



**Virginia Aquarium & Marine  
Science Center Foundation, Inc.**

**Financial Statements**  
Years Ended June 30, 2018 and 2017

**Virginia Aquarium & Marine Science Center  
Foundation, Inc.**

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Foundation, Inc.**

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## Independent Auditor's Report

The Board of Trustees  
Virginia Aquarium & Marine Science Center Foundation, Inc.  
Virginia Beach, Virginia

We have audited the accompanying financial statements of Virginia Aquarium & Marine Science Center Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 audits 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 the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

October 11, 2018

## Financial Statements

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# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Financial Position

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 2,538,715	\$ 1,911,433
Accounts receivable	570,404	576,556
Grants receivable	172,165	360,838
Pledges receivable, net	5,513,268	7,246,677
Prepaid expenses	226,806	89,104
Investments	3,870,929	3,491,343
Property and equipment, net	12,553,955	11,009,511
Restricted cash	4,551,039	3,602,772
<b>Total Assets</b>	<b>\$ 29,997,281</b>	<b>\$ 28,288,234</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 391,078	\$ 414,261
Deferred revenue	151,436	97,094
<b>Total Liabilities</b>	<b>542,514</b>	<b>511,355</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	1,942,538	2,385,495
Net investment in property and equipment	12,553,955	11,009,511
Board designated	1,836,508	500,514
<b>Total unrestricted</b>	<b>16,333,001</b>	<b>13,895,520</b>
Temporarily restricted	11,070,216	11,816,404
Permanently restricted	2,051,550	2,064,955
<b>Total Net Assets</b>	<b>29,454,767</b>	<b>27,776,879</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 29,997,281</b>	<b>\$ 28,288,234</b>

*See accompanying notes to financial statements.*

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Activities

<i>Year Ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Grant revenue	\$ 309,687	\$ -	\$ -	\$ 309,687
Contributions				
Cash	49,800	1,661,198	36,595	1,747,593
Noncash	1,309,572	14,039	-	1,323,611
Education programs	964,541	-	-	964,541
Food service concessions	227,297	-	-	227,297
Photo concessions	382,494	-	-	382,494
Temporary exhibit income	318,705	-	-	318,705
Fundraising events, net	46,924	85,737	-	132,661
Memberships	10,935	-	-	10,935
Facility rental income	109,011	-	-	109,011
Adventure park concessions	267,164	-	-	267,164
Other	37,335	-	-	37,335
	4,033,465	1,760,974	36,595	5,831,034
Net assets released from restrictions for operations	721,458	(721,458)	-	-
<b>Total Revenue and Support</b>	<b>4,754,923</b>	<b>1,039,516</b>	<b>36,595</b>	<b>5,831,034</b>
<b>Operating Expenses</b>				
Program services				
Exhibits	1,144,854	-	-	1,144,854
Educational programs	1,319,975	-	-	1,319,975
Research and conservation	1,110,084	-	-	1,110,084
General and administrative	474,733	-	-	474,733
Fundraising	379,114	-	-	379,114
<b>Total Operating Expenses</b>	<b>4,428,760</b>	<b>-</b>	<b>-</b>	<b>4,428,760</b>
<b>Change in Net Assets from Operations</b>	<b>326,163</b>	<b>1,039,516</b>	<b>36,595</b>	<b>1,402,274</b>
<b>Other Income (Expense)</b>				
Investment income	51,492	232,489	-	283,981
Net assets released for capital	2,018,193	(2,018,193)	-	-
Collections	(8,367)	-	-	(8,367)
<b>Total Other Income (Expense)</b>	<b>2,061,318</b>	<b>(1,785,704)</b>	<b>-</b>	<b>275,614</b>
<b>Change in Net Assets</b>	<b>2,387,481</b>	<b>(746,188)</b>	<b>36,595</b>	<b>1,677,888</b>
Net Assets, beginning of year	13,895,520	11,816,404	2,064,955	27,776,879
Redesignation	50,000	-	(50,000)	-
<b>Net Assets, end of year</b>	<b>\$ 16,333,001</b>	<b>\$ 11,070,216</b>	<b>\$ 2,051,550</b>	<b>\$ 29,454,767</b>

