

Return of Organization Exempt From Income Tax

2007

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2007 calendar year, or tax year beginning _____, and ending _____					
B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top;"> C Name of organization Tennessee Aquarium Number and street (or P.O. box if mail is not delivered to street address) Room/suite P. O. Box 11048 City or town State or country ZIP + 4 Chattanooga TN 37401-2048 </td> <td style="width: 15%; vertical-align: top;"> D Employer identification number 58-1837154 </td> <td style="width: 15%; vertical-align: top;"> E Telephone number 423-265-0695 </td> <td style="width: 15%; vertical-align: top;"> F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶ </td> </tr> </table>	C Name of organization Tennessee Aquarium Number and street (or P.O. box if mail is not delivered to street address) Room/suite P. O. Box 11048 City or town State or country ZIP + 4 Chattanooga TN 37401-2048	D Employer identification number 58-1837154	E Telephone number 423-265-0695	F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶
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<p>• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).</p>					
G Website: ▶ www.tennesseeaquarium.org					
J Organization type (check only one) ▶ <input checked="" type="checkbox"/> 501(c) (<u>3</u>) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527					
K Check here <input type="checkbox"/> if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.					
L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ 27,248,648					
M Check <input type="checkbox"/> if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).					
H and I are not applicable to section 527 organizations. H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) If "Yes," enter number of affiliates ▶ _____ H(c) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "No," attach a list. See instructions.) H(d) Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No I Group Exemption Number ▶ _____					

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

	1	Contributions, gifts, grants, and similar amounts received:			
	a	Contributions to donor advised funds	1a	0	
	b	Direct public support (not included on line 1a)	1b	2,605,534	
	c	Indirect public support (not included on line 1a)	1c	0	
	d	Government contributions (grants) (not included on line 1a)	1d	168,302	
	e	Total (add lines 1a through 1d) (cash \$ <u>2,773,836</u> noncash \$ <u>0</u>)	1e	2,773,836	
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	11,326,854	
	3	Membership dues and assessments	3	1,331,286	
	4	Interest on savings and temporary cash investments	4	0	
	5	Dividends and interest from securities	5	809,076	
Revenue	6 a	Gross rents	6a		
	b	Less: rental expenses	6b		
	c	Net rental income or (loss). Subtract line 6b from line 6a	6c	0	
	7	Other investment income (describe ▶)	7	0	
	8 a	Gross amount from sales of assets other than inventory	(A) Securities	6,860,436	8a
	b	Less: cost or other basis and sales expenses	8b	1,975	
	c	Gain or (loss) (attach schedule)	8c	1,025	
	d	Net gain or (loss). Combine line 8c, columns (A) and (B)	8d	185,445	
	9	Special events and activities (attach schedule). If any amount is for gaming , check here <input type="checkbox"/>			
	a	Gross revenue (not including \$ <u>0</u> of contributions reported on line 1b)	9a	0	
	b	Less: direct expenses other than fundraising expenses	9b	0	
	c	Net income or (loss) from special events. Subtract line 9b from line 9a	9c	0	
	10 a	Gross sales of inventory, less returns and allowances	10a	3,438,547	
	b	Less: cost of goods sold	10b	1,301,292	
	c	Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c	2,137,255	
	11	Other revenue (from Part VII, line 103)	11	705,612	
	12	Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12	19,269,365	
Expenses	13	Program services (from line 44, column (B))	13	15,494,018	
	14	Management and general (from line 44, column (C))	14	3,420,271	
	15	Fundraising (from line 44, column (D))	15	214,117	
	16	Payments to affiliates (attach schedule)	16	0	
	17	Total expenses. Add lines 16 and 44, column (A)	17	19,128,406	
Net Assets	18	Excess or (deficit) for the year. Subtract line 17 from line 12	18	140,959	
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	52,870,966	
	20	Other changes in net assets or fund balances (attach explanation)	20	84,773	
	21	Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21	53,096,698	

