



**THE FLORIDA AQUARIUM, INC.**  
Consolidated Financial Statements  
September 30, 2019 and 2018  
(With Independent Auditors' Report Thereon)

# THE FLORIDA AQUARIUM, INC.

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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, 2019 and 2018, 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in note 1(p) to the consolidated financial statements, in fiscal year 2019, the Aquarium adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*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 consolidating schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

January 17, 2020

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Financial Position

September 30, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Current assets:		
Cash and cash equivalents	\$ 6,025,859	5,331,089
Investments	1,036,185	1,006,800
Accounts receivable, net	448,876	452,574
Pledges receivable, net	155,000	105,001
Other current assets	128,971	118,043
Total current assets	7,794,891	7,013,507
Noncurrent assets:		
Investments	1,012,020	977,131
Pledges receivable, net	—	142,031
Notes receivable	3,715,801	3,715,801
Capital assets, net	20,724,742	20,885,754
Total noncurrent assets	25,452,563	25,720,717
Total assets	\$ 33,247,454	32,734,224
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,062,887	1,621,827
Current maturities of notes payable	449,037	—
Deferred revenue	2,112,109	1,776,694
Total current liabilities	4,624,033	3,398,521
Noncurrent liabilities:		
Notes payable, net of current maturities	5,465,175	5,855,628
Deferred revenue	2,481,528	2,794,984
Total liabilities	12,570,736	12,049,133
Net assets:		
Without donor restrictions	19,279,158	18,846,301
With donor restrictions	1,397,560	1,838,790
Total net assets	20,676,718	20,685,091
Total liabilities and net assets	\$ 33,247,454	32,734,224

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**  
Consolidated Statements of Activities  
Year ended September 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and other support:			
Admissions	\$ 14,750,169	—	14,750,169
Gift shop sales, net	853,254	—	853,254
Restaurant sales, net	1,304,745	—	1,304,745
Parking revenue	694,868	—	694,868
Community programs revenue	651,837	—	651,837
Contributions, memberships, and grants	3,502,143	178,521	3,680,664
Miscellaneous revenue	323,631	—	323,631
Net assets released from restrictions	654,640	(654,640)	—
Total revenue and other support	<u>22,735,287</u>	<u>(476,119)</u>	<u>22,259,168</u>
Operating expenses:			
Program services:			
Biological operations	5,551,414	—	5,551,414
Education	1,962,377	—	1,962,377
Life support and facilities	4,837,180	—	4,837,180
Guest services	3,433,277	—	3,433,277
Marketing and sales	2,872,659	—	2,872,659
Total program services	<u>18,656,907</u>	<u>—</u>	<u>18,656,907</u>
Support services:			
Executive, finance, and human resources	2,608,706	—	2,608,706
Development and membership	980,852	—	980,852
Total support services	<u>3,589,558</u>	<u>—</u>	<u>3,589,558</u>
Total operating expenses	<u>22,246,465</u>	<u>—</u>	<u>22,246,465</u>
Operating income before other income (expenses)	<u>488,822</u>	<u>(476,119)</u>	<u>12,703</u>
Other income (expenses):			
Interest income	37,176	—	37,176
Interest expense	(170,412)	—	(170,412)
Change in value of beneficial interest in assets held by The Community Foundation	—	1,893	1,893
Unrealized gain on investments	29,385	32,996	62,381
Gain on settlement agreement, net	47,886	—	47,886
Total other income (expenses)	<u>(55,965)</u>	<u>34,889</u>	<u>(21,076)</u>
Change in net assets	<u>432,857</u>	<u>(441,230)</u>	<u>(8,373)</u>
Net assets, beginning of year	<u>18,846,301</u>	<u>1,838,790</u>	<u>20,685,091</u>
Net assets, end of year	<u>\$ 19,279,158</u>	<u>1,397,560</u>	<u>20,676,718</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**  
Consolidated Statements of Activities  
Year ended September 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Admissions	\$ 13,647,812	—	13,647,812
Gift shop sales, net	761,432	—	761,432
Restaurant sales, net	1,241,153	—	1,241,153
Parking revenue	653,943	—	653,943
Community programs revenue	589,902	—	589,902
Contributions, memberships, and grants	3,140,911	379,729	3,520,640
Miscellaneous revenue	318,248	—	318,248
Net assets released from restrictions	826,964	(826,964)	—
Total revenue and other support	<u>21,180,365</u>	<u>(447,235)</u>	<u>20,733,130</u>
Operating expenses:			
Program services:			
Biological operations	4,731,417	—	4,731,417
Education	1,817,247	—	1,817,247
Life support and facilities	4,509,974	—	4,509,974
Guest services	3,022,864	—	3,022,864
Marketing and sales	2,506,013	—	2,506,013
Total program services	<u>16,587,515</u>	<u>—</u>	<u>16,587,515</u>
Support services:			
Executive, finance, and human resources	2,483,942	—	2,483,942
Development and membership	1,045,405	—	1,045,405
Total support services	<u>3,529,347</u>	<u>—</u>	<u>3,529,347</u>
Total operating expenses	<u>20,116,862</u>	<u>—</u>	<u>20,116,862</u>
Operating income before other income (expenses)	<u>1,063,503</u>	<u>(447,235)</u>	<u>616,268</u>
Other income (expenses):			
Interest income	37,174	—	37,174
Interest expense	(170,412)	—	(170,412)
Change in value of beneficial interest in assets held by The Community Foundation	—	5,659	5,659
Unrealized gain on investments	6,800	117,114	123,914
Total other income (expenses)	<u>(126,438)</u>	<u>122,773</u>	<u>(3,665)</u>
Change in net assets	937,065	(324,462)	612,603
Net assets, beginning of year	<u>17,909,236</u>	<u>2,163,252</u>	<u>20,072,488</u>
Net assets, end of year	<u>\$ 18,846,301</u>	<u>1,838,790</u>	<u>20,685,091</u>