*See accompanying notes to financial statements.*



# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Activities

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Grant revenue	\$ 399,604	\$ -	\$ -	\$ 399,604
Contributions				
Cash	81,002	3,680,559	17,769	3,779,330
Noncash	1,255,500	31,366	-	1,286,866
Education programs	970,882	-	-	970,882
Food service concessions	188,992	-	-	188,992
Photo concessions	323,089	-	-	323,089
Temporary exhibit income	317,098	-	-	317,098
Fundraising events, net	-	169,636	-	169,636
Memberships	9,259	-	-	9,259
Facility rental income	108,302	-	-	108,302
Adventure park concessions	379,171	-	-	379,171
Other	15,874	-	-	15,874
	4,048,773	3,881,561	17,769	7,948,103
Net assets released from restrictions for operations	908,784	(908,784)	-	-
<b>Total Revenue and Support</b>	4,957,557	2,972,777	17,769	7,948,103
<b>Operating Expenses</b>				
Program services				
Exhibits	977,278	-	-	977,278
Educational programs	1,388,798	-	-	1,388,798
Research and conservation	1,158,868	-	-	1,158,868
General and administrative	627,374	-	-	627,374
Fundraising	478,788	-	-	478,788
<b>Total Operating Expenses</b>	4,631,106	-	-	4,631,106
<b>Change in Net Assets from Operations</b>	326,451	2,972,777	17,769	3,316,997
<b>Other Income (Expense)</b>				
Investment income	18,104	262,627	-	280,731
Net assets released for capital	1,697,399	(1,697,399)	-	-
Collections	(5,252)	-	-	(5,252)
<b>Total Other Income (Expense)</b>	1,710,251	(1,434,772)	-	275,479
<b>Change in Net Assets</b>	2,036,702	1,538,005	17,769	3,592,476
Net Assets, beginning of year	11,858,818	10,278,399	2,047,186	24,184,403
<b>Redesignation</b>	-	-	-	-
<b>Net Assets, end of year</b>	\$ 13,895,520	\$ 11,816,404	\$ 2,064,955	\$ 27,776,879

*See accompanying notes to financial statements.*

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Functional Expenses

<i>Year Ended June 30, 2018</i>	Program Services			General and	Fundraising	Total
	Exhibits	Educational	Research	Administrative		
Salaries	\$ 176,129	\$ 394,670	\$ 536,124	\$ 261,220	\$ 169,292	\$ 1,537,435
Payroll taxes	12,145	26,638	36,891	17,151	12,161	104,986
Employee benefits	38,482	86,765	126,134	57,763	49,421	358,565
<b>Total Personnel</b>	<b>226,756</b>	<b>508,073</b>	<b>699,149</b>	<b>336,134</b>	<b>230,874</b>	<b>2,000,986</b>
Advertising and promotion	9,592	30,107	1,567	6,097	1,618	48,981
Bank charges	18	3,418	522	3,766	963	8,687
Conservation support	-	-	39,750	-	-	39,750
Contractual services	244,026	630,617	108,789	37,721	122,335	1,143,488
Dues and subscriptions	36,087	1,713	2,257	11,223	2,827	54,107
Fuel	850	2,667	6,053	-	-	9,570
Indirect overhead	-	-	2,236	(2,236)	-	-
Insurance	-	-	21,436	9,950	-	31,386
Maintenance and repair	12,340	923	2,192	-	-	15,455
Meetings	342	1,776	390	7,642	2,188	12,338
Miscellaneous	302	3,113	877	1,010	-	5,302
Permits and fees	80	1,137	467	765	34	2,483
Printing and postage	17,503	4,678	1,280	3,690	3,162	30,313
Professional development	40,246	29,670	28,737	1,934	885	101,472
Professional services	5,777	4,917	9,697	24,561	6,508	51,460
Rent	575	-	64,124	-	-	64,699
Small tools and equipment	14,186	944	4,408	1,077	-	20,615
Supplies	4,889	58,742	28,877	39,539	1,814	133,861
Telecommunications	4,633	-	3,286	6,643	-	14,562
Travel	22,905	274	10,477	27	1,063	34,746
Volunteer and staff expense	-	10,134	222	830	-	11,186
<b>Total expenses before depreciation and gain on disposition</b>	<b>641,107</b>	<b>1,292,903</b>	<b>1,036,793</b>	<b>490,373</b>	<b>374,271</b>	<b>3,835,447</b>
Depreciation	503,747	27,072	73,451	4,360	4,843	613,473
Gain on disposition of property and equipment	-	-	(160)	(20,000)	-	(20,160)
<b>Total</b>	<b>\$ 1,144,854</b>	<b>\$ 1,319,975</b>	<b>\$ 1,110,084</b>	<b>\$ 474,733</b>	<b>\$ 379,114</b>	<b>\$ 4,428,760</b>

