



**THE FLORIDA AQUARIUM, INC.**

Consolidated Financial Statements

September 30, 2014 and 2013

(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, 2014 and 2013, 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, 2014 and 2013, 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**

December 11, 2014  
Certified Public Accountants

**THE FLORIDA AQUARIUM, INC.**  
Consolidated Statements of Financial Position  
September 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
	<u>                    </u>	<u>                    </u>
Current assets:		
Cash and cash equivalents	\$ 7,030,716	8,241,705
Accounts receivable, net	249,294	332,892
Pledges receivable, net	1,063,477	1,558,677
Other current assets	202,960	180,073
	<u>                    </u>	<u>                    </u>
Total current assets	8,546,447	10,313,347
Noncurrent assets:		
Investments	607,778	522,888
Pledges receivable, net	853,528	1,570,691
Notes receivable	3,715,801	3,715,801
Deferred financing costs, net	336,857	362,151
Capital assets, net	8,597,964	5,695,860
	<u>                    </u>	<u>                    </u>
Total noncurrent assets	14,111,928	11,867,391
Total assets	\$ <u>22,658,375</u>	<u>22,180,738</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,401,314	1,722,216
Current maturities of notes payable	783,333	555,854
Deferred revenue	1,448,529	1,196,444
	<u>                    </u>	<u>                    </u>
Total current liabilities	3,633,176	3,474,514
Noncurrent liabilities:		
Notes payable, net of current maturities	7,002,593	7,851,205
Deferred revenue	703,448	951,724
	<u>                    </u>	<u>                    </u>
Total liabilities	11,339,217	12,277,443
Net assets:		
Unrestricted	7,184,863	4,505,640
Temporarily restricted	3,905,470	5,173,762
Permanently restricted	228,825	223,893
	<u>                    </u>	<u>                    </u>
Total net assets	11,319,158	9,903,295
Total liabilities and net assets	\$ <u>22,658,375</u>	<u>22,180,738</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Activities

Year ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support:				
Admissions	\$ 9,798,605	—	—	9,798,605
Gift shop sales, net	578,666	—	—	578,666
Restaurant sales, net	861,992	—	—	861,992
Parking revenues	601,891	—	—	601,891
Community programs revenue	412,082	—	—	412,082
Contributions, memberships, and grants	3,046,669	883,558	—	3,930,227
Miscellaneous revenue	291,775	—	—	291,775
Net assets released from restrictions	2,231,808	(2,231,808)	—	—
Total revenue and other support	<u>17,823,488</u>	<u>(1,348,250)</u>	<u>—</u>	<u>16,475,238</u>
Operating expenses:				
Program services:				
Biological operations	3,331,514	—	—	3,331,514
Education	1,531,046	—	—	1,531,046
Life support and facilities	3,238,808	—	—	3,238,808
Guest services	2,219,244	—	—	2,219,244
Marketing and sales	1,923,098	—	—	1,923,098
Total program services	<u>12,243,710</u>	<u>—</u>	<u>—</u>	<u>12,243,710</u>
Support services:				
Executive, finance, and human resources	1,744,180	—	—	1,744,180
Development and membership	945,967	—	—	945,967
Total support services	<u>2,690,147</u>	<u>—</u>	<u>—</u>	<u>2,690,147</u>
Total operating expenses	<u>14,933,857</u>	<u>—</u>	<u>—</u>	<u>14,933,857</u>
Operating income before other income (expenses)	<u>2,889,631</u>	<u>(1,348,250)</u>	<u>—</u>	<u>1,541,381</u>
Other income (expenses):				
Interest income	38,102	—	—	38,102
Interest expense	(187,740)	—	—	(187,740)
Loss on disposal of capital assets	(60,770)	—	—	(60,770)
Change in value of beneficial interest in assets held by The Community Foundation	—	—	4,932	4,932
Unrealized gain on investments	—	79,958	—	79,958
Total other income (expense)	<u>(210,408)</u>	<u>79,958</u>	<u>4,932</u>	<u>(125,518)</u>
Change in net assets	2,679,223	(1,268,292)	4,932	1,415,863
Net assets, beginning of year	<u>4,505,640</u>	<u>5,173,762</u>	<u>223,893</u>	<u>9,903,295</u>
Net assets, end of year	\$ <u>7,184,863</u>	<u>3,905,470</u>	<u>228,825</u>	<u>11,319,158</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Activities