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Cash Flows

Years ended September 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Change in net assets	\$ (8,373)	612,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,732,127	1,436,482
Amortization of deferred financing costs	58,584	58,584
Provision for uncollectible receivables	—	(5,500)
Provision for uncollectible pledges receivable	—	(20,000)
Contributions received for long-term purposes	(166,191)	(50,000)
Change in value of beneficial interest in assets held by The Community Foundation	(1,893)	(5,659)
Unrealized gain on investments	(62,381)	(123,914)
Changes in operating assets and liabilities:		
Accounts receivable	3,698	133,197
Pledges receivable	92,032	200,776
Other current assets	(10,928)	93,738
Accounts payable and accrued expenses	376,321	(448,209)
Deferred revenue	21,959	538,137
Net cash provided by operating activities	2,034,955	2,420,235
Cash flows from investing activities:		
Purchase of investments	—	(1,000,000)
Purchase of capital expenditures	(1,506,376)	(2,840,004)
Net cash used in investing activities	(1,506,376)	(3,840,004)
Cash flows from financing activities:		
Cash received from contributions for long-term purposes	166,191	50,000
Net cash provided by financing activities	166,191	50,000
Net increase (decrease) in cash and cash equivalents	694,770	(1,369,769)
Cash and cash equivalents, beginning of year	5,331,089	6,700,858
Cash and cash equivalents, end of year	\$ 6,025,859	5,331,089
Supplemental disclosures of cash flow information:		
Cash paid for interest on notes payable	\$ 111,828	111,828
Purchases of property and equipment included in accounts payable and accrued expenses	64,739	54,804

See accompanying notes to consolidated financial statements.



