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</tr>
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<td>Consolidating statements of activities</td>
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Independent Auditor’s Report

To the Board of Directors
National Aquarium, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of National Aquarium, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP
Baltimore, Maryland
August 28, 2018
### National Aquarium, Inc. and Subsidiaries

**Consolidated Statements of Financial Position**

**December 31, 2017 and 2016**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$7,089,526</td>
<td>$6,737,719</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>2,385,200</td>
<td>-</td>
</tr>
<tr>
<td>Promises to give, net (Note 3)</td>
<td>2,269,550</td>
<td>2,396,835</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>252,642</td>
<td>814,261</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,389,760</td>
<td>633,381</td>
</tr>
<tr>
<td>Other assets</td>
<td>324,565</td>
<td>540,448</td>
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<tr>
<td>Investments (Notes 4 and 5)</td>
<td>34,052,443</td>
<td>30,436,019</td>
</tr>
<tr>
<td>Loans receivable (Note 6)</td>
<td>13,613,540</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$169,103,996</strong></td>
<td><strong>$140,505,946</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property and equipment:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>1,362,888</td>
<td>1,362,888</td>
</tr>
<tr>
<td>Furniture, fixtures and office equipment</td>
<td>10,911,536</td>
<td>10,691,996</td>
</tr>
<tr>
<td>Other equipment</td>
<td>12,633,642</td>
<td>9,260,349</td>
</tr>
<tr>
<td>Building and leasehold improvements</td>
<td>177,704,954</td>
<td>180,480,653</td>
</tr>
<tr>
<td>Construction in progress (Note 11)</td>
<td>20,683,068</td>
<td>2,803,942</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td><strong>(115,569,318)</strong></td>
<td><strong>(105,652,545)</strong></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>107,726,770</strong></td>
<td><strong>98,947,283</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses (Note 11)</td>
<td>$3,130,538</td>
<td>$2,104,429</td>
</tr>
<tr>
<td>Accrued salaries and benefits</td>
<td>1,305,290</td>
<td>1,703,687</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>3,687,610</td>
<td>3,306,289</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>687,318</td>
<td>879,793</td>
</tr>
<tr>
<td>Capital lease obligations, net of unamortized issuance costs (Note 7)</td>
<td>4,266,963</td>
<td>3,054,323</td>
</tr>
<tr>
<td>Interest rate swap (Notes 5 and 6)</td>
<td>400,505</td>
<td>336,009</td>
</tr>
<tr>
<td>Notes payable, net of unamortized issuance costs (Note 6)</td>
<td>17,382,062</td>
<td>5,418,835</td>
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<tr>
<td>New market tax credit loan, net of unamortized issuance costs (Note 6)</td>
<td>17,916,365</td>
<td>-</td>
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<tr>
<td>Bond payable, net of unamortized issuance costs (Note 6)</td>
<td>16,309,764</td>
<td>18,188,494</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>65,086,415</strong></td>
<td><strong>34,991,859</strong></td>
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<table>
<thead>
<tr>
<th>Commitments and contingencies (Notes 2 and 11)</th>
<th></th>
<th></th>
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</table>

<table>
<thead>
<tr>
<th>Net assets (Note 9):</th>
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<tr>
<td>Unrestricted</td>
<td>95,505,819</td>
<td>96,796,942</td>
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<tr>
<td>Temporarily restricted</td>
<td>6,703,788</td>
<td>6,909,171</td>
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<tr>
<td>Permanently restricted</td>
<td>1,807,974</td>
<td>1,807,974</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td><strong>104,017,581</strong></td>
<td><strong>105,514,087</strong></td>
</tr>
</tbody>
</table>

| Total liabilities and net assets | $169,103,996 | $140,505,946 |

See notes to consolidated financial statements.
National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td>Revenue, gains and other support:</td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$26,052,753</td>
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<tr>
<td>Contributions and grants</td>
<td>5,550,966</td>
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<tr>
<td>General and corporate membership programs</td>
<td>5,072,626</td>
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<tr>
<td>Gift shop and food service</td>
<td>1,823,467</td>
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<tr>
<td>Group sales</td>
<td>3,270,134</td>
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<tr>
<td>Education program</td>
<td>962,361</td>
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<tr>
<td>Auxiliary</td>
<td>1,839,601</td>
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<tr>
<td>Catered events</td>
<td>685,464</td>
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<tr>
<td>Intercompany grants</td>
<td>(50,275)</td>
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<td>Net assets released from restrictions:</td>
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<td>Satisfaction of program restrictions</td>
<td>1,652,056</td>
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<tr>
<td>Satisfaction of equipment acquisition restrictions</td>
<td>2,015,741</td>
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<tr>
<td>Total revenue, gains and other support</td>
<td>48,874,894</td>
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</tbody>
</table>

Expenses (Note 12):

Programs:
- Aquarium experience: 30,565,656
- Conservation and education: 7,916,671
Total program expenses: 38,482,327

Supporting services:
- General and administrative: 4,285,821
- Development: 5,736,514
- Advertising and promotions: 4,855,560
Total supporting services expenses: 14,877,895
Total expenses: 53,360,222

Change in net assets before other financial items: (4,485,328)

Investment income (Note 4): 4,315,720
(Loss) gain on interest rate swap contract (Note 6): (64,496)
Debt service (Note 6): (1,057,019)
Loss on sale of property: -
Total other financial items: 3,194,205

Net assets:
Beginning: 96,796,942
Ending: $95,505,819

See notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>2016</th>
<th>Temporarily Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Unrestricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
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<tr>
<td>$</td>
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<td>$</td>
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<td>7,011,367</td>
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<td>1,241,992</td>
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<tr>
<td></td>
<td>1,512,514</td>
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<td>50,004,923</td>
<td>(1,244,523)</td>
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<td>48,760,400</td>
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<td>31,851,362</td>
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<td>36,945,330</td>
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<td>36,945,330</td>
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<td>3,182,565</td>
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<td>4,271,375</td>
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<td>3,182,565</td>
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<td>5,602,427</td>
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<td>13,056,367</td>
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<td>3,226</td>
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<td>-</td>
<td>(1,241,297)</td>
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<td>1,898,062</td>
<td>129,719</td>
<td>-</td>
<td>2,027,781</td>
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<td>3,933</td>
<td>-</td>
<td>3,933</td>
<td>-</td>
<td></td>
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<tr>
<td></td>
<td>(704,280)</td>
<td>-</td>
<td>(704,280)</td>
<td>-</td>
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<tr>
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<td>(4,824,604)</td>
<td>-</td>
<td>(4,824,604)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3,626,889)</td>
<td>129,719</td>
<td>-</td>
<td>(3,497,170)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3,623,663)</td>
<td>(1,114,804)</td>
<td>-</td>
<td>(4,738,467)</td>
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</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,420,605</td>
<td>8,023,975</td>
<td>1,807,974</td>
<td>110,252,554</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 96,796,942</td>
<td>$ 6,909,171</td>
<td>$ 1,807,974</td>
<td>$ 105,514,087</td>
<td></td>
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5
National Aquarium, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(1,496,506) $</td>
<td>$(4,738,467)$</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>9,916,773</td>
<td>8,912,570</td>
</tr>
<tr>
<td>Amortization of new market tax credit loan issuance cost</td>
<td>150,647</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of capital lease issuance cost</td>
<td>7,665</td>
<td>8,302</td>
</tr>
<tr>
<td>Amortization of bond issue costs</td>
<td>12,821</td>
<td>12,819</td>
</tr>
<tr>
<td>Loss on disposal of property</td>
<td>-</td>
<td>4,824,604</td>
</tr>
<tr>
<td>Loss (gain) on interest rate swap agreement</td>
<td>64,496</td>
<td>(3,933)</td>
</tr>
<tr>
<td>Increase (decrease) in discount on promises to give</td>
<td>12,797</td>
<td>(108,021)</td>
</tr>
<tr>
<td>Net realized and unrealized gains of investments</td>
<td>(4,438,144)</td>
<td>(1,499,923)</td>
</tr>
<tr>
<td>Contributions restricted to long-term investment</td>
<td>(1,478,876)</td>
<td>(3,526,366)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(192,475)</td>
<td>(157,353)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promises to give</td>
<td>114,488</td>
<td>1,020,137</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>561,619</td>
<td>(44,176)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(756,379)</td>
<td>171,618</td>
</tr>
<tr>
<td>Other assets</td>
<td>215,883</td>
<td>306,984</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(136,003)</td>
<td>(295,169)</td>
</tr>
<tr>
<td>Accrued salaries and benefits</td>
<td>(398,397)</td>
<td>50,166</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>381,321</td>
<td>305,753</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>2,541,730</td>
<td>5,239,545</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

