



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

Financial Statements
Years Ended June 30, 2019 and 2018

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Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7-8
Statements of Functional Expenses	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-25



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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019

Financial Statements

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 2,865,711	\$ 2,538,715
Accounts receivable	675,766	570,404
Grants receivable	154,480	172,165
Promises to give, net	3,832,512	5,513,268
Prepaid expenses	217,276	226,806
Investments	4,052,867	3,870,929
Property and equipment, net	14,557,074	12,553,955
Restricted cash	4,247,203	4,551,039
Total Assets	\$ 30,602,889	\$ 29,997,281
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 426,441	\$ 391,078
Deferred revenue	124,798	151,436
Total Liabilities	551,239	542,514
Net Assets		
Net assets without donor restrictions		
Undesignated	1,415,743	1,942,538
Net investment in property and equipment	14,557,074	12,553,955
Board-designated	2,926,529	1,836,508
Net assets without donor restrictions	18,899,346	16,333,001
Net assets with donor restrictions	11,152,304	13,121,766
Total Net Assets	30,051,650	29,454,767
Total Liabilities and Net Assets	\$ 30,602,889	\$ 29,997,281

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Activities

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Contributions			
Cash	\$ 160,218	\$ 1,145,888	\$ 1,306,106
Noncash	1,298,656	26,970	1,325,626
Grant revenue	253,939	-	253,939
Fundraising events, net	-	122,419	122,419
Memberships	7,820	-	7,820
Education programs	972,572	-	972,572
Facility rental income	103,176	-	103,176
Temporary exhibit income	295,888	-	295,888
Concessions	801,446	-	801,446
Other	791	-	791
	3,894,506	1,295,277	5,189,783
Net assets released from restrictions for operations	814,785	(814,785)	-
Total Operating Revenue	4,709,291	480,492	5,189,783
Operating Expenses			
Program services			
Educational programs	1,481,905	-	1,481,905
Exhibits	1,371,576	-	1,371,576
Research and conservation	1,157,045	-	1,157,045
General and administrative	374,016	-	374,016
Fundraising	477,318	-	477,318
Total Operating Expenses	4,861,860	-	4,861,860
Change in Net Assets from Operations	(152,569)	480,492	327,923
Nonoperating Revenue (Expense)			
Investment income, net	29,070	245,792	274,862
Net assets released from restrictions for capital	2,695,746	(2,695,746)	-
Collections	(5,902)	-	(5,902)
Total Nonoperating Revenue (Expense)	2,718,914	(2,449,954)	268,960
Change in Net Assets	2,566,345	(1,969,462)	596,883
Net Assets, beginning of year	16,333,001	13,121,766	29,454,767
Redesignation	-	-	-
Net Assets, end of year	\$ 18,899,346	\$ 11,152,304	\$ 30,051,650

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Activities

<i>Year Ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Contributions			
Cash	\$ 79,284	\$ 1,697,793	\$ 1,777,077
Noncash	1,309,572	14,039	1,323,611
Grant revenue	309,687	-	309,687
Fundraising events, net	46,924	85,737	132,661
Memberships	10,935	-	10,935
Education programs	964,541	-	964,541
Facility rental income	109,011	-	109,011
Temporary exhibit income	318,705	-	318,705
Concessions	876,955	-	876,955
Other	7,851	-	7,851
	4,033,465	1,797,569	5,831,034
Net assets released from restrictions for operations	721,458	(721,458)	-
Total Operating Revenue	4,754,923	1,076,111	5,831,034
Operating Expenses			
Program services			
Educational programs	1,319,975	-	1,319,975
Exhibits	1,144,854	-	1,144,854
Research and conservation	1,110,084	-	1,110,084
General and administrative	474,733	-	474,733
Fundraising	379,114	-	379,114
Total Operating Expenses	4,428,760	-	4,428,760
Change in Net Assets from Operations	326,163	1,076,111	1,402,274
Nonoperating Revenue (Expense)			
Investment income, net	51,492	232,489	283,981
Net assets released from restrictions for capital	2,018,193	(2,018,193)	-
Collections	(8,367)	-	(8,367)
Total Nonoperating Revenue (Expense)	2,061,318	(1,785,704)	275,614
Change in Net Assets	2,387,481	(709,593)	1,677,888
Net Assets, beginning of year	13,895,520	13,881,359	27,776,879
Redesignation	50,000	(50,000)	-
Net Assets, end of year	\$ 16,333,001	\$ 13,121,766	\$ 29,454,767