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 a	Grants paid from donor advised funds (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	0	0		
22 b	Other grants and allocations (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	0	0		
23	Specific assistance to individuals (attach schedule)	0	0		
24	Benefits paid to or for members (attach schedule)	0	0		
25 a	Compensation of current officers, directors, key employees, etc. listed in Part V-A	223,240	0	223,240	0
25 b	Compensation of former officers, directors, key employees, etc. listed in Part V-B	0	0	0	0
25 c	Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
26	Salaries and wages of employees not included on lines 25a, b, and c	6,035,401	4,830,578	1,204,823	
27	Pension plan contributions not included on lines 25a, b, and c	333,449	243,584	89,865	
28	Employee benefits not included on lines 25a – 27	735,085	625,932	109,153	
29	Payroll taxes	450,459	354,785	95,674	
30	Professional fundraising fees	0			
31	Accounting fees	32,500		32,500	
32	Legal fees	13,265		13,265	
33	Supplies	537,128	411,625	125,503	
34	Telephone	125,847	94,385	25,169	6,292
35	Postage and shipping	155,144	101,257	53,887	
36	Occupancy	1,646,608	1,521,720	124,888	
37	Equipment rental and maintenance	430,033	322,244	107,789	
38	Printing and publications	183,325	102,762	80,563	
39	Travel	60,822	37,733	23,088	
40	Conferences, conventions, and meetings	19,719	13,861	5,408	450
41	Interest	1,852,781	1,823,142	29,639	
42	Depreciation, depletion, etc. (attach schedule)	3,462,810	3,366,315	96,495	0
43	Other expenses not covered above (itemize):				
43 a	See attached statement	2,830,790	1,644,094	979,321	207,375
43 b		0	0	0	0
43 c		0	0	0	0
43 d		0	0	0	0
43 e		0	0	0	0
43 f		0	0	0	0
43 g		0	0	0	0
44	Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)–(D), carry these totals to lines 13–15)	19,128,406	15,494,018	3,420,271	214,117

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ 0; (ii) the amount allocated to Program services \$ _____;
 (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A)		(B)
		Beginning of year		End of year
Assets	45 Cash—non-interest-bearing	63,000	45	67,400
	46 Savings and temporary cash investments	1,251,069	46	2,414,157
	47 a Accounts receivable	47a 660,823		
	b Less: allowance for doubtful accounts	47b 0	752,449	47c 660,823
	48 a Pledges receivable	48a 1,680,242		
	b Less: allowance for doubtful accounts	48b 0	750,000	48c 1,680,242
	49 Grants receivable			49
	50 a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)		0	50a 0
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)			50b
	51 a Other notes and loans receivable (attach schedule)	51a 0		
	b Less: allowance for doubtful accounts	51b 0	0	51c 0
	52 Inventories for sale or use		325,622	52 310,060
	53 Prepaid expenses and deferred charges		431,277	53 520,941
	54 a Investments—publicly-traded securities. <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		14,872,377	54a 14,983,930
	b Investments—other securities (attach schedule). <input type="checkbox"/> Cost <input type="checkbox"/> FMV		0	54b 0
	55 a Investments—land, buildings, and equipment: basis	55a 107,223,667		
	b Less: accumulated depreciation (attach schedule)	55b 36,932,427	71,114,536	55c 70,291,240
	56 Investments—other (attach schedule)		0	56 0
	57 a Land, buildings, and equipment: basis	57a 0		
b Less: accumulated depreciation (attach schedule)	57b 0	0	57c 0	
58 Other assets, including program-related investments (describe <input type="checkbox"/> Unamortized debt issuance costs)		622,329	58 581,464	
59 Total assets (must equal line 74). Add lines 45 through 58		90,182,659	59 91,510,258	
Liabilities	60 Accounts payable and accrued expenses		1,458,519	60 1,339,785
	61 Grants payable			61
	62 Deferred revenue		839,980	62 1,044,457
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		0	63 0
	64 a Tax-exempt bond liabilities (attach schedule)		34,500,000	64a 34,500,000
	b Mortgages and other notes payable (attach schedule)		500,000	64b 1,460,000
	65 Other liabilities (describe <input type="checkbox"/> Interest rate swap payable)		13,194	65 69,317
66 Total liabilities. Add lines 60 through 65		37,311,693	66 38,413,560	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted		52,870,966	67 53,096,698
	68 Temporarily restricted			68
	69 Permanently restricted			69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds			70
	71 Paid-in or capital surplus, or land, building, and equipment fund			71
	72 Retained earnings, endowment, accumulated income, or other funds			72
73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)		52,870,966	73 53,096,698	
74 Total liabilities and net assets/fund balances. Add lines 66 and 73.		90,182,659	74 91,510,258	

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return (See the instructions.)

a	Total revenue, gains, and other support per audited financial statements		a	20,970,190
b	Amounts included on line a but not on Part I, line 12:			
1	Net unrealized gains on investments	b1 84,773		
2	Donated services and use of facilities	b2 233,000		
3	Recoveries of prior year grants	b3		
4	Other (specify): <u>Affiliate revenue</u>	b4 135,547		
	Add lines b1 through b4		b	453,320
c	Subtract line b from line a		c	20,516,870
d	Amounts included on Part I, line 12, but not on line a :			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): <u>Cost of goods sold</u> <u>Investment advisor services</u>	d2 -1,247,505		
	Add lines d1 and d2		d	-1,247,505
e	Total revenue (Part I, line 12). Add lines c and d		e	19,269,365