*See accompanying notes to financial statements.*

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Functional Expenses

<i>Year Ended June 30, 2017</i>	Program Services			General and	Fundraising	Total
	Exhibits	Educational	Research	Administrative		
Salaries	\$ 198,822	\$ 419,662	\$ 571,273	\$ 353,456	\$ 206,960	\$ 1,750,173
Payroll taxes	13,493	29,143	39,617	22,332	14,705	119,290
Employee benefits	39,796	100,195	140,882	76,559	62,852	420,284
<b>Total Personnel</b>	<b>252,111</b>	<b>549,000</b>	<b>751,772</b>	<b>452,347</b>	<b>284,517</b>	<b>2,289,747</b>
Advertising and promotion	2,216	20,017	924	7,142	5,136	35,435
Bank charges	63	2,852	523	3,396	1,036	7,870
Conservation support	-	-	33,280	-	-	33,280
Contractual services	125,929	673,467	105,206	43,861	153,521	1,101,984
Dues and subscriptions	19,581	2,106	2,288	30,662	3,339	57,976
Fuel	302	2,211	6,730	-	-	9,243
Indirect overhead	-	-	11,369	(11,369)	-	-
Insurance	125	-	21,290	8,444	-	29,859
Maintenance and repair	1,943	2,694	3,937	569	963	10,106
Meetings	892	669	35	6,174	3,778	11,548
Miscellaneous	165	3,836	259	-	-	4,260
Permits and fees	187	497	2,431	791	-	3,906
Printing and postage	10,413	3,332	3,136	4,765	3,450	25,096
Professional development	32,568	24,904	23,175	1,235	327	82,209
Professional services	6,578	5,577	8,657	28,423	2,489	51,724
Rent	-	-	62,654	-	-	62,654
Small tools and equipment	7,802	35	9,142	2,070	7,404	26,453
Supplies	9,622	61,037	18,837	32,215	5,070	126,781
Telecommunications	4,740	96	2,849	8,701	-	16,386
Travel	1,019	2,380	19,644	2,017	2,865	27,925
Volunteer and staff expense	-	9,790	550	144	50	10,534
<b>Total expenses before depreciation and loss on disposition</b>	<b>476,256</b>	<b>1,364,500</b>	<b>1,088,688</b>	<b>621,587</b>	<b>473,945</b>	<b>4,024,976</b>
Depreciation	490,303	24,298	66,777	5,787	4,843	592,008
Loss on disposition of property and equipment	10,719	-	3,403	-	-	14,122
<b>Total</b>	<b>\$ 977,278</b>	<b>\$ 1,388,798</b>	<b>\$ 1,158,868</b>	<b>\$ 627,374</b>	<b>\$ 478,788</b>	<b>\$ 4,631,106</b>

*See accompanying notes to financial statements.*

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,677,888	\$ 3,592,476
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	613,473	592,008
(Gain) Loss on sale of property and equipment	(20,160)	14,122
Payments received on capital campaign pledges	(2,784,808)	(3,008,577)
Realized gain on sale of investments	(92,297)	(295,794)
Unrealized (gain) loss on investments	(61,897)	103,376
Donated equipment received	(122,524)	-
Changes in operating assets and liabilities		
Accounts receivable	6,152	(132,029)
Grants receivable	188,673	(206,085)
Pledges receivable	1,733,409	(99,131)
Prepaid expenses	(137,702)	(87,484)
Accounts payable	(23,183)	(33,234)
Deferred revenue	54,342	(59,680)
<b>Net Cash Provided by Operating Activities</b>	<b>1,031,366</b>	<b>379,968</b>
<b>Cash Flows From Investing Activities</b>		
Restricted cash	(948,267)	(771,101)
Purchase of property and equipment	(2,035,393)	(1,953,007)
Purchase of investments	(1,682,467)	(3,734,994)
Proceeds from sale of property and equipment	20,160	188
Proceeds from sale of investments	1,457,075	2,792,437
<b>Net Cash Used in Investing Activities</b>	<b>(3,188,892)</b>	<b>(3,666,477)</b>
<b>Net Cash Provided by Financing Activities</b>		
Payments received on capital campaign pledges	2,784,808	3,008,577
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>627,282</b>	<b>(277,932)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,911,433</b>	<b>2,189,365</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,538,715</b>	<b>\$ 1,911,433</b>