| Purchases of property and equipment                | (16,184,148) | (8,266,181) |
| Proceeds from sale of property                     | -            | 4,862,376   |
| Purchases of investments                           | (872,911)    | (3,962,502) |
| Proceeds from sale of investments                  | 1,694,631    | 4,049,511   |
| Funds advanced on loan receivable                  | (13,613,540) | -          |
| **Net cash used in investing activities**          | (28,975,968) | (3,316,796) |

Cash flows from financing activities:

| Contributions restricted to long-term investment   | 1,478,876    | 3,526,366   |
| Restricted cash                                   | (2,385,200)  | -           |
| Principal payments on bond payable                | (1,891,551)  | (1,836,374) |
| Principal payments on note payable                | -            | (4,871,625) |
| Proceeds from note payable                        | 11,866,563   | 965,757     |
| Proceeds from new market tax credit loan          | 19,404,000   | -           |
| Principal payments on capital lease obligation     | (145,025)    | (130,897)   |
| Debt issuance costs                               | (1,541,618)  | -           |
| **Net cash provided by (used in) financing activities** | 26,786,045  | (2,346,773) |

**Net increase (decrease) in cash and cash equivalents**

| 351,807 | (424,024) |

Cash and cash equivalents:

| Beginning | 6,737,719 | 7,161,743 |
| Ending    | 7,089,526 | 6,737,719 |

Supplemental disclosure of cash flow information:

| Cash paid for interest for long-term debt and capital lease | $ 740,103 | $ 673,983 |

Supplemental schedules of noncash investing and financing activities:

| Proceeds from capital lease obligation | $ 1,350,000 | - |
| Property and equipment purchases in accounts payable and accrued expenses | $ 1,693,711 | $ 531,599 |

See notes to consolidated financial statements.
Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium) is a nonprofit corporation that operates and manages an aquarium and centers for the study of marine sciences in Baltimore, Maryland and provides recreational and educational facilities for its guests. The Aquarium is comprised of five entities, National Aquarium, Inc. (NA), National Aquarium Foundation, Inc. (the Foundation), the Center for Aquatic Life and Conservation, Inc. (CALC), ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor). The Aquarium formally dissolved of CALC in July 2017.

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

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

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when incurred.

Basis of presentation: The Aquarium is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets: Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Aquarium pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Aquarium’s actions.

Revenue recognition: The Aquarium reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

The Aquarium reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Aquarium reports expirations of donor restrictions when the donated long-lived assets are placed in service or the acquired long-lived assets are purchased.
Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Promises to give are carried at the present value of expected future cash flows computed using a discount rate based on the Daily Treasury Yield Curve rate as of December 31, 2017. Amortization of the discount is included in contributions and grants revenue.

Membership revenue is recognized ratably over the term of the membership. Prepayments are recorded as deferred revenue when received.

Admissions and group sales revenue is recognized on the date of admission. Prepayments are recorded as deferred revenue when received.

Auxiliary revenue consists of attendance related items, visitor photos, locker rental and revenue, in addition to sponsorship and miscellaneous income. Auxiliary revenue is recognized when the service is provided.

Revenue from grants is recognized when expenses are incurred.

Gift shop and food revenue is recognized on the date of sale.

Cash and cash equivalents: Cash and cash equivalents consist of cash and funds deposited in a money market fund and temporary investments with a maturity of three months or less. Cash equivalents held temporarily in the investment portfolio are reported with investments.

Restricted cash: Restricted cash represents unspent debt proceeds and required reserves.

Financial risk: The Aquarium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management considers this to be a normal business risk.

Debt issuance costs: Debt issuance costs are capitalized and amortized over the life of the related debt. Bond issuance costs, net of accumulated amortization of $57,685 and $70,505 as of December 31, 2017 and 2016, respectively, are included in bonds payable on the statements of financial position. Capital lease issuance costs, net of accumulated amortization of $86,859 and $94,524 as of December 31, 2017 and 2016, respectively, are included in capital lease obligation on the statement of financial position. Notes payable issuance costs of $0 and $96,664 as of December 31, 2017 and 2016, respectively, are included in notes payable on the statement of financial position. New market tax credit loan issuance costs of $1,487,635 and $0 as of December 31, 2017 and 2016, respectively, are included in new market tax credit loan on the statement of financial position. Amortization expense was $171,130 and $21,121 for the years ended December 31, 2017 and 2016, respectively, and is included with debt service expense.

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

Investments: Investments are recorded at fair value based on closing values on the last trading day of the year. The Foundation invests in a portfolio that includes mutual funds, equities and hedge funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.
Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Expenditures made by the Aquarium for portions of capital projects which the Aquarium will own are included in property and equipment at cost, if purchased, or at their fair value at the date of the gift, if donated. Expenditures made by the City of Baltimore (the City) for capital projects are not included in the Aquarium’s consolidated financial statements because these assets are owned by the City.

Management’s estimate of the cost of construction of all aquarium buildings in the City, including renovations/improvements made subsequently, was approximately $236,575,000 and $219,655,000 as of December 31, 2017 and 2016, respectively. Of this amount, approximately $191,929,000 and $175,009,000 has been capitalized in the accompanying consolidated statements of financial position as of December 31, 2017 and 2016, respectively. The remaining amount is not capitalized in the accompanying consolidated financial statements as it pertains to assets paid for and owned by the City (see Note 2).

All other property and equipment are the property of the Aquarium and, accordingly, are included in the accompanying consolidated financial statements.

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

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>30 years</td>
</tr>
<tr>
<td>Building improvements and exhibits</td>
<td>10 years</td>
</tr>
<tr>
<td>Exhibits, lab and AV equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>IT equipment and software (excluding SAAS)</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Remaining lease term</td>
</tr>
</tbody>
</table>

Construction in progress (CIP) consists of costs incurred relating to various renovation projects of existing facilities, exhibits and displays. There was a major renovation within 2017 of the Animal Care and Rescue Center (ACRC property), which will be placed into service in the first half of 2018. This renovation is the majority of the CIP balance and totals $18,004,639 for the year ended December 31, 2017.

Valuation of long-lived assets: The Aquarium accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) Topic Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: Rents on operating leases are reported whereby total rent expense under the leases is charged to operations on a straight-line basis over the term of the related leases. The difference between rent expense and lease payments is accounted for as deferred rent.
Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Volunteer services: The Aquarium utilizes a volunteer program that incorporates extensive training protocols to meet various operational needs. The fair market value of these volunteer services is recognized as contribution revenue and the applicable expense in the accompanying consolidated financial statements. During the years ended December 31, 2017 and 2016, the fair value of contributed services meeting the requirements for recognition in the financial statements was $1,975,878 and $2,347,743, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Aquarium. The Aquarium receives more than 90,000 volunteer hours per year.