Year ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support:				
Admissions	\$ 8,837,525	—	—	8,837,525
Gift shop sales, net	533,627	—	—	533,627
Restaurant sales, net	648,336	—	—	648,336
Parking revenues	594,640	—	—	594,640
Community programs revenue	450,888	—	—	450,888
Contributions, memberships, and grants	3,200,573	1,462,829	—	4,663,402
Miscellaneous revenue	257,165	—	—	257,165
Net assets released from restrictions	1,199,584	(1,199,584)	—	—
Total revenue and other support	<u>15,722,338</u>	<u>263,245</u>	<u>—</u>	<u>15,985,583</u>
Operating expenses:				
Program services:				
Biological operations	3,052,079	—	—	3,052,079
Education	1,506,300	—	—	1,506,300
Life support and facilities	2,922,920	—	—	2,922,920
Guest services	2,120,403	—	—	2,120,403
Marketing and sales	1,909,175	—	—	1,909,175
Total program services	<u>11,510,877</u>	<u>—</u>	<u>—</u>	<u>11,510,877</u>
Support services:				
Executive, finance, and human resources	1,603,660	—	—	1,603,660
Development and membership	936,844	—	—	936,844
Total support services	<u>2,540,504</u>	<u>—</u>	<u>—</u>	<u>2,540,504</u>
Total operating expenses	<u>14,051,381</u>	<u>—</u>	<u>—</u>	<u>14,051,381</u>
Operating income before other income (expenses)	<u>1,670,957</u>	<u>263,245</u>	<u>—</u>	<u>1,934,202</u>
Other income (expenses):				
Interest income	9,842	—	—	9,842
Interest expense	(49,931)	—	—	(49,931)
Loss on disposal of capital assets	(126,308)	—	—	(126,308)
Change in value of beneficial interest in assets held by The Community Foundation	—	—	11,116	11,116
Unrealized gain on investments	—	65,183	—	65,183
Total other income (expense)	<u>(166,397)</u>	<u>65,183</u>	<u>11,116</u>	<u>(90,098)</u>
Change in net assets	1,504,560	328,428	11,116	1,844,104
Net assets, beginning of year	<u>3,001,080</u>	<u>4,845,334</u>	<u>212,777</u>	<u>8,059,191</u>
Net assets, end of year	\$ <u>4,505,640</u>	<u>5,173,762</u>	<u>223,893</u>	<u>9,903,295</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Cash Flows