*See accompanying notes to financial statements.*

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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### 1. Nature Of Organization

The Virginia Aquarium & Marine Science Center Foundation, Inc. (the "Foundation") is a non-stock, nonprofit corporation. The mission of the Foundation is to inspire conservation of the marine environment through education, research and sustainable practices. The Foundation is supported primarily through educational programs and public support.

### 2. Summary of Significant Accounting Policies

#### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### *Basis of Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented as "net assets released from restrictions" in the accompanying statements of activities.

#### *Cash and Cash Equivalents*

For purposes of the statements of financial position and cash flows, cash and cash equivalents are defined as demand deposits, certificate of deposits and all highly liquid debt instruments purchased with an original maturity of three months or less, other than those maintained as a part of investment portfolios.

#### *Accounts and Grants Receivable*

Management considers the need for an allowance for uncollectible accounts and grants receivable based on its review of receivables and historical collection experience. The Foundation writes off receivables as a charge to the allowance, when in their estimation, it is probable the receivable is worthless. Accounts and grants receivable are considered past due if payments are not received by the due date stated on the billing statement. Past due accounts are not charged a monthly finance charge. Management considers all accounts to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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### *Pledges Receivable*

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible pledges receivable is provided based upon management's judgment. Conditional promises to give are not included as support until the conditions are substantially met.

### *Investments*

The Foundation's investments are carried at their fair value in the statements of financial position. Changes in fair value are included in the change in net assets in the statements of activities.

### *Collections*

In accordance with industry practice, the Foundation's collections of marine animals are not capitalized and recognized as assets in the statements of financial position. The Foundation holds its collections for public exhibition, education and research rather than for financial gain. It protects, cares for, preserves and keeps its collections unencumbered. Additionally, it is impracticable to attempt to assign values to the collection because the animals have certain attributes, such as species, sex, age, breeding potential, and relationship to others in the ecosystem that make it difficult to determine an objective basis for valuation. The cost of collection items purchased by the Foundation is reported in the accompanying statements of activities as collections. Contributed collection items are not reflected in the financial statements.

### *Property and Equipment*

Property and equipment are recorded at cost if purchased and at estimated fair value if donated. Asset purchases of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is calculated using the straight-line method based on the following useful lives:

	Years
Exhibits	3-39 Years
Leasehold improvements	15-25 Years
Office furniture and equipment	3-7 Years
Vehicles	5-7 Years
Vessels	5-20 Years

### *Restricted Cash*

Restricted cash consists of cash received by donors and restricted for future exhibit, program or renovation purposes.

### *Deferred Revenue*

Deferred revenue includes event deposits, program fees, and grant awards received in advance and will be recognized as revenue when the event occurs or the grant expenses are incurred.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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### *Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated between program services, general and administrative, and fundraising.

### *Volunteers*

A substantial number of unpaid volunteers have made significant contributions of their time and talent to further the mission of the Foundation. The value of these contributed services is not reported in these financial statements since it is not susceptible to objective measurement or valuation, and because the criteria for recognition of such volunteer effort have not been satisfied.

### *Income Taxes*

The Foundation is an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income from regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for returns filed for tax years 2014 and earlier. Management continually evaluates tax positions reflected in the Foundation's tax filings and does not believe that any material uncertain tax positions exist.

### *Subsequent Events*

The Foundation has evaluated subsequent events through October 11, 2018, the date which the financial statements were available to be issued.