Advertising: Advertising costs are expensed as incurred and were $4,855,560 and $5,602,427 for the years ended December 31, 2017 and 2016, respectively.

Income taxes: The Aquarium and its subsidiaries are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Aquarium and its subsidiaries qualify for charitable contribution deductions under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Aquarium had no net unrelated business income for the years ended December 31, 2017 and 2016.

Management has evaluated the Aquarium’s tax positions and has concluded that the Aquarium has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Generally, the Aquarium is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before 2014.

Interest rate swap agreement: The Aquarium recognizes all derivative financial instruments in the financial statements at their fair value. The Aquarium participates in an interest rate swap contract that is considered a derivative financial instrument. Changes in the fair value of the derivative financial instrument are recognized in the consolidated statements of activities as gain (loss) on interest rate swap contract.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain 2016 amounts were reclassified to conform to the 2017 presentation. These reclassifications had no effect on previously stated net assets or change in net assets.

Accounting pronouncements pending: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU create Topic 606, Revenue from Contracts with Customers, and supersede the revenue requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU 2014-09 on the Aquarium’s consolidated financial statements for subsequent periods has not yet been determined.
Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires that lessees recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Aquarium for the year ending December 31, 2020. The adoption of this standard is expected to result in the Aquarium recognizing right-of-use asset and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on the Aquarium’s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance and cash flows. The amendments in this ASU are effective for the Aquarium for the year ending December 31, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Aquarium’s management has not yet evaluated the impact of this ASU on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. It is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. This ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. This pronouncement goes into effect for periods beginning after December 15, 2018. The Aquarium is in the process of evaluating the impact of this ASU on its consolidated financial statements.

Subsequent events: The Aquarium has evaluated subsequent events through August 28, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2. Management and Lease Agreement

In 1987, the Aquarium entered into a management and lease agreement with the Mayor and the City Council of Baltimore for the purpose of setting forth the rights and obligations of each related to the operation, maintenance and ownership of the Aquarium. Significant provisions of the agreement are as follows:

- The Aquarium set forth its intention to operate the facilities on a self-sustaining basis, dedicating its excess of revenue over expenses for exhibit additions, replacements and renovations.
- The Aquarium is responsible for the operation of the facilities under the general direction of the City.
- The City has legal title to certain of the real and tangible personal property located at the aquarium complex and in the event of the Aquarium’s dissolution, obtains title to all other corporate assets.
- The Aquarium is responsible for the maintenance, repair, replacement and upkeep of the exterior of the aquarium and all structural elements thereof. In addition, the Aquarium is responsible for the repair and maintenance of property and equipment such as water, electric, sewer, heating and air conditioning apparatus and all machinery, equipment and other fixtures used in connection with the operation of the facilities.
- The Aquarium is responsible for maintaining certain levels of comprehensive general liability, fire and extended coverage insurance as defined by the agreement.
Note 2. Management and Lease Agreement (Continued)

- The original 1987 agreement, which does not require annual rental payments, was amended during 2001 to extend the lease term to 2049. The lease shall automatically renew itself for five successive terms of ten years each, upon certain conditions being met by both parties, as defined by the agreement.

Note 3. Promises to Give

Included in promises to give are the following unconditional promises to give at December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted for Capital Projects</td>
<td>$1,676,854</td>
<td>$1,656,343</td>
</tr>
<tr>
<td>Conservation, education and other</td>
<td>655,000</td>
<td>789,999</td>
</tr>
<tr>
<td>Unconditional promises to give before present value discount</td>
<td>2,331,854</td>
<td>2,446,342</td>
</tr>
<tr>
<td>Less present value discount</td>
<td>(37,304)</td>
<td>(24,507)</td>
</tr>
<tr>
<td>Less allowance in doubtful accounts</td>
<td>(25,000)</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Promises to give, net</td>
<td>$2,269,550</td>
<td>$2,396,835</td>
</tr>
</tbody>
</table>

Amounts due in:

- Less than one year: $1,286,082 / $1,565,039
- One to five years: 1,045,772 / 870,003
- Thereafter: - / 11,300

Note 4. Investments

Investments owned by the Aquarium consist of the following at December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Fair Value</td>
<td>Cost</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$822,450</td>
<td>$822,450</td>
</tr>
<tr>
<td>Equities</td>
<td>3,846,612</td>
<td>5,038,005</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>20,152,258</td>
<td>25,358,963</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>2,650,000</td>
<td>2,833,025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$27,471,320</strong></td>
<td><strong>$34,052,443</strong></td>
</tr>
</tbody>
</table>

Investment income is as follows for the years ended December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized and realized gains</td>
<td>$4,438,144</td>
<td>$1,499,923</td>
</tr>
<tr>
<td>Interest and dividends on investments</td>
<td>590,499</td>
<td>527,858</td>
</tr>
<tr>
<td><strong>Total investment income</strong></td>
<td><strong>$5,145,859</strong></td>
<td><strong>$2,027,781</strong></td>
</tr>
</tbody>
</table>
Note 5. Fair Value Measurements

The Aquarium defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are types of investments included in Level 1.

**Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives.

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

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

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

**Level 2:** Includes investments in funds that calculated NAV per share, or the equivalent. These funds are classified as Level 2 when the Aquarium is able to redeem the funds in the near term, which is generally defined to be within 90 days of year-end.

The Aquarium’s interest rate swap is observable at commonly quoted intervals for the full term of the swap, and therefore is considered a Level 2 item.

**Level 3:** Not applicable.

The following table classifies all investments into the hierarchy set forth by the ASC 820. The table includes those investments that are held and managed by the Aquarium measured at fair value on a recurring basis by level within the hierarchy at December 31, 2017 and 2016.

The fair value of equity and fixed income securities are measured using quoted market prices at the reporting dates when quoted market prices are available. When quoted market prices are not available, the Aquarium has used a practical expedient allowed under ASU 2009-12, where each investment’s NAV as reported by each fund manager is an acceptable measurement of fair value owned when coinciding with the Aquarium’s measurement date.
Note 5. Fair Value Measurements (Continued)

<table>
<thead>
<tr>
<th>Equities (a):</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Consumer discretionary</td>
<td>$1,225,368</td>
<td>$ -</td>
</tr>
<tr>
<td>Information technology</td>
<td>768,356</td>
<td>-</td>
</tr>
<tr>
<td>Industrials</td>
<td>1,361,896</td>
<td>-</td>
</tr>
<tr>
<td>Health care</td>
<td>338,985</td>
<td>-</td>
</tr>
<tr>
<td>Financial</td>
<td>660,781</td>
<td>-</td>
</tr>
<tr>
<td>Materials</td>
<td>307,972</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>247,457</td>
<td>-</td>
</tr>
<tr>
<td>Consumer staples</td>
<td>63,288</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>63,902</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds (b):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>10,055,068</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income</td>
<td>6,239,681</td>
<td>-</td>
</tr>
<tr>
<td>Growth</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Value</td>
<td>7,723,827</td>
<td>-</td>
</tr>
<tr>
<td>Emerging market</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Market index</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Global hard asset</td>
<td>1,340,387</td>
<td>-</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$30,396,968</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts valued using net asset value (c)</th>
<th>2,833,025</th>
<th>2,717,067</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investments</td>
<td>$33,229,993</td>
<td>$29,316,307</td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>$ -</td>
<td>$400,505</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ -</td>
<td>$400,505</td>
</tr>
</tbody>
</table>

(a) Equity investments are made through commingled accounts or managed accounts that hold primarily common stock of U.S., non-U.S., emerging markets and global companies. These funds are classified as Level 1 investments when the funds are publicly traded.