Years ended September 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Cash received from turnstile operations	\$ 12,402,563	11,398,952
Cash received from contributions, memberships, and grants	4,858,831	4,840,711
Cash received from interest and dividends	38,411	243
Cash paid for interest on notes payable	(132,855)	(36,518)
Cash paid to employees	(6,388,122)	(6,127,618)
Cash paid to vendors	(8,307,924)	(7,290,381)
Net cash provided by operating activities	2,470,904	2,785,389
Cash flows from investing activities:		
Increase in notes receivable	—	(3,715,801)
Capital expenditures	(3,542,753)	(3,642,813)
Net cash used in investing activities	(3,542,753)	(7,358,614)
Cash flows from financing activities:		
Cash received from contributions for long-term purposes	511,584	520,363
Deferred financing costs	(29,591)	(375,564)
Issuance of notes payable	—	8,308,149
Repayments of notes payable	(621,133)	(178,572)
Net cash (used in) provided by financing activities	(139,140)	8,274,376
Net (decrease) increase in cash and cash equivalents	(1,210,989)	3,701,151
Cash and cash equivalents, beginning of year	8,241,705	4,540,554
Cash and cash equivalents, end of year	\$ 7,030,716	8,241,705
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,415,863	1,844,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	615,217	375,003
Amortization of deferred financing costs	54,885	13,413
Loss on disposal of capital assets	60,770	126,308
Provision for uncollectible receivables	(33,000)	853
Write-off of uncollectible receivables	—	4,147
Contributions received for long-term purposes	(511,584)	(520,363)
Change in value of beneficial interest in assets held by The Community Foundation	(4,932)	(11,116)
Unrealized gain on investments	(79,958)	(65,183)
Changes in operating assets and liabilities:		
Accounts receivable	97,598	(16,881)
Pledges receivable	1,231,363	(427,775)
Other current assets	(22,887)	(23,341)
Accounts payable and accrued expenses	(356,240)	272,728
Deferred revenue	3,809	1,213,492
Net cash provided by operating activities	\$ 2,470,904	2,785,389

Supplemental disclosures of cash flow information -

Purchases of property and equipment included in accounts payable and accrued expenses were \$35,338 and \$0 at September 30, 2014 and 2013, respectively

See accompanying notes to consolidated financial statements.



**THE FLORIDA AQUARIUM, INC.**  
Consolidated Statement of Functional Expenses  
Year ended September 30, 2014

	<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	\$ 2,243,271	957,690	1,045,721	1,294,934	665,553	6,207,169	984,801	537,454	1,522,255	7,729,424
Advertising and promotions	14,200	—	—	1,173	1,015,751	1,031,124	13,776	101,296	115,072	1,146,196
Occupancy related	260,215	84,764	1,687,632	327,419	23,944	2,383,974	74,244	29,664	103,908	2,487,882
Insurance	43,842	42,330	67,989	75,467	3,386	233,014	38,698	3,386	42,084	275,098
Professional services	10,154	265,361	11,718	82,924	63,105	433,262	134,776	118,969	253,745	687,007
Animals, plants, and food	337,060	—	4,023	—	—	341,083	—	—	—	341,083
Printing and postage	11,326	15,043	18,332	755	27,036	72,492	10,358	49,365	59,723	132,215
Supplies and materials	191,436	130,254	205,289	116,101	30,476	673,556	35,200	67,926	103,126	776,682
Travel and professional development	52,991	21,273	15,058	13,850	58,417	161,589	134,893	22,906	157,799	319,388
Other operating expenses	54,179	1,867	725	65,734	—	122,505	300,810	350	301,160	423,665
Depreciation expense	112,840	12,464	182,321	240,887	35,430	583,942	16,624	14,651	31,275	615,217
Total operating expenses	\$ <u>3,331,514</u>	<u>1,531,046</u>	<u>3,238,808</u>	<u>2,219,244</u>	<u>1,923,098</u>	<u>12,243,710</u>	<u>1,744,180</u>	<u>945,967</u>	<u>2,690,147</u>	<u>14,933,857</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**  
Consolidated Statement of Functional Expenses  
Year ended September 30, 2013