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program Services			General and	Fundraising	Total
	Educational	Exhibits	Research	Administrative		
Salaries	\$ 446,394	\$ 219,014	\$ 569,595	\$ 192,319	\$ 187,771	\$ 1,615,093
Payroll taxes	30,800	15,147	38,822	11,971	11,606	108,346
Employee benefits	97,164	46,557	138,348	42,754	45,004	369,827
Total Personnel	574,358	280,718	746,765	247,044	244,381	2,093,266
Advertising and promotion	23,165	18,233	1,851	6,669	798	50,716
Bank charges	2,180	55	459	3,733	1,294	7,721
Conservation support	-	-	41,476	7,000	-	48,476
Contractual services	614,023	306,970	48,042	18,852	128,254	1,116,141
Dues and subscriptions	1,959	36,708	3,597	10,546	1,895	54,705
Fuel	2,671	234	6,215	-	-	9,120
Indirect overhead	-	-	5,417	(5,417)	-	-
Insurance	3,334	-	26,384	4,409	-	34,127
Maintenance and repair	1,604	15,362	23,701	-	-	40,667
Meetings	141	92	550	5,584	6,628	12,995
Miscellaneous	189	84	1,058	1,349	-	2,680
Permits and fees	813	-	417	640	-	1,870
Printing and postage	15,718	17,167	1,073	6,825	7,307	48,090
Professional development	17,061	43,484	26,973	13,874	2,868	104,260
Professional services	6,248	7,267	9,991	17,275	71,521	112,302
Rent	217	-	66,196	-	-	66,413
Small tools and equipment	3,115	9,458	3,913	800	3,015	20,301
Supplies	59,356	13,212	19,161	18,431	4,193	114,353
Temporary labor	100,533	20,381	40,986	3,509	-	165,409
Telecommunications	-	6,256	3,008	7,810	-	17,074
Travel	17,846	4,679	6,168	409	321	29,423
Uncollectible pledges	-	-	-	1,000	-	1,000
Volunteer and staff expense	11,443	-	7	24	-	11,474
Total expenses before depreciation and (gain) loss on disposition	1,455,974	780,360	1,083,408	370,366	472,475	4,162,583
Depreciation	26,681	510,474	74,637	3,204	4,843	619,839
(Gain) loss on disposition of property and equipment	(750)	80,742	(1,000)	446	-	79,438
Total	\$ 1,481,905	\$ 1,371,576	\$ 1,157,045	\$ 374,016	\$ 477,318	\$ 4,861,860