(b) Mutual funds are investments made through managed accounts and hold a variety of equity and debt securities such as U.S. and international stocks, as well as U.S. and international sovereign, agency and corporate debt. These funds are classified as Level 1 investments when the funds are publicly traded.

(c) Hedge funds are investments made through international multi-strategy fund of funds that may invest in a wide variety of assets globally, including equity and debt. These funds calculate NAV per share, or the equivalent.

The Aquarium excludes cash and cash equivalents from the fair value hierarchy as cash is generally measured at cost. As such, $822,450 and $1,119,712 of cash equivalents and a certificate of deposit in the Aquarium’s investment portfolio at December 31, 2017 and 2016, respectively, have been excluded from this table.
Note 5. Fair Value Measurements (Continued)
The following table represents information on the Aquarium’s investments by major category where NAV as a practical expedient to fair value was used.

<table>
<thead>
<tr>
<th>Fair Value as of December 31, 2017</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedge funds (a)</td>
<td>$2,833,025</td>
<td>Monthly</td>
</tr>
</tbody>
</table>

Total investment values using NAV as a practical expedient to fair value: $2,833,025

The nature and risks inherent in the Aquarium’s investments where the fair value was estimated using the practical expedient are summarized as follows:

(a) Hedge funds: Hedge fund investments were approximately 9% of total investments at December 31, 2017 and 2016, and are comprised of domestic funds of funds, offshore low volatility multi-strategy funds, and international fund of funds. These hedge funds share in the returns and risks associated with international equity and credit markets, interest rate and foreign currencies. In addition, some of these funds may present lower liquidity, organizational risk, event and deal risks, leverage and counterparty risk. Reduced redemption rights have been accepted for certain funds in order to achieve more desirable terms such as lower management fees.

Note 6. Long-Term Debt
The Maryland Industrial Development Financing Authority (MIDFA), on behalf of the Aquarium, issued a tax-exempt revenue refunding bond (National Aquarium in Baltimore Facility 2012 Issue) in the original amount of $25,980,765. The bond was placed with Bank of America (BofA) as a non-bank qualified private loan. The loan carried a fixed rate of 2.84% through December 31, 2017. Effective January 1, 2018, BofA exercised its right to increase the rate due to a clause in the agreement that provides for a margin rate factor adjustment when there is a change in tax rates. The new fixed rate is 3.45%. Monthly principal and interest payments are scheduled for 10 years over a 13-year amortization table. The maturity date of the underlying bonds is June 2022, when BofA has the ability to call the loan or grant an extension of the current terms. The loan balance was $16,367,449 and $18,258,999 at December 31, 2017 and 2016, respectively. The loan is secured by a Security Agreement, whereby BofA has a lien on all current and future receipts of the Aquarium.

On December 15, 2015, the Aquarium purchased a building and property to house the future Animal Care and Rescue Center (ACRC property). To purchase the building and property, finance the issuance costs and finance future renovations, a Delayed Draw Term Loan up to $20,000,000 was obtained from Branch Banking and Trust Company (BB&T). The principal balance is subject to a rate of interest per annum equal to the sum of one-month London Interbank Offered Rate (LIBOR) plus 1.15% adjusted on a monthly basis (2.51% and 1.77% at December 31, 2017 and 2016, respectively). Interest on the outstanding principal is due monthly beginning January 1, 2016. Principal payments are due monthly beginning January 1, 2018, and are scheduled for 10 years over a 25-year amortization table. The maturity date is December 15, 2027. In March 2017, the Aquarium drew an additional $11,866,563 from the delayed draw term loan. The loan balance was $17,382,062 and $5,515,499 at December 31, 2017 and 2016, respectively. The loan is secured by a Security Agreement, whereby BB&T has a lien on all current and future receipts of the Aquarium.
Note 6.  Long-Term Debt (Continued)

Both the MIDFA bond (National Aquarium in Baltimore Facility 2012 Issue) and the Delayed Draw Term Loan discussed above are subject to certain financial and non financial covenants. For the year ended December 31, 2017, the organization did not fulfill its obligations under certain covenants as required in the contracts. Both lenders (BofA and BB&T) subsequently agreed to waive the 2017 breach via a Modification Agreement dated as of August 16, 2018. The BofA modification agreements increase the frequency of reporting on the covenants and increase the reporting requirements of the Aquarium.

New market tax credit: On March 21, 2017, the Aquarium secured permanent financing related to the renovation of the ACRC property by entering into a transaction structured to qualify for the New Markets Tax Credit (NMTC), as outlined in IRC Section 45(d). As part of the transaction, the Aquarium established two new entities: ACRC Lender, LLC (Lender) and ACRC Lessor, Inc. (Lessor). Lender is a single-member LLC owned by NA and is considered a disregarded entity for income tax purposes. Lessor is a 501(c)(3) nonprofit/nonstock corporation, and is considered a Type II supporting organization under IRC Section 509(a)(3).

On the above NMTC transaction date, the loan agreement for the Aquarium’s Delayed Draw Term Loan was amended: to reduce the maximum principal amount available from $20,000,000 to $18,000,000; to revise to $20,000,000 the Aquarium’s Minimum Unrestricted Liquid Assets required to be maintained as of each June 30 and December 31 during the first seven years of the agreement; and to expand the permitted uses of proceeds to include not only the purchase, reconstruction, equipping and furnishing the ACRC property but funding Lender and Lessor as described immediately below.

The Aquarium drew down $424,681 prior to the NMTC transaction date, and an additional $11,441,882 at the time of closing. Of the latter amount, the Aquarium contributed $10,332,500 to Lender via an equity contribution, and $1,109,382 to Lessor. Lender, acting as the leveraged lender in the NMTC transaction, then loaned $10,332,500 to an entity serving in the investment fund role for the transaction. Lender’s loan receivable earns interest of 1.21% per annum. There are no principal payments due for the first seven years of the agreement.

Lessor entered into loan agreements totaling $14,700,000 that qualify as “QLICI” loans under the NMTC program. Lessor’s loan payable bears interest of 1.42% per annum. The Aquarium agreed to indemnify the CDE investors for any potential tax credit losses.

On June 30, 2017, the Aquarium secured additional permanent financing related to the ACRC by entering into a second transaction structured to qualify for the NMTC. In this transaction, the Aquarium made an additional equity contribution of $3,281,040 of loan proceeds to Lender. Lender, acting as the leveraged lender in the transaction, then loaned $3,281,040 of loan proceeds to an entity serving in the investment fund role of the NMTC transaction. Lender’s loan receivable earns interest of 1.21% per annum. There are no principal payments due for the first seven years of the agreement. Total loans receivable under these transactions was $13,613,540 at December 31, 2017.

Lessor entered into loan agreements totaling $4,704,000 that qualify as “QLICI” loans under the NMTC program. Lessor’s loan payable bears interest of 1.42% per annum. The Aquarium agreed to indemnify the CDE investors for any potential tax credit losses.