	<b>Program services</b>					<b>Support services</b>			<b>Total</b>	
	<b>Biological operations</b>	<b>Education</b>	<b>Life support and facilities</b>	<b>Guest services</b>	<b>Marketing and sales</b>	<b>Total program services</b>	<b>Executive, finance, and HR</b>	<b>Development and membership</b>		<b>Total support services</b>
Operating expenses:										
Salaries and benefits	\$ 2,031,227	884,043	1,032,008	1,271,679	646,153	5,865,110	969,188	526,687	1,495,875	7,360,985
Advertising and promotions	3,000	—	—	—	1,024,508	1,027,508	453	91,457	91,910	1,119,418
Occupancy related	208,046	65,863	1,551,085	307,923	28,063	2,160,980	76,757	30,655	107,412	2,268,392
Insurance	38,691	35,855	60,766	70,145	2,868	208,325	35,645	2,869	38,514	246,839
Professional services	29,179	393,842	34,321	69,171	76,229	602,742	108,624	143,116	251,740	854,482
Animals, plants, and food	423,223	—	3,986	—	—	427,209	—	—	—	427,209
Printing and postage	10,431	13,786	28,532	1,489	49,642	103,880	8,386	66,689	75,075	178,955
Supplies and materials	159,995	86,948	143,120	116,518	15,041	521,622	40,044	47,833	87,877	609,499
Travel and professional development	34,363	17,154	16,707	6,684	47,950	122,858	120,251	14,984	135,235	258,093
Other operating expenses	38,614	1,042	1,636	74,184	—	115,476	236,680	350	237,030	352,506
Depreciation expense	75,310	7,767	50,759	202,610	18,721	355,167	7,632	12,204	19,836	375,003
Total operating expenses	\$ <u>3,052,079</u>	<u>1,506,300</u>	<u>2,922,920</u>	<u>2,120,403</u>	<u>1,909,175</u>	<u>11,510,877</u>	<u>1,603,660</u>	<u>936,844</u>	<u>2,540,504</u>	<u>14,051,381</u>

See accompanying notes to consolidated financial statements.

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2014 and 2013

#### (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, 2014 and 2013

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, 2014 and 2013

(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. A reconciliation of total interest cost to interest expense as reported in the consolidated statements of activities for the years ended September 30, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Total interest cost	\$ 225,143	68,701
Interest cost capitalized	37,403	18,770
Interest cost charged to income	\$ 187,740	49,931

(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, 2014 and 2013.

(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

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2014 and 2013

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 \$1.2 million payment received from the Aquarium's restaurant concessionaire for improvements to the food service operations and a 5 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 unamortized balance to the concessionaire.

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

(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, 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 300 active volunteers who contributed 39,424 and 44,212 hours of service for fiscal years 2014 and 2013, 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, 2014 and 2013

**(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, 2014 and 2013, cash, cash equivalents, and investments are classified as follows:

	<b>2014</b>	
	<b>Cost</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 7,030,716	7,030,716
Vanguard 500 Index Mutual Funds	203,206	477,114
Money market fund	31,762	31,762
Common stock	2,489	6,766
Beneficial interest in assets held by The Community Foundation	50,000	92,136
Total cash, cash equivalents, and investments	\$ 7,318,173	7,638,494

	<b>2013</b>	
	<b>Cost</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 8,241,705	8,241,705
Vanguard 500 Index Mutual Funds	198,568	399,088
Money market fund	31,695	31,695
Common stock	2,489	4,901
Beneficial interest in assets held by The Community Foundation	50,000	87,204
Total cash, cash equivalents, and investments	\$ 8,524,457	8,764,593

Of the cash and cash equivalents, \$1,518,926 and \$1,000,000 is restricted by the donor for long-term purposes at September 30, 2014 and 2013, respectively. Additionally, \$4,420,774 was restricted for use related to the New Markets Tax Credit (NMTTC) transaction described in note 12 at September 30, 2013. That amount was expended by June 30, 2014.

Investment return for the years ended September 30, 2014 and 2013 consisted of the following:

	<b>2014</b>	<b>2013</b>
Interest and dividends	\$ 38,102	9,842
Net unrealized gain on investments	79,958	65,183
Total investment return	\$ 118,060	75,025

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

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**(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 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.