## **3. Related Party Transactions**

The Aquarium that houses the Foundation's exhibits is owned, operated and maintained by the City of Virginia Beach (the City). On June 25, 2012, the Foundation renewed its operating agreement with the City. The initial term of the agreement was for five years effective June 2012 through June 2017, with an automatic extension which was exercised in 2017 for a consecutive five-year term. The following summarizes the material terms of this agreement:

The Foundation owns all the animals and permanent exhibits located in the Aquarium which have been funded by the Foundation.

The City agrees to insure and maintain exhibits designed, fabricated and installed in the Aquarium by the Foundation.

The Foundation operates the Aquarium's Stranding Program which is housed in a building leased by the City and is known as the Marine Animal Care Center. The Foundation pays the City 35% of the cost of the lease and utilities. Rent expense includes \$63,952 and \$62,654 for the years ended June 30, 2018 and 2017, respectively, inclusive of utilities related to this arrangement.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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The City provides the Foundation with office space in the Aquarium, use of office equipment and City personnel for administrative, program and accounting services. These amounts are included as both non-cash contribution income and personnel expenses in the statements of activities and totaled \$1,193,875 and \$1,278,216 for the years ended June 30, 2018 and 2017, respectively.

The Foundation reimburses the City for the cost of the salaries and related expenses paid by the City to City employees who operate certain programs at the Aquarium on behalf of the Foundation. These amounts totaled \$807,111 and \$1,011,531 for the years ended June 30, 2018 and 2017 and are included in personnel expenses in the statements of activities.

The Foundation pays to the City 25% of gross revenues and 100% of 3D Theater movie revenues received by the Foundation as a result of the use of the Aquarium facilities by third parties for private functions arranged by the Foundation. These amounts are recorded as a liability to the City and are not recorded as revenue in the statements of activities.

Accounts payable related to payroll reimbursements and other transactions with the City totaled \$221,666 and \$242,783 at June 30, 2018 and 2017, respectively.

The City sells both admissions tickets and memberships through its admissions desk. Temporary exhibit charges are paid to the Foundation and totaled \$318,705 and \$317,098 for the years ended June 30, 2018 and 2017, respectively. Any amounts in excess of basic membership for philanthropic memberships are paid to the Foundation and totaled \$10,935 and \$9,259 for the years ended June 30, 2018 and 2017, respectively. The City collects other fees and revenues on behalf of the Foundation at the admissions desk for boat trips, special events, and other educational programs. Amounts due to the Foundation from the City related to the above transactions totaled \$305,609 and \$406,416 for the years ended June 30, 2018 and 2017, respectively.

The Foundation is responsible for the operation of all food services throughout the Aquarium. The Foundation contracts all food services to an independent food service operator under an agreement through June 30, 2027. The Foundation receives monthly payments based on varying commission rates.

The Aquarium Stores in the Aquarium are operated and maintained by the City and the City retains all revenues received from their operations.

The Foundation and the City are jointly funding three capital improvement projects to renovate and expand the Owls Creek Marsh Pavilion, build a new Darden Marine Animal Conservation Center, and renovate the Chesapeake Bay Aquarium. The Foundation has committed total funds of \$10,980,710 toward these three projects. The Foundation will own the permanent exhibits and equipment which will be constructed, funded or purchased as part of the improvement projects. The Foundation paid the City \$2,000,000 in 2018, \$1,750,000 in 2017 and \$250,000 in 2016 toward these projects. The Foundation funded \$500,000 for the renovation of the Chesapeake Bay Aquarium, which was placed in service during the year ended June 30, 2018. The payments made toward the other two projects are reflected in construction in progress in the financial statements. The remaining commitment owed to the City under the agreements totaled \$6,980,710 at June 30, 2018.



# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

### 4. Pledges Receivable

Pledges receivable consist of the following:

<i>June 30,</i>	2018	2017
Receivable in less than one year	\$ 2,078,257	\$ 2,429,057
Receivable in 1 - 5 years	3,492,606	5,019,354
Receivable in more than 5 years	670,000	670,000
<b>Total pledges receivable</b>	<b>6,240,863</b>	<b>8,118,411</b>
Less discounts to net present value (ranging from 1.41% - 6.83%)	(437,423)	(490,330)
Less allowance for doubtful accounts	(290,172)	(381,404)
<b>Total Pledges Receivable, net</b>	<b>\$ 5,513,268</b>	<b>\$ 7,246,677</b>