Interest rate swap contract: In connection with the delayed draw term loan, the Aquarium entered into an interest rate swap agreement, which expires December 15, 2027. At December 31, 2017, the Aquarium has an interest rate swap contract to pay a fixed rate of 3.86% and receive a variable market rate on $11,000,000 notional amount of indebtedness. The Aquarium recognized a net (loss) gain of ($64,496) and $3,933 for the years ended December 31, 2017 and 2016, respectively.
Note 6. Long-Term Debt (Continued)

Principal payment requirements on the notes payable, bond payable and deferred draw term loan at December 31, 2017, are due in future years as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th>NMTC Notes</th>
<th>Bonds Payable</th>
<th>Note Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$</td>
<td>$1,946,741</td>
<td>$482,152</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>2,003,542</td>
<td>501,296</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>2,061,027</td>
<td>521,200</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>2,122,136</td>
<td>541,894</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
<td>2,184,055</td>
<td>563,410</td>
</tr>
<tr>
<td>Thereafter</td>
<td>19,404,000</td>
<td>6,049,948</td>
<td>14,772,110</td>
</tr>
<tr>
<td>Issuance costs, net of amortization</td>
<td>(1,487,635)</td>
<td>(57,685)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>17,916,365</td>
<td>16,309,764</td>
<td>17,382,062</td>
</tr>
</tbody>
</table>

On February 7, 2007, CALC purchased 21.0 acres of land, which contained the central garage and repair facility for the Baltimore City Department of Public Works (DPW), for $250,000. In addition, CALC was required to provide up to $7,975,000 toward the cost of constructing a new garage for DPW, as defined in the agreement.

In conjunction with the purchase, CALC received a $5,000,000 non-interest-bearing investment from the City of Baltimore Development Corporation (BDC) for acquisition and development of the expected site for CALC. The investment was to be repaid from the development fees received by CALC as defined in the agreement. There were no development fees received by CALC in 2017 or 2016. The funds were provided by way of a reinvestment agreement between CALC and BDC. The reinvestment agreement is parallel to an investment agreement between the Maryland Department of Commerce and BDC. The balance due under this agreement was $0 for the years ended December 31, 2017 and 2016.

During 2016, CALC sold the building and repaid the investment to BDC. The Aquarium recognized a loss on the sale of $4,824,604 for the year ended December 31, 2016. In 2017 CALC transferred a remaining parcel of land, with a value of $80,000 as of December 31, 2017 and 2016, to NA.

Interest expense on long-term debt was approximately $885,889 and $683,159 for the years ended December 31, 2017 and 2016, respectively.

Note 7. Capital Lease Obligations

In March 2014, NA, the Foundation, the Maryland Clean Energy Center and Banc of America Public Capital Corp. (BAPCC) entered into a non-bank qualified tax-exempt capital lease relating to the acquisition of infrastructure-related equipment. Concurrent with the lease, NA also entered into a Guaranteed Energy Savings Contract with Constellation New Energy, Inc. for the procurement and installation of the equipment. Installation was completed in the first quarter of 2015. The lease carries a fixed interest rate of 3.68%. The total value of the transaction was $3,418,666.
Note 7.  Capital Lease Obligations (Continued)

The lease is subject to certain financial and non-financial covenants which are consistent with those associated with NA’s 2012 bond financing. For the year ended December 31, 2017, the organization did not fulfill its obligations under certain covenants as required in the contract. The lender (BAPCC) subsequently agreed to waive the 2017 breach via a Modification Agreement dated as of August 16, 2018. The Modification Agreement increases the frequency of reporting on the covenants and increases the reporting requirements of the organization.

In July 2016, NA entered into a 4D Attraction Upgrade Agreement with Iwerks Entertainment Inc. (Iwerks). The 10-year agreement includes, among other things, a capital lease for equipment related to the 4D movie theater. The agreement requires Iwerks to: install the equipment at NA’s facility; service the installed equipment and ensure it is maintained in good working order; and provide technical support and make emergency service visits as needed. All Iwerks obligations are covered under a single fee and payment schedule in the agreement, effective January 8, 2018. Management determined that the value of the capital lease portion of the agreement was $1,350,000. This assessment is based on fair market value of the equipment installed.

Total principal payment requirements on the capital lease obligations at December 31, 2017, are due in future years as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>284,562</td>
</tr>
<tr>
<td>2019</td>
<td>295,156</td>
</tr>
<tr>
<td>2020</td>
<td>316,250</td>
</tr>
<tr>
<td>2021</td>
<td>338,487</td>
</tr>
<tr>
<td>2022</td>
<td>361,918</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,757,449</td>
</tr>
<tr>
<td></td>
<td>4,353,822</td>
</tr>
<tr>
<td>Issuance costs, net of amortization</td>
<td>(86,859)</td>
</tr>
<tr>
<td></td>
<td>$ 4,266,963</td>
</tr>
</tbody>
</table>

Interest expense relating to the capital leases totaled $117,386 and $127,000 for the years ended December 31, 2017 and 2016, respectively.

Note 8.  Line of Credit

The Aquarium had an unsecured $3,000,000 revolving line of credit with a floating rate of interest equal to LIBOR plus 150 basis points. The line of credit was renewed in August 2017, and had an expiration date of August 31, 2018. During August 2018, the line of credit was terminated. There was no outstanding balance on the line of credit as of December 31, 2017 and 2016.
Note 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016, are available for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expansion</td>
<td>$1,981,667</td>
<td>$2,518,532</td>
</tr>
<tr>
<td>Aquarium experience</td>
<td>61,674</td>
<td>34,080</td>
</tr>
<tr>
<td>Conservation and education programs</td>
<td>877,634</td>
<td>1,155,818</td>
</tr>
<tr>
<td>Henry Hall activities</td>
<td>115,286</td>
<td>172,829</td>
</tr>
<tr>
<td>Total NA</td>
<td>3,036,261</td>
<td>3,881,259</td>
</tr>
</tbody>
</table>

| Foundation:          |            |            |
| Lecture series       | 1,129,093  | 981,676    |
| Henry Hall activities | 508,841    | 454,585    |
| Endowment earnings:  |            |            |
| Marine life accessions| 805,083    | 687,927    |
| Education center     | 611,479    | 508,076    |
| Professional excellence | 281,767    | 207,079    |
| Aquarium science and medicine | 331,264 | 188,569 |
| Total Foundation     | 3,667,527  | 3,027,912  |

$6,703,788 $6,909,171

Permanently restricted net assets as of December 31, 2017 and 2016, are held by the Foundation and are restricted for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional excellence</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Marine life accessions</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Education center</td>
<td>299,994</td>
<td>299,994</td>
</tr>
<tr>
<td>Aquarium science and medicine</td>
<td>1,007,980</td>
<td>1,007,980</td>
</tr>
<tr>
<td>Total</td>
<td>$1,807,974</td>
<td>$1,807,974</td>
</tr>
</tbody>
</table>

The earnings on permanently restricted net assets are directed for use by the donors and are accounted for in the temporarily restricted funds until appropriated by Aquarium for use in their designated purposes.

The Blaustein Foundation has established endowed funds to provide grants to the Aquarium to finance purchases of aquarium specimens and to support programming activities of the Aquatic Education Resource Center. The original endowments were $250,000 each and income from the endowments has been used for the intended purposes. Based on need and approval, annual earnings are used for grants to the Aquarium and those earnings in excess of expenditures are to be temporarily restricted for the designated purposes.
Note 9. Temporarily and Permanently Restricted Net Assets (Continued)

The James McBride Endowment of $149,944, with additional matching support by the Foundation of $150,000, was established to provide funds for education for professional staff.

A donor has established endowed funds in the form of a $1,007,980 bequest to aid in providing additional veterinary support to the Aquarium.

Interpretation of relevant law: The Board of Directors of the Aquarium has interpreted the Maryland-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Aquarium classifies as 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets under UPMIFA until appropriated for use in accordance with the donor’s stipulations.

Return objectives and risk parameters: The Aquarium’s objective is to earn a respectable long-term, risk adjusted total rate of return to support the designated programs. The Aquarium recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Aquarium targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Aquarium has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designated to serve for long-time horizons based upon long-term expected returns.