**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

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

The tables below summarize the fair values of financial assets that are measured at fair value on a recurring basis as of September 30, 2014 and 2013:

	September 30, 2014	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	\$ 7,030,716	7,030,716	—	—
Vanguard 500 Index Mutual Funds	477,114	477,114	—	—
Money market fund	31,762	31,762	—	—
Common stock	6,766	6,766	—	—
Beneficial interest in assets held by The Community Foundation	92,136	—	92,136	—
Total recurring	7,638,494	7,546,358	92,136	—
Nonrecurring:				
Pledges receivable	1,917,005	—	—	1,917,005
Disclosure:				
Notes receivable	3,715,801	—	3,715,801	—
Total assets	\$ 13,418,722	—	11,501,717	1,917,005
Liabilities:				
Disclosure:				
Notes payable	7,785,926	—	7,785,926	—
	\$ 7,785,926	—	7,785,926	—

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

	September 30, 2013	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	\$ 8,241,705	8,241,705	—	—
Vanguard 500 Index Mutual Funds	399,088	399,088	—	—
Money market fund	31,695	31,695	—	—
Common stock	4,901	4,901	—	—
Beneficial interest in assets held by The Community Foundation	87,204	—	87,204	—
Total recurring	8,764,593	8,677,389	87,204	—
Nonrecurring:				
Pledges receivable	3,129,368	—	—	3,129,368
Disclosure:				
Notes receivable	3,715,801	—	3,715,801	—
Total assets	15,252,228	—	12,122,860	3,129,368
Liabilities:				
Disclosure:				
Notes payable	8,407,059	—	8,407,059	—
	\$ 8,407,059	—	8,407,059	—

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, 2014 or 2013.

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

**(4) Accounts Receivable**

Accounts receivable at September 30, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Customers	\$ 159,871	224,977
Aramark Sports & Entertainment Services, Inc.	55,799	65,112
Event Network, Inc.	35,689	31,624
Sharpshooter Spectrum Venture LLC	16,935	16,179
Less allowance for doubtful accounts	(19,000)	(5,000)
Accounts receivable, net	\$ 249,294	332,892

**(5) Pledges Receivable**

Pledges receivable at September 30, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Total unconditional promises to give	\$ 1,962,720	3,171,522
Less:		
Unamortized discount	(26,715)	(42,154)
Allowance for doubtful pledges	(19,000)	—
Net unconditional promises to give	\$ 1,917,005	3,129,368

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 0.12% to 1.65% at September 30, 2014 and 2013.

Gross pledges receivable expected to be collected after September 30, 2014 are as follows:

Year ending September 30:	
2015	\$ 1,182,477
2016	516,327
2017	223,002
2018	40,914
	\$ 1,962,720

**(6) Notes Receivable**

To initiate the 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

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

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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, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Furniture and equipment	\$ 3,326,880	3,227,235
Eco-tour boat	1,192,895	1,192,895
Vehicles	271,486	289,714
Leasehold improvements	6,037,808	4,629,757
Construction in progress	2,314,148	313,795
	13,143,217	9,653,396
Less accumulated depreciation	(4,545,253)	(3,957,536)
Capital assets, net	\$ 8,597,964	5,695,860

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 \$15 million. Construction began in November 2012, and will occur in phases over the following five years, as funding becomes available. The balances recognized in construction in progress within capital assets as of September 30, 2014 and 2013 represent architectural, engineering, and construction costs incurred on Rising Tides.

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

**(8) Notes Payable**

Notes payable at September 30, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Eco-tour boat loan	\$ —	98,910
Rising Tides Phase I credit agreement	1,827,777	2,350,000
NMTC promissory notes	5,958,149	5,958,149
	7,785,926	8,407,059
Less current maturities of notes payable	(783,333)	(555,854)
Notes payable, net of current maturities	\$ 7,002,593	7,851,205

The Eco-tour boat loan was for the construction of a 72-foot, 150-passenger Eco-tour boat. This Eco-tour boat loan was a nonrevolving line of credit issued on August 6, 2008, which converted to a term loan on September 6, 2009. The amount outstanding on the conversion date was \$813,198. Equal monthly principal payments of \$14,881, plus interest on the outstanding principal balance due at the variable LIBOR plus 175 basis points rate (1.93% at September 30, 2013) were made. The original line of credit had a maturity date of August 6, 2016; however, based on the amount of the monthly principal payments being made, the term loan was paid in full during fiscal year 2014. The note was collateralized by the Eco-tour boat.