### 5. Investments

Investment income in the following net asset categories consist of the following:

<i>Years ended June 30,</i>	2018	2017
Unrestricted net assets		
Interest and dividends	\$ 51,907	\$ 18,185
Financial service fees	(415)	(81)
	<b>51,492</b>	<b>18,104</b>
Temporarily restricted net assets		
Interest and dividends	99,082	88,108
Realized gain on sale of investments	92,297	295,794
Financial service fees	(20,787)	(17,899)
Unrealized gain (loss) on investments	61,897	(103,376)
	<b>232,489</b>	<b>262,627</b>
<b>Total Investment Income</b>	<b>\$ 283,981</b>	<b>\$ 280,731</b>

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

### 6. Fair Value Measurements

The Foundation's investments are valued using a fair value hierarchy. The three levels of fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 - quoted prices in active markets for identical assets.
- Level 2 - observable inputs that include quoted market prices for similar assets; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The Foundation's investments at fair value on a recurring basis are as follows:

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
Real estate	\$ -	\$ 10,000	\$ -	\$ 10,000
Money market	15,715	-	-	15,715
Mutual funds				
U.S. equities	1,070,840	-	-	1,070,840
International	556,195	-	-	556,195
Fixed income	385,977	-	-	385,977
Alternative	517,901	-	-	517,901
Fixed income	-	1,173,676	-	1,173,676
Corporate bonds	-	140,625	-	140,625
<b>Total Investments</b>	<b>\$ 2,546,628</b>	<b>\$ 1,324,301</b>	<b>\$ -</b>	<b>\$ 3,870,929</b>

The Foundation's investments at fair value on a recurring basis are as follows:

<i>June 30, 2017</i>	Level 1	Level 2	Level 3	Total
Real estate	\$ -	\$ 10,000	\$ -	\$ 10,000
Money market	11,679	-	-	11,679
Mutual funds				
U.S. equities	1,174,411	-	-	1,174,411
International	402,945	-	-	402,945
Fixed income	329,842	-	-	329,842
Alternative	466,634	-	-	466,634
Fixed income	-	949,433	-	949,433
Corporate bonds	-	146,399	-	146,399
<b>Total Investments</b>	<b>\$ 2,385,511</b>	<b>\$ 1,105,832</b>	<b>\$ -</b>	<b>\$ 3,491,343</b>

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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Real estate is valued at the property tax assessment as reported by the taxing county in which the property is located. Money market funds and mutual funds are valued at the closing price reported by the active market in which the individual securities are traded. Fixed income and corporate bonds are calculated using quoted market prices for similar assets. There were no changes in valuation techniques during 2018 and 2017.

### 7. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2018	2017
Exhibits	\$ 15,416,453	\$ 14,983,789
Leasehold improvements	114,727	114,727
Office furniture and equipment	246,471	246,471
Vehicles	311,404	293,211
Vessels	590,921	590,921
Works of art	150,000	150,000
Construction in progress	3,622,524	2,000,000
Total	20,452,500	18,379,119
Less accumulated depreciation	(7,898,545)	(7,369,608)
<b>Property and Equipment, net</b>	<b>\$ 12,553,955</b>	<b>\$ 11,009,511</b>

### 8. Board Designated Net Assets

Board designated net assets are available for the following purposes:

<i>June 30,</i>	2018	2017
Operating reserves	\$ 756,508	\$ 500,514
Capital reserves	1,030,000	-
Board designated endowment	50,000	-
<b>Total Board Designated Net Assets</b>	<b>\$ 1,836,508</b>	<b>\$ 500,514</b>

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

### 9. Restricted Net Assets

Restricted net assets are available for the following purposes:

<i>June 30,</i>	2018	2017
Temporarily restricted		
Renovation project	\$ 9,211,217	\$ 10,176,514
Exhibits and program expenses	1,858,999	1,639,890
<b>Total temporarily restricted assets</b>	<b>11,070,216</b>	<b>11,816,404</b>
Permanently restricted		
Program and supporting services	2,051,550	2,064,955
<b>Total Restricted Net Assets</b>	<b>\$ 13,121,766</b>	<b>\$ 13,881,359</b>

Net assets of the Foundation were released from donor restrictions by satisfying the purposes or time restrictions specified by donors as follows:

