as a sponsor. Mosaic has paid all \$2.5 million as of September 30, 2016, which has been recognized as contribution revenue, as the conditions of the agreement have been met by the Aquarium.

(d) ***Deepwater Horizon Settlement***

On March 22, 2016, the Aquarium completed negotiations and entered into a settlement agreement with British Petroleum (BP) under the Deepwater Horizon Economic and Property Damages Settlement Program, as compensation for damages arising out of the Deepwater Horizon event that occurred in 2010. On May 12, 2016, the Aquarium received payment for this claim of \$2,121,625, net of \$739,507 legal, accounting, and other settlement costs. The net settlement amount is included as a component of other income in the consolidated statement of activities.

(14) Related-Party Transactions

Contributions, memberships, and grants for the years ended September 30, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
Board of directors and trustees	\$ 502,078	154,861
City of Tampa	486,000	486,000
	<u>\$ 988,078</u>	<u>640,861</u>

(15) Concentrations of Credit Risk

The Aquarium maintains its cash and cash equivalents with large financial institutions. All accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Aquarium has cash deposits which exceed the federally insured deposited amount. Management does not anticipate nonperformance by these financial institutions.

(16) Subsequent Events

The Aquarium has evaluated subsequent events from the consolidated statements of financial position date through January 20, 2017, the date the consolidated financial statements were available to be issued, and determined no other items should be disclosed.

THE FLORIDA AQUARIUM, INC.
Consolidating Statement of Financial Position
September 30, 2016

Assets	The Florida Aquarium, Inc.	The Florida Aquarium Foundation, Inc.	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 11,577,906	31,265	—	11,609,171
Accounts receivable, net	345,649	—	—	345,649
Pledges receivable, net	420,516	—	—	420,516
Other current assets	223,141	9,290	(9,290)	223,141
Total current assets	<u>12,567,212</u>	<u>40,555</u>	<u>(9,290)</u>	<u>12,598,477</u>
Noncurrent assets:				
Investments	620,334	58,649	—	678,983
Pledges receivable, net	377,234	—	—	377,234
Notes receivable	3,750,000	3,715,801	(3,750,000)	3,715,801
Deferred financing costs, net	219,689	—	—	219,689
Capital assets, net	12,672,052	—	—	12,672,052
Total noncurrent assets	<u>17,639,309</u>	<u>3,774,450</u>	<u>(3,750,000)</u>	<u>17,663,759</u>
Total assets	<u>\$ 30,206,521</u>	<u>3,815,005</u>	<u>(3,759,290)</u>	<u>30,262,236</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,021,574	9,290	(9,290)	2,021,574
Current maturities of notes payable	261,114	—	—	261,114
Deferred revenue	1,758,752	—	—	1,758,752
Total current liabilities	<u>4,041,440</u>	<u>9,290</u>	<u>(9,290)</u>	<u>4,041,440</u>
Noncurrent liabilities:				
Notes payable, net of current maturities	5,958,149	3,750,000	(3,750,000)	5,958,149
Deferred revenue	1,810,044	—	—	1,810,044
Total liabilities	<u>11,809,633</u>	<u>3,759,290</u>	<u>(3,759,290)</u>	<u>11,809,633</u>
Net assets (deficit):				
Unrestricted	16,139,812	(2,934)	—	16,136,878
Temporarily restricted	2,042,962	42,149	—	2,085,111
Permanently restricted	214,114	16,500	—	230,614
Total net assets	<u>18,396,888</u>	<u>55,715</u>	<u>—</u>	<u>18,452,603</u>
Total liabilities and net assets	<u>\$ 30,206,521</u>	<u>3,815,005</u>	<u>(3,759,290)</u>	<u>30,262,236</u>

See accompanying independent auditors' report.

THE FLORIDA AQUARIUM, INC.

Consolidating Statement of Activities

Year ended September 30, 2016

	The Florida Aquarium, Inc.	The Florida Aquarium Foundation, Inc.	Eliminations	Total
Revenue and other support:				
Admissions	\$ 11,768,785	—	—	11,768,785
Gift shop sales, net	660,978	—	—	660,978
Restaurant sales, net	960,165	—	—	960,165
Parking revenues	620,413	—	—	620,413
Community programs revenue	438,803	—	—	438,803
Contributions, memberships, and grants	4,661,925	—	—	4,661,925
Miscellaneous revenue	368,711	—	—	368,711
Total revenue and other support	<u>19,479,780</u>	<u>—</u>	<u>—</u>	<u>19,479,780</u>
Operating expenses:				
Program services:				
Biological operations	4,069,108	—	—	4,069,108
Education	1,799,163	—	—	1,799,163
Life support and facilities	3,555,034	—	—	3,555,034
Guest services	2,760,596	—	—	2,760,596
Marketing and sales	2,216,843	—	—	2,216,843
Total program services	<u>14,400,744</u>	<u>—</u>	<u>—</u>	<u>14,400,744</u>
Support services:				
Executive, finance, and human resources	2,185,432	1,262	—	2,186,694
Development and membership	805,168	—	—	805,168
Total support services	<u>2,990,600</u>	<u>1,262</u>	<u>—</u>	<u>2,991,862</u>
Total operating expenses	<u>17,391,344</u>	<u>1,262</u>	<u>—</u>	<u>17,392,606</u>
Operating income (loss) before other income (expenses)	<u>2,088,436</u>	<u>(1,262)</u>	<u>—</u>	<u>2,087,174</u>
Other income (expenses):				
Interest income	37,170	37,481	(37,158)	37,493
Interest expense	(189,788)	(37,158)	37,158	(189,788)
Gain on disposal of capital assets	1,826	—	—	1,826
Change in value of beneficial interest in assets held by The Community Foundation	7,549	—	—	7,549
Unrealized gain on investments	63,961	7,823	—	71,784
Gain on settlement agreement, net	2,121,625	—	—	2,121,625
Total other income (expenses)	<u>2,042,343</u>	<u>8,146</u>	<u>—</u>	<u>2,050,489</u>
Change in net assets	4,130,779	6,884	—	4,137,663
Net assets, beginning of year	<u>14,266,109</u>	<u>48,831</u>	<u>—</u>	<u>14,314,940</u>
Net assets, end of year	\$ <u>18,396,888</u>	<u>55,715</u>	<u>—</u>	<u>18,452,603</u>

See accompanying independent auditors' report.