**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Functional Expenses

Year ended September 30, 2019

	Program services					Support services			Total	
	Biological operations	Education	Life support and facilities	Guest services	Marketing and sales	Total program services	Executive, finance, and HR	Development and membership		Total support services
Operating expenses:										
Salaries and benefits	\$ 3,433,463	1,444,667	1,785,255	1,463,496	1,126,264	9,253,145	1,461,711	618,004	2,079,715	11,332,860
Advertising and promotions	45,000	—	—	—	933,879	978,879	5,551	65,408	70,959	1,049,838
Occupancy related	393,382	95,373	2,184,765	340,335	33,381	3,047,236	47,687	33,381	81,068	3,128,304
Insurance	111,355	56,593	78,238	106,717	4,527	357,430	43,400	4,527	47,927	405,357
Professional services	20,087	114,375	69,143	762,574	197,812	1,163,991	387,724	125,661	513,385	1,677,376
Animals, plants, and food	648,208	—	2,814	—	—	651,022	—	—	—	651,022
Printing and postage	33,609	11,518	90,796	116	13,862	149,901	8,700	52,407	61,107	211,008
Supplies and materials	340,756	147,089	268,962	190,618	47,318	994,743	59,757	49,749	109,506	1,104,249
Travel and professional development	67,446	22,409	37,612	17,062	81,367	225,896	165,705	31,157	196,862	422,758
Other operating expenses	67,222	—	4,593	31,189	39	103,043	428,173	350	428,523	531,566
Depreciation expense	390,886	70,353	315,002	521,170	434,210	1,731,621	298	208	506	1,732,127
Total operating expenses	\$ 5,551,414	1,962,377	4,837,180	3,433,277	2,872,659	18,656,907	2,608,706	980,852	3,589,558	22,246,465

See accompanying notes to consolidated financial statements.

**THE FLORIDA AQUARIUM, INC.**

Consolidated Statements of Functional Expenses

Year ended September 30, 2018

	Program services					Support services			Total	
	Biological operations	Education	Life support and facilities	Guest services	Marketing and sales	Total program services	Executive, finance, and HR	Development and membership		Total support services
Operating expenses:										
Salaries and benefits	\$ 3,127,325	1,360,562	1,631,715	1,300,858	918,195	8,338,655	1,341,733	624,507	1,966,240	10,304,895
Advertising and promotions	5,250	—	—	—	918,069	923,319	11,337	84,824	96,161	1,019,480
Occupancy related	279,224	86,454	2,166,150	232,166	30,259	2,794,253	43,830	30,259	74,089	2,868,342
Insurance	90,723	53,179	72,281	101,761	4,254	322,198	43,430	4,254	47,684	369,882
Professional services	44,583	85,333	19,853	774,356	58,993	983,118	421,241	152,233	573,474	1,556,592
Animals, plants, and food	620,752	—	3,283	—	—	624,035	—	—	—	624,035
Printing and postage	14,950	12,432	83,697	758	42,050	153,887	7,878	82,520	90,398	244,285
Supplies and materials	209,274	128,709	205,139	129,815	16,327	689,264	47,215	54,367	101,582	790,846
Travel and professional development	75,810	20,060	23,062	6,604	84,351	209,887	150,322	11,848	162,170	372,057
Other operating expenses	65,346	69	1,243	46,349	—	113,007	416,609	350	416,959	529,966
Depreciation expense	198,180	70,449	303,551	430,197	433,515	1,435,892	347	243	590	1,436,482
Total operating expenses	\$ <u>4,731,417</u>	<u>1,817,247</u>	<u>4,509,974</u>	<u>3,022,864</u>	<u>2,506,013</u>	<u>16,587,515</u>	<u>2,483,942</u>	<u>1,045,405</u>	<u>3,529,347</u>	<u>20,116,862</u>

See accompanying notes to consolidated financial statements.

## THE FLORIDA AQUARIUM, INC.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

### (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, with a vision to protect and restore our blue planet.

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, educational, 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 either net assets without donor restrictions or with donor restrictions, based on the presence or absence of donor-imposed restrictions.

- Net assets without donor restrictions consist of unrestricted amounts that are available for use in carrying out the program and support services and operations of the Aquarium.