Endowment spending policy: The Aquarium will plan for expenditures in its annual budget a maximum of 5% of the rolling average of the market value of the endowment assets over the preceding 12 quarters, with the base adjusted for new capital contributions to the endowment. There may be times when the Aquarium may opt not to take the maximum spending rate but rather to reinvest some of the annual return.

The composition of the Aquarium’s donor-restricted endowment and non-endowment funds at December 31, 2017 and 2016, and changes in endowment net assets for the years then ended, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$2,029,593</td>
<td>$1,807,974</td>
<td></td>
<td>3,837,567</td>
</tr>
<tr>
<td>Non-endowment funds</td>
<td>95,505,819</td>
<td>4,674,195</td>
<td>-</td>
<td>100,180,014</td>
</tr>
<tr>
<td>Total funds</td>
<td>95,505,819</td>
<td>6,703,788</td>
<td>1,807,974</td>
<td>104,017,581</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$1,591,651</td>
<td>$1,807,974</td>
<td></td>
<td>3,399,625</td>
</tr>
<tr>
<td>Non-endowment funds</td>
<td>96,796,942</td>
<td>5,317,520</td>
<td>-</td>
<td>102,114,462</td>
</tr>
<tr>
<td>Total funds</td>
<td>96,796,942</td>
<td>6,909,171</td>
<td>1,807,974</td>
<td>105,514,087</td>
</tr>
</tbody>
</table>
Note 9. Temporarily and Permanently Restricted Net Assets (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endowment net assets, beginning of the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>159,091</td>
<td>159,091</td>
</tr>
<tr>
<td>Net appreciation</td>
<td>-</td>
<td>430,838</td>
<td>430,838</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>-</td>
<td>589,929</td>
<td>589,929</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditures</td>
<td>-</td>
<td>(151,987)</td>
<td>(151,987)</td>
</tr>
<tr>
<td><strong>Endowment net assets, end of the year</strong></td>
<td>$</td>
<td>$ 2,029,593</td>
<td>$ 3,837,567</td>
</tr>
</tbody>
</table>

2017

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endowment net assets, beginning of the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>79,124</td>
<td>79,124</td>
</tr>
<tr>
<td>Net appreciation</td>
<td>-</td>
<td>8,606</td>
<td>8,606</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>-</td>
<td>87,730</td>
<td>87,730</td>
</tr>
<tr>
<td><strong>Endowment net assets, end of the year</strong></td>
<td>$</td>
<td>$ 2,029,593</td>
<td>$ 3,837,567</td>
</tr>
</tbody>
</table>

2016

Note 10. Employee Benefit Plans

The Aquarium has a 401(k) plan for employees. The 401(k) plan provides a 50% match on participants’ contributions up to 5% and 3% for 2017 and 2016, respectively. The Plan also provides for discretionary employer contributions, but employer contributions were not made in 2017 and 2016. The 401(k) plan expense was approximately $363,000 and $196,000 for the years ended December 31, 2017 and 2016, respectively.

Note 11. Commitments and Contingencies

Commitments: The Aquarium leases office, warehouse, aquatic tank space, and an exhibit under operating lease agreements. Total expense, net of sublease income, for these leases was $1,032,367 and $1,066,756 for the years ended December 31, 2017 and 2016, respectively. The Aquarium has an agreement to sublease a portion of its leased office space under an operating sublease expiring June 2018.
Note 11. Commitments and Contingencies (Continued)

Approximate future minimum annual payments under all noncancelable leases are as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 904,639</td>
</tr>
<tr>
<td>2019</td>
<td>699,242</td>
</tr>
<tr>
<td>2020</td>
<td>716,721</td>
</tr>
<tr>
<td>2021</td>
<td>734,658</td>
</tr>
<tr>
<td>2022</td>
<td>753,105</td>
</tr>
<tr>
<td>Thereafter</td>
<td>317,043</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,125,408</strong></td>
</tr>
</tbody>
</table>

**Litigation:** Lawsuits and claims are filed from time to time against the Aquarium in the ordinary course of business. The Aquarium, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the Aquarium’s consolidated financial statements.

**Capital projects:** As of December 31, 2017, the Aquarium has signed contract commitments for approximately $1,950,000 of capital projects.

**Power purchase agreement:** In July 2014, NA entered into a power purchase agreement with Constellation NewEnergy, Inc. committing NA to purchasing all of the energy output of a specifically identified solar facility completed in the second quarter of 2015. The solar facility output serves as a price component for a blended fixed rate on all electricity consumption of the Aquarium (excluding the Animal Care and Rescue Center) through March 2040. The established rate per megawatt hour is subject to an annual 2.9% increase through the fixed rate period ending on December 2020. The pricing from January 2021 to March 2040 is on a “pass-through model” based on variables described in the agreement.

**Self-insurance program:** The Aquarium maintains a self-insured medical plan for the benefit of its employees. The medical plan is administered through a contractual relationship with an unrelated company. The Aquarium is responsible for all claims incurred up to the amount of its stop loss insurance, which it maintains on both a “per employee” basis and in the aggregate. The Aquarium’s expense under the self-insured medical plan amounted to $1,131,302 and $1,293,720 for the years ended December 31, 2017 and 2016, respectively. The Aquarium includes a provision for estimated claims in accounts payable and accrued expenses on the consolidated statements of financial position.
Note 12. Expenses

Expenses by natural classification for the years ended December 31, 2017 and 2016, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$21,428,018</td>
<td>$20,199,712</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>5,890,942</td>
<td>5,170,113</td>
</tr>
<tr>
<td>Occupancy</td>
<td>4,403,750</td>
<td>4,445,171</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,914,415</td>
<td>8,912,570</td>
</tr>
<tr>
<td>Purchased services</td>
<td>9,668,034</td>
<td>8,926,388</td>
</tr>
<tr>
<td>Volunteer services and in-kind contributions</td>
<td>2,055,063</td>
<td>2,347,743</td>
</tr>
<tr>
<td></td>
<td>53,360,222</td>
<td>50,001,697</td>
</tr>
<tr>
<td>Add expenses included in other financial items</td>
<td>1,057,019</td>
<td>704,280</td>
</tr>
<tr>
<td></td>
<td>$54,417,241</td>
<td>$50,705,977</td>
</tr>
</tbody>
</table>

Fully allocated functional expenses for the years ended December 31, 2017 and 2016, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquarium experience</td>
<td>$30,617,120</td>
<td>$31,851,362</td>
</tr>
<tr>
<td>Conservation and education</td>
<td>7,916,671</td>
<td>5,093,968</td>
</tr>
<tr>
<td></td>
<td>38,533,791</td>
<td>36,945,330</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>5,736,514</td>
<td>4,271,375</td>
</tr>
<tr>
<td>General and administrative</td>
<td>5,291,376</td>
<td>3,886,846</td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>4,855,560</td>
<td>5,602,426</td>
</tr>
<tr>
<td></td>
<td>15,883,450</td>
<td>13,760,647</td>
</tr>
<tr>
<td></td>
<td>$54,417,241</td>
<td>$50,705,977</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report on the Supplementary Information

To the Board of Directors
National Aquarium, Inc.