<i>Years ended June 30,</i>	2018	2017
Renovation project	\$ 2,055,716	\$ 1,888,754
Exhibits and program expenses	683,935	717,429
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 2,739,651</b>	<b>\$ 2,606,183</b>

The related net assets released are presented in the accompanying combining statements of activities as follows:

<i>Years ended June 30,</i>	2018	2017
Net assets released for operations	\$ 721,458	\$ 908,784
Net assets released for capital purchases	2,018,193	1,697,399
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 2,739,651</b>	<b>\$ 2,606,183</b>

### 10. Endowments

The Foundation's endowment consists of seven individual donor-restricted funds held with the Foundation for the purpose of attracting other donors who wish to support the work of the Foundation in perpetuity through gifts to the endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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### *Governing Board's Interpretation of Law*

The Board of Trustees has interpreted 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. The Foundation 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, if any, made in accordance with the direction of the applicable donor gift instrument. 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 until those amounts are appropriated for expenditure by the Foundation.

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

- (1) The duration and preservation of the fund;
- (2) The purpose of the Foundation in relation to the purpose of a restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Foundation;
- (7) The investment policies of the Foundation.

### *Spending Policy*

The distribution policy of the Foundation is to annually distribute up to the distribution percentage of the three year average market value of the endowment. The distribution percentage will be computed as the three year average annual fiscal year return of total income less the three year average Consumer Price Index (CPI). The distribution percentage will have a minimum floor of 2.5% and a maximum of 5%. If in any one year, the full spending rate is not expended, the unspent portion carries forward and is added to subsequent year's spending rate.

### *Investment Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of current assets, maximize return with a reasonable and prudent level of risk and to minimize the costs of administering and managing the assets. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that achieve long-term real rate of return of assets of not less than 5% after inflation. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation reviews and rebalances the assets no less than quarterly.

The Foundation targets a diversified asset allocation that places a greater emphasis on liquid securities, securities that can be sold quickly and efficiently with minimal impact of market price.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

Endowment net asset composition by type of fund is as follows:

<i>June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 50,000	\$ -	\$ -	\$ 50,000
Donor-restricted	-	472,909	2,051,550	2,524,459
<b>Total Endowment Funds</b>	<b>\$ 50,000</b>	<b>\$ 472,909</b>	<b>\$ 2,051,550</b>	<b>\$ 2,574,459</b>

<i>June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ -	\$ -	\$ -	\$ -
Donor-restricted	-	383,465	2,064,955	2,448,420
<b>Total Endowment Funds</b>	<b>\$ -</b>	<b>\$ 383,465</b>	<b>\$ 2,064,955</b>	<b>\$ 2,448,420</b>

Changes in endowment net assets are as follows:

<i>Years ended June 30,</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	\$ -	\$ 204,328	\$ 2,047,186	\$ 2,251,514
Contributions	-	-	17,769	17,769
Investment income	-	262,627	-	262,627
Expenditures	-	(83,490)	-	(83,490)
Balance, June 30, 2017	\$ -	\$ 383,465	\$ 2,064,955	\$ 2,448,420
Contributions	-	-	36,595	36,595
Investment income	-	232,489	-	232,489
Expenditures	-	(143,045)	-	(143,045)
Redesignation	50,000	-	(50,000)	-
Balance, June 30, 2018	\$ 50,000	\$ 472,909	\$ 2,051,550	\$ 2,574,459

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2018 and 2017.

# Virginia Aquarium & Marine Science Center Foundation, Inc.

## Notes To Financial Statements

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### 11. Donated Materials and Services

The estimated fair market value of donated materials and services included in the financial statements for the years ended June 30, 2018 and 2017 are as follows:

<i>Years ended June 30,</i>	2018	2017
Salaries	\$ 925,477	\$ 985,629
Payroll taxes	60,132	64,247
Employee benefits	208,266	228,340
Maintenance and repair	-	1,426
Property and equipment	122,524	-
Professional services	7,212	6,300
Supplies	-	924
<b>Total Donated Materials and Services</b>	<b>\$1,323,611</b>	<b>\$ 1,286,866</b>

### 12. Concentrations

At various times during the years presented, the Foundation may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

Investments are subject to market risk which is dependent on the future changes in market prices of the various investments held.