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2019 and 2018

- Net assets with donor restrictions represent those amounts from donors that are not available until future periods and/or are restricted by the donor for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions that are received and expended in the same fiscal year are classified as contributions without donor restrictions in the accompanying financial statements. 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 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. Net assets with donor restrictions also include endowment funds and a beneficial interest in assets held by The Community Foundation of Tampa Bay (The Community Foundation). These donors mandate that the original principal be invested in perpetuity. Any realized or unrealized gains/losses and income on donor restricted endowments are recognized as net assets with donor restrictions until authorized for spending by the Aquarium.

#### **(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 the 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 to maturity and resulting use of cash. Financial assets available for general expenditures that are without donor or other restrictions limiting their use within one year are described in note 16 to the consolidated financial statements.

#### **(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.

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2019 and 2018

**(f) Accounts Receivable, Net**

Accounts receivable is recorded at the invoiced amount and does not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Aquarium maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the Aquarium's customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Aquarium reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There were no write-offs in 2019 and 2018.

**(g) Investments**

Investments include common stock, mutual funds, certificates of deposit, and U.S. treasuries reported at fair value based on quoted market rates, plus accrued interest and dividends; a beneficial interest in the assets of 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 net assets without donor restrictions unless the income is restricted by donors or law.

**(h) 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 – 5 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.

**(i) 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, 2019 and 2018.

**(j) 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.

## THE FLORIDA AQUARIUM, INC.

### Notes to Consolidated Financial Statements

September 30, 2019 and 2018

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, 2019 and 2018.

#### **(k) 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 revenue without donor restrictions 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 \$4.7 million originally 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 is terminated by either party, the Aquarium is responsible for refunding the unamortized balance to the concessionaire. The unamortized portion in current deferred revenue at September 30, 2019 and 2018 is \$313,457. The noncurrent portion is \$2,481,528 and \$2,794,984 at September 30, 2019 and 2018, 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.

#### **(l) 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, and allowance for doubtful pledges.

**THE FLORIDA AQUARIUM, INC.**  
Notes to Consolidated Financial Statements  
September 30, 2019 and 2018

**(m) Functional Allocation of Expenses**

The Aquarium tracks expenses by natural classification (utilities, etc.), department (biological operations, etc.), and program, if applicable, as part of normal operations. 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, including number of staff in each department, time charged to the function, and use of capital assets. 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, reception, 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 development and membership (responsible for all fundraising activities).

**(n) 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 500 active volunteers who contributed 51,985 and 49,825 hours of service for fiscal years 2019 and 2018, respectively. A dollar valuation of this effort is not reflected in the consolidated financial statements.

**(o) Going Concern**

In accordance with FASB Accounting Standards Update (ASU) 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, management has assessed the Aquarium's ability to continue as a going concern for one year after the date that the financial statements are issued and determined that no further disclosure is required.

**(p) New Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) published ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The standard simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets without donor restrictions" and "net assets with donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. The Aquarium has adopted ASU 2016-14 for the year ended September 30, 2019, and applied it on a retrospective basis. The adoption of ASU 2016-14 did not have a material impact on the Aquarium's results of operations or financial position.

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As a result of the adoption of ASU 2016-14, \$18,846,301 previously reported as unrestricted net assets has been reported as net assets without donor restrictions and \$1,528,705 and \$310,085 previously reported as temporarily restricted and permanently restricted net assets, respectively, has been reported as net assets with donor restrictions on the combined statement of operations and changes in net assets. As required by ASU 2016-14, liquidity and availability of financial assets are discussed in note 16.