We have audited the consolidated financial statements of National Aquarium, Inc. and Subsidiaries (collectively, the Aquarium) as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon, which contained an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baltimore, Maryland
August 28, 2018
## National Aquarium, Inc. and Subsidiaries

### Consolidating Statements of Financial Position

**December 31, 2017 and 2016**

<table>
<thead>
<tr>
<th>National</th>
<th>Aquarium, Inc.</th>
<th>Foundation, Inc.</th>
<th>ACRC</th>
<th>Lender, LLC</th>
<th>ACRC</th>
<th>Lessee, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,973,863</td>
<td>$ -</td>
<td>$90,268</td>
<td>$25,395</td>
<td>$ -</td>
<td>$7,089,526</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,385,200</td>
<td>-</td>
<td>2,385,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promises to give, net</td>
<td>2,269,550</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,269,550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable, net</td>
<td>252,642</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>252,642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>754,760</td>
<td>-</td>
<td>-</td>
<td>635,000</td>
<td>-</td>
<td>1,389,760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>292,404</td>
<td>3,351</td>
<td>28,810</td>
<td>-</td>
<td>-</td>
<td>324,565</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>303,162</td>
<td>2,772</td>
<td>-</td>
<td>14,808</td>
<td>(320,742)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>34,052,443</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34,052,443</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans receivable</td>
<td>-</td>
<td>-</td>
<td>13,613,540</td>
<td>-</td>
<td>-</td>
<td>13,613,540</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>13,730,618</td>
<td>-</td>
<td>-</td>
<td>(13,730,618)</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$24,576,999</td>
<td>$34,058,566</td>
<td>$13,732,618</td>
<td>$3,060,403</td>
<td>(14,051,360)</td>
<td>$169,103,996</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Property and equipment: | | | | | | |
| **Land** | 1,362,888 | - | - | - | - | 1,362,888 |
| **Furniture, fixtures and office equipment** | 10,911,536 | - | - | - | - | 10,911,536 |
| **Other equipment** | 12,633,642 | - | - | - | - | 12,633,642 |
| **Construction in progress** | 2,670,429 | - | - | 18,004,639 | - | 20,683,068 |
| **Less accumulated depreciation** | (115,569,318) | - | - | - | - | (115,569,318) |
| **Property and equipment, net** | 89,722,131 | - | - | 18,004,639 | - | 107,726,770 |
| **Total assets** | $114,299,130 | $34,058,566 | $13,732,618 | $21,065,042 | (14,051,360) | $169,103,996 |

| Liabilities and Net Assets | | | | | | |
| Liabilities: | | | | | | |
| **Accounts payable and accrued expenses** | $1,496,498 | - | - | - | $1,634,040 | - | $3,130,538 |
| **Accrued salaries and benefits** | 1,305,290 | - | - | - | - | 1,305,290 |
| **Due to affiliate** | 5,272 | 231,312 | 2,000 | 82,158 | (320,742) | - |
| **Deferred revenue** | 3,687,610 | - | - | - | - | 3,687,610 |
| **Deferred rent** | 687,318 | - | - | - | - | 687,318 |
| **Capital lease obligations** | 4,266,963 | - | - | - | - | 4,266,963 |
| **Interest rate swap** | 400,505 | - | - | - | - | 400,505 |
| **Note payable, net of unamortized issuance costs** | 17,382,062 | - | - | - | - | 17,382,062 |
| **New market tax credit loan, net of unamortized issuance costs** | - | - | 17,916,365 | - | - | 17,916,365 |
| **Bond payable, net of unamortized issuance costs** | 18,399,764 | - | - | - | - | 18,399,764 |
| **Total liabilities** | $40,541,282 | 231,312 | 2,000 | 19,632,563 | (320,742) | $65,086,415 |

| Net assets: | | | | | | |
| **Unrestricted** | 65,721,587 | 28,351,753 | 13,730,618 | 1,432,479 | (13,730,618) | 95,505,819 |
| **Temporarily restricted** | 3,036,261 | 3,667,527 | - | - | - | 6,703,788 |
| **Permanently restricted** | - | 1,807,974 | - | - | - | 1,807,974 |
| **Total net assets** | 68,757,848 | 32,022,280 | 13,730,618 | 1,432,479 | (13,730,618) | 104,017,581 |
| **Total liabilities and net assets** | $114,299,130 | $34,058,566 | $13,732,618 | $21,065,042 | (14,051,360) | $169,103,996 |
## 2016

<table>
<thead>
<tr>
<th>Center for National Aquatic Life and Aquarium, Inc. Foundation, Inc. Conservation, Inc. Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,737,719</td>
<td>-</td>
</tr>
<tr>
<td>2,396,835</td>
<td>-</td>
</tr>
<tr>
<td>814,261</td>
<td>-</td>
</tr>
<tr>
<td>633,381</td>
<td>-</td>
</tr>
<tr>
<td>537,136</td>
<td>3,312</td>
</tr>
<tr>
<td>454,609</td>
<td>2,772</td>
</tr>
<tr>
<td>-</td>
<td>30,436,019</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11,573,941</td>
<td>30,442,103</td>
</tr>
<tr>
<td>1,282,888</td>
<td>-</td>
</tr>
<tr>
<td>10,691,996</td>
<td>-</td>
</tr>
<tr>
<td>9,260,349</td>
<td>-</td>
</tr>
<tr>
<td>180,480,653</td>
<td>-</td>
</tr>
<tr>
<td>2,803,942</td>
<td>-</td>
</tr>
<tr>
<td>204,519,828</td>
<td>-</td>
</tr>
<tr>
<td>(105,652,545)</td>
<td>-</td>
</tr>
<tr>
<td>98,867,283</td>
<td>-</td>
</tr>
<tr>
<td>110,441,224</td>
<td>$30,442,103</td>
</tr>
</tbody>
</table>

<p>| 2,104,429 | $2,104,429 |
| 1,703,687 | - | - | - | 1,703,687 |
| 188,543 | 340,537 | 114,072 | (643,152) | - |
| 879,793 | - | - | - | 879,793 |
| 3,054,323 | - | - | - | 3,054,323 |
| 336,009 | - | - | - | 336,009 |</p>
<table>
<thead>
<tr>
<th>5,418,835</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>5,418,835</th>
</tr>
</thead>
<tbody>
<tr>
<td>18,188,494</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,188,494</td>
</tr>
<tr>
<td>35,180,402</td>
<td>340,537</td>
<td>114,072</td>
<td>(643,152)</td>
<td>34,991,859</td>
</tr>
</tbody>
</table>

| 71,379,563 | 25,265,680 | 151,699 | - | 96,796,942 |
| 3,881,259 | 3,027,912 | - | - | 6,909,171 |
| 180,974 | - | - | - | 180,974 |
| 75,260,822 | 30,101,568 | 151,699 | - | 105,514,087 |
| 110,441,224 | $30,442,103 | $265,771 | $ (643,152) | $140,505,946 |
# Consolidating Statement of Activities