On February 22, 2013, the Aquarium executed a credit agreement with Fifth Third Bank 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 (2.6% at both September 30, 2014 and 2013). Monthly interest-only payments were due during the first year. Beginning on March 5, 2014, equal monthly principal payments of \$65,278 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 covenant 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

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Notes to Consolidated Financial Statements

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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 \$7,785,926 the Aquarium expects to only pay approximately \$2.3 million. 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 principal maturities of the note payable for the years subsequent to September 30, 2014 are due as follows:

2015	\$	783,333
2016		783,333
2017		261,111
2018		—
2019		—
Beyond		<u>5,958,149</u>
Total notes payable	\$	<u><u>7,785,926</u></u>

**(9) Restrictions and Limitations on Net Assets**

Temporarily restricted net assets of \$3,905,470 and \$5,173,762 at September 30, 2014 and 2013, 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 \$2,231,808 and \$1,199,584 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, 2014 and 2013, respectively.

Of the temporarily-restricted net asset balance, \$3,394,832 and \$4,629,368, at September 30, 2014 and 2013, respectively, relate to donations received for the Rising Tides expansion project. A capital fundraising campaign is underway for the \$15 million project.

Permanently restricted net assets of \$228,825 and \$223,893 at September 30, 2014 and 2013, respectively, are composed of the following donor categories:

	<u>2014</u>	<u>2013</u>
General endowment	\$ 136,689	136,689
Beneficial interest in assets held by The Community Foundation	<u>92,136</u>	<u>87,204</u>
	<u>\$ 228,825</u>	<u>223,893</u>

**(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

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2014 and 2013

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).

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

Prior to July 1, 2012, the Aquarium followed the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. As of July 1, 2012, the Aquarium now 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, 2014 or 2013.

**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

(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.
- 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.



**THE FLORIDA AQUARIUM, INC.**

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Changes in endowment funds consist of the following for the year ended September 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2013	\$ —	298,995	223,893	522,888
Investment return	—	79,958	—	79,958
Change in value of beneficial interests	—	—	4,932	4,932
Contributions	—	—	—	—
Total endowment funds at September 30, 2014	<u>\$ —</u>	<u>378,953</u>	<u>228,825</u>	<u>607,778</u>

Changes in endowment funds consist of the following for the year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2012	\$ —	233,812	212,777	446,589
Investment return	—	65,183	—	65,183
Change in value of beneficial interests	—	—	11,116	11,116
Contributions	—	—	—	—
Total endowment funds at September 30, 2013	<u>\$ —</u>	<u>298,995</u>	<u>223,893</u>	<u>522,888</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 \$17,412 and \$15,246, included in the accompanying consolidated statements of activities, were made for the years ended September 30, 2014 and 2013, 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

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2014 and 2013

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.

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. It is believed that the ultimate disallowance pertaining to these regulations, if any, would be immaterial to the overall financial condition of the Aquarium.

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2014 and 2013

(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.

(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 promises to remit to the Aquarium \$500,000 in annual installments over 5 years; \$1.5 million has been received as of September 30, 2014.

Such contribution will be recognized as contribution revenue once the conditions of the agreement have been met by the Aquarium. The funds can be used to cover the construction costs of any Rising Tides component.