**(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, 2019 and 2018, cash, cash equivalents, and investments are classified as follows:

	<b>2019</b>	
	<b>Cost</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 6,025,859	6,025,859
Vanguard 500 Index Mutual Funds	254,932	793,295
Money market fund	254,692	254,692
U.S. Treasuries	776,465	781,493
Cash held for investment	97,290	97,290
Common stock	2,489	9,904
Beneficial interest in assets held by The Community Foundation	50,000	111,531
Sub-total investments	1,435,868	2,048,205
Total cash, cash equivalents, and investments	\$ 7,461,727	8,074,064

	<b>2018</b>	
	<b>Cost</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 5,331,089	5,331,089
Vanguard 500 Index Mutual Funds	251,186	761,683
Money market fund	43,128	43,128
U.S. Treasuries	245,042	246,650
Certificates of deposit	813,759	813,945
Common stock	2,489	8,887
Beneficial interest in assets held by The Community Foundation	50,000	109,638
Sub-total investments	1,405,604	1,983,931
Total cash, cash equivalents, and investments	\$ 6,736,693	7,315,020



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Of the cash and cash equivalents, \$230,540 and \$614,627 is restricted by the donor at September 30, 2019 and 2018, respectively, for the following purposes:

	<b>2019</b>	<b>2018</b>
Education programs	\$ 94,724	106,710
Animal care and conservation projects	135,816	507,917
Total donor restricted cash and cash equivalents	\$ 230,540	614,627

**(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, as well as available observable and unobservable inputs.

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**(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, 2019 and 2018:

	<u>September 30, 2019</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Recurring:				
Cash and cash equivalents	\$ 6,025,859	6,025,859	—	—
Vanguard 500 Index Mutual Funds	793,295	793,295	—	—
Money market fund	254,692	254,692	—	—
U.S. Treasuries	781,493	781,493	—	—
Cash held for investment	97,290	97,290	—	—
Common stock	9,904	9,904	—	—
Beneficial interest in assets held by The Community Foundation	111,531	—	111,531	—
Total recurring	8,074,064	7,962,533	111,531	—
Nonrecurring:				
Pledges receivable, net	155,000	—	—	155,000
Total assets	\$ 8,229,064	7,962,533	111,531	155,000

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	September 30, 2018	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	\$ 5,331,089	5,331,089	—	—
Vanguard 500 Index Mutual Funds	761,683	761,683	—	—
Money market fund	43,128	43,128	—	—
U.S. Treasuries	246,650	246,650	—	—
Certificates of deposit	813,945	813,945	—	—
Common stock	8,887	8,887	—	—
Beneficial interest in assets held by The Community Foundation	109,638	—	109,638	—
Total recurring	7,315,020	7,205,382	109,638	—
Nonrecurring:				
Pledges receivable, net	247,032	—	—	247,032
Total assets	\$ 7,562,052	7,205,382	109,638	247,032

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, 2019 or 2018.

**(4) Accounts Receivable, Net**

Accounts receivable, net at September 30, 2019 and 2018 are as follows:

	2019	2018
Customers	\$ 366,020	256,841
Aramark Sports & Entertainment Services, Inc.	71,073	112,126
Event Network, Inc.	56,490	58,244
Magic Memories (USA) LLC	10,894	37,363
Less allowance for doubtful accounts	(55,601)	(12,000)
Accounts receivable, net	\$ 448,876	452,574

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**(5) Pledges Receivable, Net**

Pledges receivable, net at September 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Total unconditional promises to give	\$ 155,000	303,601
Less:		
Unamortized discount	—	(12,969)
Allowance for doubtful pledges	—	(43,600)
Net unconditional promises to give	\$ 155,000	247,032

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, 2018.

Gross pledges receivable expected to be collected after September 30, 2019 are as follows:

Year ending September 30:	
2020	\$ <u>155,000</u>
	\$ <u><u>155,000</u></u>

**(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).

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**(7) Capital Assets**

Capital assets at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 2,827,773	3,878,940
Eco-tour boat	1,227,629	1,227,629
Vehicles	396,601	396,601
Leasehold improvements	24,755,343	23,083,220
Construction in progress	<u>258,171</u>	<u>571,070</u>
	29,465,517	29,157,460
Less accumulated depreciation	<u>(8,740,775)</u>	<u>(8,271,706)</u>
Capital assets, net	<u>\$ 20,724,742</u>	<u>20,885,754</u>

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 renovated and added 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 addressed renovations at the ticket entry and in the lobby, existing animal exhibitory, and dive facilities. The total costs of the Rising Tides expansion project was approximately \$16.5 million, which has been capitalized as leasehold improvements as each phase has been placed in service. Construction began in November 2013, with final completion in June 2017.