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Functional Expenses

Year Ended June 30, 2018	Program Services			General and	Fundraising	Total
	Educational	Exhibits	Research	Administrative		
Salaries	\$ 394,670	\$ 176,129	\$ 536,124	\$ 261,220	\$ 169,292	\$ 1,537,435
Payroll taxes	26,638	12,145	36,891	17,151	12,161	104,986
Employee benefits	86,765	38,482	126,134	57,763	49,421	358,565
Total Personnel	508,073	226,756	699,149	336,134	230,874	2,000,986
Advertising and promotion	30,107	9,592	1,567	6,097	1,618	48,981
Bank charges	3,418	18	522	3,766	963	8,687
Conservation support	-	-	39,750	-	-	39,750
Contractual services	573,186	239,501	95,546	28,592	122,335	1,059,160
Dues and subscriptions	1,713	36,087	2,257	11,223	2,827	54,107
Fuel	2,667	850	6,053	-	-	9,570
Indirect overhead	-	-	2,236	(2,236)	-	-
Insurance	-	-	21,436	9,950	-	31,386
Maintenance and repair	923	12,340	2,192	-	-	15,455
Meetings	1,776	342	390	7,642	2,188	12,338
Miscellaneous	3,113	302	877	1,010	-	5,302
Permits and fees	1,137	80	467	765	34	2,483
Printing and postage	4,678	17,503	1,280	3,690	3,162	30,313
Professional development	29,670	40,246	28,737	1,934	885	101,472
Professional services	4,917	5,777	9,697	24,561	6,508	51,460
Rent	-	575	64,124	-	-	64,699
Small tools and equipment	944	14,186	4,408	1,077	-	20,615
Supplies	58,742	4,889	28,877	39,539	1,814	133,861
Temporary labor	57,431	4,525	13,243	9,129	-	84,328
Telecommunications	-	4,633	3,286	6,643	-	14,562
Travel	274	22,905	10,477	27	1,063	34,746
Uncollectible pledges	-	-	-	-	-	-
Volunteer and staff expense	10,134	-	222	830	-	11,186
Total expenses before depreciation and gain on disposition	1,292,903	641,107	1,036,793	490,373	374,271	3,835,447
Depreciation	27,072	503,747	73,451	4,360	4,843	613,473
Gain on disposition of property and equipment	-	-	(160)	(20,000)	-	(20,160)
Total	\$ 1,319,975	\$ 1,144,854	\$ 1,110,084	\$ 474,733	\$ 379,114	\$ 4,428,760

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Operating Activities		
Change in net assets	\$ 596,883	\$ 1,677,888
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	619,839	613,473
(Gain) loss on sale of property and equipment	79,438	(20,160)
Payments received on capital campaign pledges	(2,082,229)	(2,305,912)
Realized gain on sale of investments	(47,351)	(92,297)
Unrealized gain on investments	(12,563)	(61,897)
Donated equipment received	(8,400)	(122,524)
Collections	5,902	8,367
Changes in operating assets and liabilities		
Accounts receivable	(105,362)	6,152
Grants receivable	17,685	188,673
Promises to give	1,680,756	1,733,409
Prepaid expenses	9,530	(137,702)
Accounts payable	35,363	(23,183)
Deferred revenue	(26,638)	54,342
Net Cash Provided by Operating Activities	762,853	1,518,629
Investing Activities		
Restricted cash	303,836	(948,267)
Purchase of property and equipment	(2,695,746)	(2,035,393)
Purchase of investments	(1,610,975)	(1,682,467)
Purchase of collections	(5,902)	(8,367)
Proceeds from sale of property and equipment	1,750	20,160
Proceeds from sale of investments	1,488,951	1,457,075
Net Cash Used in Investing Activities	(2,518,086)	(3,197,259)
Net Cash Provided by Financing Activities		
Payments received on capital campaign pledges	2,082,229	2,305,912
Net Increase in Cash and Cash Equivalents	326,996	627,282
Cash and Cash Equivalents, beginning of year	2,538,715	1,911,433
Cash and Cash Equivalents, end of year	\$ 2,865,711	\$ 2,538,715
Supplemental Non-cash Investing and Financing Activities		
Donated equipment received	\$ 8,400	\$ 122,524

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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

Basis of Presentation

The financial statements of the Foundation are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities and change in net assets, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has adopted the ASU and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented except the Foundation has opted to present the liquidity and availability information for June 30, 2019 only as permitted under the ASU in the year of adoption. There was no effect on the change in net assets reported at June 30, 2018.

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.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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.

Promises to Give

Promises to give 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 promises to give 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.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to 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.

Net Asset Classification

The Foundation classifies its net assets into two categories as defined below:

Net Assets without Donor Restrictions - Net assets without donor restrictions consist of amounts available for the general operations of the Foundation as well as net assets that have been designated by the Board of Directors for specific purposes.

Net Assets with Donor Restrictions - Net assets with donor restrictions consist of gifts of cash or other assets whose use is subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on the related investments for general or specific purposes. Donor restricted contributions whose purpose restrictions are met in the same reporting period are reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions for operations or capital.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Operating Measure

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of items attributable to the Foundation's ongoing program services. Nonoperating activities are limited to resources that generate return from investments as well as other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. Other expenses are allocated based on estimates of time and effort.