**(14) Related-Party Transactions**

Contributions, memberships, and grants for the years ended September 30, 2014 and 2013 include the following:

	<u>2014</u>	<u>2013</u>
Board of directors and trustees	\$ 780,265	912,470
City of Tampa	486,000	486,000
	<u>\$ 1,266,265</u>	<u>1,398,470</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 December 11, 2014, 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, 2014

<b>Assets</b>	<b>The Florida Aquarium, Inc.</b>	<b>The Florida Aquarium Foundation, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 5,997,351	1,033,365	—	7,030,716
Accounts receivable, net	249,294	—	—	249,294
Pledges receivable, net	1,063,477	—	—	1,063,477
Other current assets	202,960	9,290	(9,290)	202,960
Total current assets	7,513,082	1,042,655	(9,290)	8,546,447
<b>Noncurrent assets:</b>				
Investments	556,625	51,153	—	607,778
Pledges receivable, net	853,528	—	—	853,528
Notes receivable	4,750,000	3,715,801	(4,750,000)	3,715,801
Deferred financing costs, net	336,857	—	—	336,857
Capital assets, net	8,597,964	—	—	8,597,964
Total noncurrent assets	15,094,974	3,766,954	(4,750,000)	14,111,928
Total assets	\$ 22,608,056	4,809,609	(4,759,290)	22,658,375
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,401,314	9,290	(9,290)	1,401,314
Current maturities of notes payable	783,333	—	—	783,333
Deferred revenue	1,448,529	—	—	1,448,529
Total current liabilities	3,633,176	9,290	(9,290)	3,633,176
<b>Noncurrent liabilities:</b>				
Notes payable, net of current maturities	7,002,593	4,750,000	(4,750,000)	7,002,593
Deferred revenue	703,448	—	—	703,448
Total liabilities	11,339,217	4,759,290	(4,759,290)	11,339,217
<b>Net assets (deficit):</b>				
Unrestricted	7,185,697	(834)	—	7,184,863
Temporarily restricted	3,870,817	34,653	—	3,905,470
Permanently restricted	212,325	16,500	—	228,825
Total net assets	11,268,839	50,319	—	11,319,158
Total liabilities and net assets	\$ 22,608,056	4,809,609	(4,759,290)	22,658,375

See accompanying independent auditors' report.

**THE FLORIDA AQUARIUM, INC.**

Consolidating Statement of Activities

Year ended September 30, 2014

	<u>The Florida Aquarium, Inc.</u>	<u>The Florida Aquarium Foundation, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue and other support:				
Admissions	\$ 9,798,605	—	—	9,798,605
Gift shop sales, net	578,666	—	—	578,666
Restaurant sales, net	861,992	—	—	861,992
Parking revenues	601,891	—	—	601,891
Community programs revenue	412,082	—	—	412,082
Contributions, memberships, and grants	3,930,227	—	—	3,930,227
Miscellaneous revenue	291,775	—	—	291,775
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Total revenue and other support	16,475,238	—	—	16,475,238
Operating expenses:				
Program services:				
Biological operations	3,331,514	—	—	3,331,514
Education	1,531,046	—	—	1,531,046
Life support and facilities	3,238,808	—	—	3,238,808
Guest services	2,219,244	—	—	2,219,244
Marketing and sales	1,923,098	—	—	1,923,098
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Total program services	12,243,710	—	—	12,243,710
Support services:				
Executive, finance, and human resources	1,742,559	1,621	—	1,744,180
Development and membership	945,967	—	—	945,967
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Total support services	2,688,526	1,621	—	2,690,147
Total operating expenses	14,932,236	1,621	—	14,933,857
Operating income (loss) before other income (expenses)	1,543,002	(1,621)	—	1,541,381
Other income (expenses):				
Interest income	37,171	38,089	(37,158)	38,102
Interest expense	(187,740)	(37,158)	37,158	(187,740)
Loss on disposal of capital assets	(60,770)	—	—	(60,770)
Change in value of beneficial interest in assets held by The Community Foundation	4,932	—	—	4,932
Unrealized gain on investments	71,547	8,411	—	79,958
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Total other income (expense)	(134,860)	9,342	—	(125,518)
Change in net assets	1,408,142	7,721	—	1,415,863
Net assets, beginning of year	9,860,697	42,598	—	9,903,295
Net assets, end of year	\$ 11,268,839	50,319	—	11,319,158

See accompanying independent auditors' report.