**(8) Notes Payable**

Notes payable at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
NMTC promissory notes	\$ 5,958,149	5,958,149
Less current maturities	(449,037)	—
Less unamortized deferred financing costs	<u>(43,937)</u>	<u>(102,521)</u>
Notes payable	<u>\$ 5,465,175</u>	<u>5,855,628</u>

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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 \$5,958,149 the Aquarium expects to only pay approximately \$449,000. 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 principal maturities of the note payable for the years subsequent to September 30, 2019 are due as follows:

2020	\$ 449,037
2021	147,961
2022	199,704
2023	202,993
2024	206,357
Beyond	<u>4,752,097</u>
	<u>\$ 5,958,149</u>

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

Net assets with donor restrictions of \$1,397,560 and \$1,838,790 at September 30, 2019 and 2018, respectively, are composed of the following donor categories:

	<b>2019</b>	<b>2018</b>
Donor restrictions for specified purposes or time:		
Education programs	\$ 94,724	106,710
Animal care and conservation projects	135,816	507,917
Rising Tides expansion project	155,000	247,032
Total donor restrictions for specified purposes or time	385,540	861,659
Donor restrictions in perpetuity:		
General endowment	200,447	200,447
Beneficial interest in assets held by The Community Foundation	111,531	109,638
Total donor restrictions in perpetuity	311,978	310,085
Unappropriated endowment earnings	700,042	667,046
Net assets with donor restrictions	\$ 1,397,560	1,838,790

Net assets of \$654,640 and \$826,964 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, 2019 and 2018, respectively.

**(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).

**(a) Interpretation of Relevant Law**

As of July 1, 2013, the Aquarium follows UPMIFA. The Aquarium's management, in working with the Aquarium's and Foundation's Board of Directors, has interpreted UPMIFA as requiring the preservation of the original endowment gift value on the gift date by the donor, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Aquarium classifies as donor restricted net assets in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) although not applicable prior to July 1, 2012, any future accumulations to the endowment held in perpetuity that are made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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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 net assets with donor restrictions. These deficiencies can result from unfavorable market conditions and fluctuations. There were no such deficiencies at September 30, 2019 or 2018.

**(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.



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**(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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds at September 30, 2018	\$ —	977,131	977,131
Contributions	—	—	—
Investment return	—	32,996	32,996
Change in value of beneficial interests	—	1,893	1,893
Total endowment funds at September 30, 2019	<u>\$ —</u>	<u>1,012,020</u>	<u>1,012,020</u>

Changes in endowment funds consist of the following for the year ended September 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds at September 30, 2017	\$ —	854,358	854,358
Contributions	—	—	—
Investment return	—	117,114	117,114
Change in value of beneficial interests	—	5,659	5,659
Total endowment funds at September 30, 2018	<u>\$ —</u>	<u>977,131</u>	<u>977,131</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 \$20,210 and \$16,668, included in the accompanying consolidated statements of activities, were made for the years ended September 30, 2019 and 2018, respectively.

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### Notes to Consolidated Financial Statements

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#### **(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.

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.

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**(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 has concluded 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.

**(c) Mosaic Center**

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) 4-D Attraction Operating Lease Agreement**

On August 3, 2016, the Aquarium entered into an operating lease agreement to install and operate a 4-D theatre attraction with a third-party (4-D Contractor). The agreement provides for the 4-D Contractor to install equipment and provide licensed film property and services for the 4-D attraction. The Aquarium operates the 4-D attraction on a daily basis. The 4-D Contractor provided a \$125,000 contribution to the Aquarium to assist with the installation of the 4-D attraction, which was included in contributions, memberships, and grants in the consolidated statement of activities during the year ended September 30, 2017. Beginning on October 1, 2017, the public opening of the 4-D attraction, through September 30, 2023, the Aquarium will pay \$350,000 annually, in quarterly installments, to the 4-D Contractor for the use of the equipment and licensed film property. This amount is included in guest services' operating expenses in the accompanying consolidated statements of activities during the years ended September 30, 2019 and 2018.