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 2015 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, 2019, 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 April 3, 2019, the Foundation amended and restated its operating agreement with the City. The amendment did not modify the five-year term set forth by the previous agreement and is set to expire in June 2022. The following summarizes the material terms of this agreement:

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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 \$66,196 and \$63,952 for the years ended June 30, 2019 and 2018, respectively, inclusive of utilities related to this arrangement.

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 \$1,301,926 and \$1,187,275 for the years ended June 30, 2019 and 2018, 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 \$776,039 and \$807,111 for the years ended June 30, 2019 and 2018 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 \$253,514 and \$221,666 at June 30, 2019 and 2018, respectively.

The City sells both admissions tickets and memberships through its admissions desk. Temporary exhibit charges are paid to the Foundation and totaled \$295,888 and \$318,705 for the years ended June 30, 2019 and 2018, respectively. Any amounts in excess of basic membership for philanthropic memberships are paid to the Foundation and totaled \$7,820 and \$10,935 for the years ended June 30, 2019 and 2018, 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 \$471,374 and \$305,609 for the years ended June 30, 2019 and 2018, 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. The City retains all revenues received from their operations. Revenues collected by the City in the

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Aquarium Store directly from the sale of Foundation merchandise is remitted by the City to the Foundation at the end of the fiscal year.

The Foundation and the City are jointly funding two capital improvement projects to renovate and expand the Owls Creek Marsh Pavilion and build a new Darden Marine Animal Conservation Center. The Foundation has committed total funds of \$11,280,710 toward these two 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 \$2,500,000 in 2019, \$2,000,000 in 2018, and \$1,500,000 in 2017 toward these projects. The Foundation also 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 \$5,280,710 at June 30, 2019.

The City contributed a portion of ticket sales totaling \$100,000 to the Foundation during the years ended June 30, 2019 and 2018, restricted for research and conservation initiatives.

4. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30, 2019

Cash and cash equivalents	\$ 2,865,711
Accounts receivable	675,766
Grants receivable	154,480
Promises to give, net	3,832,512
Investments	4,052,867
Restricted cash	4,247,203
Total Financial Assets	15,828,539
<hr/>	
Adjustments for amounts not available for general expenditures within one year	
Net assets with donor restrictions	(11,152,304)
Board-designated net assets	(2,926,529)
Endowment spending distributions	106,841
Total Financial Assets Available for General Expenditures within One Year	\$ 1,856,547

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

5. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2019	2018
Receivable in less than one year	\$ 2,073,416	\$ 2,078,257
Receivable in 1 - 5 years	1,767,717	3,492,606
Receivable in more than 5 years	670,000	670,000
Total promises to give	4,511,133	6,240,863
Less discounts to net present value (ranging from 1.41% - 6.83%)	(476,910)	(437,423)
Less allowance for doubtful accounts	(201,711)	(290,172)
Total Promises to Give, net	\$ 3,832,512	\$ 5,513,268

6. Investment Income

Net investment income consists of the following:

<i>Years ended June 30,</i>	2019	2018
Interest and dividends, net	\$ 214,948	\$ 129,787
Realized gain on sale of investments	47,351	92,297
Unrealized gain on investments	12,563	61,897
Total Investment Income, net	\$ 274,862	\$ 283,981

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

7. 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 following tables present the Foundation's investments at fair value on a recurring basis for each hierarchy level:

<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
Money market	\$ 3,365	\$ -	\$ -	\$ 3,365
Mutual funds				
U.S. equities	1,165,713	-	-	1,165,713
International	424,390	-	-	424,390
Fixed income	471,692	-	-	471,692
Alternative	523,317	-	-	523,317
Fixed income	-	1,325,000	-	1,325,000
Corporate bonds	-	139,390	-	139,390
Total Investments	\$ 2,588,477	\$ 1,464,390	\$ -	\$ 4,052,867

<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
Total Investments	\$ 2,546,628	\$ 1,324,301	\$ -	\$ 3,870,929

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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. The real estate was sold during 2019.

8. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2019	2018
Exhibits	\$ 13,963,714	\$ 15,416,453
Leasehold improvements	114,727	114,727
Office furniture and equipment	243,164	246,471
Vehicles	293,355	311,404
Vessels	590,921	590,921
Works of art	150,000	150,000
Construction in progress	6,284,215	3,622,524
Total	21,640,096	20,452,500
Less accumulated depreciation	(7,083,022)	(7,898,545)
Property and Equipment, net	\$ 14,557,074	\$ 12,553,955

9. Board-Designated Net Assets

Board-designated net assets include quasi-endowment funds which consists of unrestricted income which the board has designated for program services use. These quasi-endowment funds follow the spending policy of the Foundation's endowments. Since all board-designated net assets result from an internal designation, they are not considered net assets with donor restrictions, but are classified and reported as net assets without donor restrictions.

Board-designated net assets are available for the following purposes:

<i>June 30,</i>	2019	2018
Operating reserves	\$ 1,019,065	\$ 756,508
Capital reserves	1,857,464	1,030,000
Board-designated endowment	50,000	50,000
Total Board-Designated Net Assets	\$ 2,926,529	\$ 1,836,508

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	2019	2018
Restricted for specific purpose		
Renovation project	\$ 7,324,506	\$ 9,211,217
Exhibits and program expenses	1,776,248	1,858,999
Total restricted for specific purpose	9,100,754	11,070,216
Restricted in perpetuity		
Program and supporting services	2,051,550	2,051,550
Total Net Assets with Donor Restrictions	\$ 11,152,304	\$ 13,121,766

11. Net Assets Released from Restrictions

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>	2019	2018
Renovation project	\$ 2,695,406	\$ 2,055,716
Exhibits and program expenses	815,125	683,935
Total Net Assets Released from Restrictions	\$ 3,510,531	\$ 2,739,651

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

<i>Years ended June 30,</i>	2019	2018
Net assets released for operations	\$ 814,785	\$ 721,458
Net assets released for capital purchases	2,695,746	2,018,193
Total Net Assets Released from Restrictions	\$ 3,510,531	\$ 2,739,651

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

12. 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 and one fund without donor restriction that has been designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Governing Board's Interpretation of Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 and the donor-restricted 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

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 and 2018.

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

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 50,000	\$ -	\$ 50,000
Amounts required to be maintained in perpetuity by donor	-	2,051,550	2,051,550
Accumulated investment gains	-	495,524	495,524
Total Endowment Funds	\$ 50,000	\$ 2,547,074	\$ 2,597,074

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 50,000	\$ -	\$ 50,000
Amounts required to be maintained in perpetuity by donor	-	2,051,550	2,051,550
Accumulated investment gains	-	472,909	472,909
Total Endowment Funds	\$ 50,000	\$ 2,524,459	\$ 2,574,459

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	<i>Total</i>
Balance, June 30, 2017	\$ -	\$ 2,448,420	\$ 2,448,420
Contributions	-	36,595	36,595
Investment return, net	-	232,489	232,489
Expenditures	-	(143,045)	(143,045)
Redesignation	50,000	(50,000)	-
Balance, June 30, 2018	50,000	2,524,459	2,574,459
Investment return, net	-	153,408	153,408
Expenditures	-	(130,793)	(130,793)
Balance, June 30, 2019	\$ 50,000	\$ 2,547,074	\$ 2,597,074

13. 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, 2019 and 2018 are as follows:

<i>Years ended June 30,</i>	2019	2018
Salaries	\$ 1,025,842	\$ 925,477
Payroll taxes	66,006	60,132
Employee benefits	225,378	208,266
Property and equipment	8,400	122,524
Professional services	-	7,212
Total Donated Materials and Services	\$ 1,325,626	\$ 1,323,611

14. 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.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

15. Reclassifications

Certain amounts in the 2018 financials statements have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on financial position or operating results as previously reported.