## Year Ended December 31, 2017

### National Aquarium, Inc.

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>26,052,753</td>
<td>-</td>
<td>26,052,753</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>5,550,966</td>
<td>2,572,000</td>
<td>8,122,966</td>
</tr>
<tr>
<td>General and corporate programs</td>
<td>5,072,626</td>
<td>-</td>
<td>5,072,626</td>
</tr>
<tr>
<td>Gift shop and food service</td>
<td>1,823,467</td>
<td>-</td>
<td>1,823,467</td>
</tr>
<tr>
<td>Group sales</td>
<td>3,270,134</td>
<td>-</td>
<td>3,270,134</td>
</tr>
<tr>
<td>Education program</td>
<td>962,361</td>
<td>-</td>
<td>962,361</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>1,753,703</td>
<td>-</td>
<td>1,753,703</td>
</tr>
<tr>
<td><strong>Catered events</strong></td>
<td>685,464</td>
<td>-</td>
<td>685,464</td>
</tr>
<tr>
<td><strong>Intercompany grants</strong></td>
<td>5,331,781</td>
<td>-</td>
<td>5,331,781</td>
</tr>
<tr>
<td><strong>Total revenue, gains and other support</strong></td>
<td>53,920,253</td>
<td>(844,998)</td>
<td>53,075,255</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquarium experience</td>
<td>36,535,757</td>
<td>-</td>
<td>36,535,757</td>
</tr>
<tr>
<td>Conservation and education</td>
<td>7,728,407</td>
<td>-</td>
<td>7,728,407</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td>44,264,164</td>
<td>-</td>
<td>44,264,164</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,065,475</td>
<td>-</td>
<td>4,065,475</td>
</tr>
<tr>
<td>Development</td>
<td>5,736,514</td>
<td>-</td>
<td>5,736,514</td>
</tr>
<tr>
<td>Advertising and promotions</td>
<td>4,855,560</td>
<td>-</td>
<td>4,855,560</td>
</tr>
<tr>
<td><strong>Total supporting services expenses</strong></td>
<td>14,657,549</td>
<td>-</td>
<td>14,657,549</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>58,921,713</td>
<td>-</td>
<td>58,921,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in net assets before other financial items</strong></td>
<td>(5,001,460)</td>
<td>(844,998)</td>
<td>(5,846,458)</td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>-</td>
<td>4,198,504</td>
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<tr>
<td>Income on investment in subsidiary</td>
<td>117,078</td>
<td>-</td>
<td>117,078</td>
</tr>
<tr>
<td>Loss on interest rate swap</td>
<td>(64,496)</td>
<td>-</td>
<td>(64,496)</td>
</tr>
<tr>
<td>Debt service</td>
<td>(709,098)</td>
<td>-</td>
<td>(709,098)</td>
</tr>
<tr>
<td><strong>Total other financial items</strong></td>
<td>(656,516)</td>
<td>-</td>
<td>(656,516)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(5,657,976)</td>
<td>(844,998)</td>
<td>(6,502,974)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning</strong></td>
<td>71,378,563</td>
<td>3,881,259</td>
<td>75,260,822</td>
</tr>
<tr>
<td><strong>Ending</strong></td>
<td>65,721,587</td>
<td>3,036,261</td>
<td>68,757,848</td>
</tr>
</tbody>
</table>

## National Aquarium Foundation, Inc.

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Center for Aquatic Life and Conservation, Inc.

<table>
<thead>
<tr>
<th>Service</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Additional Notes
- Investment income includes gains from other financial items.
- Income on investment in subsidiary includes earnings from investments.
- Loss on interest rate swap includes losses from interest rate contracts.
- Debt service includes interest payments.

### Change in Net Assets

**Beginning: $71,378,563**

**Ending: $65,721,587**
<table>
<thead>
<tr>
<th></th>
<th>ACRC Lender, LLC</th>
<th>ACRC Lessor, Inc.</th>
<th>Elaborations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Unrestricted</td>
<td>Temporarily</td>
<td>Restricted</td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Unrestricted</td>
<td>Totals</td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$26,052,753</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>5,550,966</td>
<td>2,582,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,072,626</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,823,467</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,270,134</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>962,361</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,839,601</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>685,464</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
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<tr>
<td>50,275</td>
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<tr>
<td>5,506,352</td>
<td></td>
<td>$</td>
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<tr>
<td>1,652,056</td>
<td></td>
<td>$</td>
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<tr>
<td>2,015,741</td>
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<td>48,874,894</td>
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<tr>
<td>1,839,601</td>
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<td>$</td>
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<tr>
<td>7,916,671</td>
<td></td>
<td>$</td>
<td></td>
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<tr>
<td>38,482,327</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,285,821</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,736,514</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,855,560</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14,877,895</td>
<td></td>
<td>$</td>
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</tr>
<tr>
<td>53,360,222</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13,613,540)</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13,730,618</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>95,505,819</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,703,788</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,807,974</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>104,017,581</td>
<td></td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$13,730,618</td>
<td>$1,432,479</td>
<td>$ (13,730,618)</td>
<td>$ -</td>
<td>$ (13,730,618)</td>
</tr>
</tbody>
</table>

**ACRC**

**Lender, LLC**

**ACRC Lessor, Inc.**

**Eliminations**

**Total**

**Restricted**

**Temporarily**

**Unrestricted**

**Total**

**Unrestricted**

**Temporarily**

**Restricted**

---

|                |                |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|
| **Eliminations**|                |                |                |                |

- **Eliminations**
- **Total**
- **Restricted**
- **Temporarily**
- **Unrestricted**
- **Unrestricted**
Consolidating Statement of Activities  
Year Ended December 31, 2016

<table>
<thead>
<tr>
<th>National Aquarium, Inc.</th>
<th>National Aquarium Foundation, Inc.</th>
<th>Center for Aquatic Life and Conservation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporarily</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
</tr>
<tr>
<td>Revenue, gains and other support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$26,542,865</td>
<td>$ -</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>7,011,367</td>
<td>1,506,983</td>
</tr>
<tr>
<td>General and corporate membership programs</td>
<td>5,008,962</td>
<td>-</td>
</tr>
<tr>
<td>Gift shop and food service</td>
<td>1,820,936</td>
<td>-</td>
</tr>
<tr>
<td>Group sales</td>
<td>3,054,195</td>
<td>-</td>
</tr>
<tr>
<td>Education program</td>
<td>822,313</td>
<td>-</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>2,191,437</td>
<td>-</td>
</tr>
<tr>
<td>Catered events</td>
<td>699,479</td>
<td>-</td>
</tr>
<tr>
<td>Intercorporate grants</td>
<td>1,272,067</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions: Satisfaction of program restrictions</td>
<td>1,241,992</td>
<td>(1,241,992)</td>
</tr>
<tr>
<td>Satisfaction of equipment acquisition restrictions</td>
<td>1,512,514</td>
<td>(1,512,514)</td>
</tr>
<tr>
<td>Total revenue, gains and other support</td>
<td>51,178,127</td>
<td>(1,247,523)</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs:</td>
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<tr>
<td>Aquarium experience</td>
<td>31,714,977</td>
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<tr>
<td>Conservation and education</td>
<td>5,093,968</td>
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<tr>
<td>Total program expenses</td>
<td>36,808,945</td>
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<tr>
<td>Supporting services:</td>
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<tr>
<td>General and administrative</td>
<td>2,889,441</td>
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<tr>
<td>Development</td>
<td>4,271,375</td>
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<td>Advertising and promotions</td>
<td>5,602,427</td>
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<tr>
<td>Total supporting services expenses</td>
<td>12,763,243</td>
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<tr>
<td>Total expenses</td>
<td>49,572,188</td>
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<tr>
<td>Change in net assets before</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other financial items</td>
<td>1,605,939</td>
<td>(1,247,523)</td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Gain on interest rate swap</td>
<td>3,933</td>
<td>-</td>
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<tr>
<td>Debt service</td>
<td>(704,289)</td>
<td>-</td>
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<tr>
<td>Loss on sale of property</td>
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</tr>
<tr>
<td>Total other financial items</td>
<td>(700,347)</td>
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<tr>
<td>Change in net assets</td>
<td>905,592</td>
<td>(1,247,523)</td>
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<td>Net assets:</td>
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<td>Beginning</td>
<td>70,473,971</td>
<td>5,128,782</td>
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<tr>
<td>Ending</td>
<td>$71,379,563</td>
<td>$3,881,259</td>
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<td>Temporarily Restricted</td>
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<td>Restricted</td>
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<td>(1,722,334)</td>
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<td>(1,722,334)</td>
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<tr>
<td>Total</td>
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