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**(e) 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. On February 25, 2019, a second settlement of \$47,886 (net of \$16,024 in legal fees) was received from the Halliburton/Transocean Punitive Damage Settlement which was based upon the value of the original settlement. This amount is included as a component of other income in the 2019 consolidated statement of activities.

**(14) Related-Party Transactions**

Contributions, memberships, and grants for the years ended September 30, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Board of directors and trustees	\$ 198,299	145,573
City of Tampa	<u>437,400</u>	<u>437,400</u>
	<u>\$ 635,699</u>	<u>582,973</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) Availability and Liquidity**

Financial assets available for general expenditures that are without donor or other restrictions limiting their use within one year of the consolidated statements of financial position date are comprised of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,025,859	5,331,089
Less donor restricted cash and cash equivalents	(230,540)	(614,627)
Current investments	1,036,185	1,006,800
Accounts receivable, net	<u>448,876</u>	<u>452,574</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,280,380</u>	<u>6,175,836</u>

## THE FLORIDA AQUARIUM, INC.

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When establishing the business plan and annual budget each year, Aquarium management and the Board of Directors evaluate financial assets available to meet general expenditures over the year with predictable sources of earned revenue. These revenue sources are estimated from expected attendance levels and ticket sales, annual membership sales, ancillary revenues from retail sales and food and beverage commissions, other added-value experiences based on historical capture rates on attendance, and expected annual contributions through fundraising efforts. A balanced annual budget is required. Cash flow is then carefully managed in accordance with the annual budget approved by the Board of Directors, and financial assets are structured to be available as general expenditures, liabilities, and other obligations come due.

#### **(17) Subsequent Events**

The Aquarium has evaluated subsequent events from the consolidated statements of financial position date through January 17, 2020, the date the consolidated financial statements were available to be issued, and determined no other items should be disclosed.

The seven year mandatory NMTC compliance period ended in December 2019. With that, the anticipated put/call agreements described in note 12 were exercised on December 17, 2019 and the Foundation acquired the interests in UDF XXVIII. The Foundation's leveraged loan to UDF/USBCDC of \$3,715,801 was canceled, and as of December 17, 2019 the Foundation holds the \$5,509,112 balance of the three promissory notes to the Aquarium (after the \$449,037 principal payment made in December 2019). As a result of the NMTC unwinding process, the three promissory notes will be eliminated in consolidation and a noncash net gain of \$1,791,311 will be recognized in the consolidated statements of activities for the year ended September 30, 2020. The remaining unamortized balance of the deferred financing costs was expensed in December 2019. Legal fees for the NMTC unwinding process were expensed as incurred.

**THE FLORIDA AQUARIUM, INC.**

Consolidating Statement of Financial Position

September 30, 2019

<b>Assets</b>	<b>The Florida Aquarium, Inc.</b>	<b>The Florida Aquarium Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Current assets:				
Cash and cash equivalents	\$ 5,994,579	31,280	—	6,025,859
Investments	1,036,185	—	—	1,036,185
Accounts receivable, net	448,876	—	—	448,876
Pledges receivable, net	155,000	—	—	155,000
Other current assets	128,971	9,290	(9,290)	128,971
Total current assets	<u>7,763,611</u>	<u>40,570</u>	<u>(9,290)</u>	<u>7,794,891</u>
Noncurrent assets:				
Investments	926,594	85,426	—	1,012,020
Pledges receivable, net	—	—	—	—
Notes receivable	3,750,000	3,715,801	(3,750,000)	3,715,801
Capital assets, net	20,724,742	—	—	20,724,742
Total noncurrent assets	<u>25,401,336</u>	<u>3,801,227</u>	<u>(3,750,000)</u>	<u>25,452,563</u>
Total assets	<u>\$ 33,164,947</u>	<u>3,841,797</u>	<u>(3,759,290)</u>	<u>33,247,454</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,062,887	9,290	(9,290)	2,062,887
Current maturities of notes payable	449,037	—	—	449,037
Deferred revenue	2,112,109	—	—	2,112,109
Total current liabilities	<u>4,624,033</u>	<u>9,290</u>	<u>(9,290)</u>	<u>4,624,033</u>
Noncurrent liabilities:				
Notes payable, net of current maturities	5,465,175	3,750,000	(3,750,000)	5,465,175
Deferred revenue	2,481,528	—	—	2,481,528
Total liabilities	<u>12,570,736</u>	<u>3,759,290</u>	<u>(3,759,290)</u>	<u>12,570,736</u>
Net assets (deficit):				
Without donor restrictions	19,282,077	(2,919)	—	19,279,158
With donor restrictions	1,312,134	85,426	—	1,397,560
Total net assets	<u>20,594,211</u>	<u>82,507</u>	<u>—</u>	<u>20,676,718</u>
Total liabilities and net assets	<u>\$ 33,164,947</u>	<u>3,841,797</u>	<u>(3,759,290)</u>	<u>33,247,454</u>

See accompanying independent auditors' report.

**THE FLORIDA AQUARIUM, INC.**  
Consolidating Statement of Activities  
Year ended September 30, 2019

	<b>The Florida Aquarium, Inc.</b>	<b>The Florida Aquarium Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Revenue and other support:				
Admissions	\$ 14,750,169	—	—	14,750,169
Gift shop sales, net	853,254	—	—	853,254
Restaurant sales, net	1,304,745	—	—	1,304,745
Parking revenues	694,868	—	—	694,868
Community programs revenue	651,837	—	—	651,837
Contributions, memberships, and grants	3,680,664	—	—	3,680,664
Miscellaneous revenue	323,631	—	—	323,631
Total revenue and other support	<u>22,259,168</u>	<u>—</u>	<u>—</u>	<u>22,259,168</u>
Operating expenses:				
Program services:				
Biological operations	5,551,414	—	—	5,551,414
Education	1,962,377	—	—	1,962,377
Life support and facilities	4,837,180	—	—	4,837,180
Guest services	3,433,277	—	—	3,433,277
Marketing and sales	2,872,659	—	—	2,872,659
Total program services	<u>18,656,907</u>	<u>—</u>	<u>—</u>	<u>18,656,907</u>
Support services:				
Executive, finance, and human resources	2,608,601	105	—	2,608,706
Development and membership	980,852	—	—	980,852
Total support services	<u>3,589,453</u>	<u>105</u>	<u>—</u>	<u>3,589,558</u>
Total operating expenses	<u>22,246,360</u>	<u>105</u>	<u>—</u>	<u>22,246,465</u>
Operating income (loss) before other income (expenses)	<u>12,808</u>	<u>(105)</u>	<u>—</u>	<u>12,703</u>
Other income (expenses):				
Interest income	37,158	37,176	(37,158)	37,176
Interest expense	(170,412)	(37,158)	37,158	(170,412)
Change in value of beneficial interest in assets held by The Community Foundation	1,893	—	—	1,893
Unrealized gain on investments	58,919	3,462	—	62,381
Gain on settlement agreement, net	47,886	—	—	47,886
Total other income (expenses)	<u>(24,556)</u>	<u>3,480</u>	<u>—</u>	<u>(21,076)</u>
Change in net assets	<u>(11,748)</u>	<u>3,375</u>	<u>—</u>	<u>(8,373)</u>
Net assets, beginning of year	<u>20,605,959</u>	<u>79,132</u>	<u>—</u>	<u>20,685,091</u>
Net assets, end of year	<u>\$ 20,594,211</u>	<u>82,507</u>	<u>—</u>	<u>20,676,718</u>

See accompanying independent auditors' report.