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements		a	20,653,829
b	Amounts included on line a but not on Part I, line 17:			
1	Donated services and use of facilities	b1 233,000		
2	Prior year adjustments reported on Part I, line 20	b2		
3	Losses reported on Part I, line 20	b3		
4	Other (specify): <u>Affiliate expenses</u>	b4 44,918		
	Add lines b1 through b4		b	277,918
c	Subtract line b from line a		c	20,375,911
d	Amounts included on Part I, line 17, but not on line a :			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): <u>Cost of goods sold</u> <u>Investment advisory services</u>	d2 -1,247,505		
	Add lines d1 and d2		d	-1,247,505
e	Total expenses (Part I, line 17). Add lines c and d		e	19,128,406

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Name <u>Charles Arant</u> Str <u>201 Broad Street</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37402</u>	Title <u>President</u> Hr/WK <u>40</u>	<u>223,240</u>	<u>14,940</u>	<u>0</u>
Name <u>Robert Lyons</u> Str <u>P. O. Box 1526</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37401</u>	Title <u>Treasurer</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Paul Brock, Jr.</u> Str <u>850 Market Street, 2r</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37402</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>William McCollum</u> , Str <u>1101 Market Street, M</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37402</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Joseph Decosimo</u> Str <u>Two Union Square, S</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37402</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Paul Neely</u> Str <u>P. O. Box 11526</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37401</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Vicky Gregg</u> Str <u>801 Pine Street</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37402</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Jeff Parker</u> Str <u>11101 Ware Point La</u> City <u>Harrison</u> ST <u>TN</u> ZIP <u>37341</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>Thomas Griscom</u> Str <u>400 East 11th Street</u> City <u>Chattanooga</u> ST <u>TN</u> ZIP <u>37403</u>	Title <u>Trustee</u> Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>
Name <u>See attached</u> Str City <u>schedule</u> ST <u>TN</u> ZIP	Title Hr/WK	<u>0</u>	<u>0</u>	<u>0</u>

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)		Yes	No
75 a	Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings 15		
b	Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s)	75b	X
c	Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization." If "Yes," attach a statement that includes the information described in the instructions.	75c	X
d	Does the organization have a written conflict of interest policy?	75d	X

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	(B) Loans and Advances	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				
Name <u>N/A</u> Str City ST ZIP				

Part VI Other Information (See the instructions.)		Yes	No
76	Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	X
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization ► Tennessee Aquarium Research Institute and check whether it is <input checked="" type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a	Enter direct and indirect political expenditures. (See line 81 instructions.)	81a	0
b	Did the organization file Form 1120-POL for this year?	81b	X

Part VI Other Information <i>(continued)</i>		Yes	No
82 a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X	
b If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)	82b 233,000		
83 a Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	83b	X	
84 a Did the organization solicit any contributions or gifts that were not tax deductible?	84a		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	N/A	
85 501(c)(4), (5), or (6). Were substantially all dues nondeductible by members?	85a		
b Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b		
c Dues, assessments, and similar amounts from members	85c		
d Section 162(e) lobbying and political expenditures	85d		
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e		
f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f 0		
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		
h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		
86 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12	86a		
b Gross receipts, included on line 12, for public use of club facilities	86b		
87 501(c)(12) orgs. Enter: a Gross income from members or shareholders	87a		
b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b		
88 a At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88a		X
b At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI	88b		X
89 a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ N/A ; section 4912 ▶ N/A ; section 4955 ▶ N/A			
b 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b		X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ N/A			
d Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ N/A			
e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89e		X
f All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89f		X
g For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89g		
90 a List the states with which a copy of this return is filed ▶ AL, GA, TN			
b Number of employees employed in the pay period that includes March 12, 2007 (See instructions.)	90b		246
91 a The books are in care of ▶ Name Gordon Stalans Telephone no. ▶ 423-785-2054 Located at ▶ 201 Chestnut Street City Chattanooga ST TN ZIP + 4 ▶ 37402			
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	91b	Yes	No
If "Yes," enter the name of the foreign country ▶			X
See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts.			

Part VI Other Information (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States? **91c** Yes No
 If "Yes," enter the name of the foreign country ▶ _____

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ **92** | N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a General admissions					9,342,493
b Education group tours					1,012,955
c Education program fees					245,493
d Parking fees					475,761
e Photography fees					250,152
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					1,331,286
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities			14	809,076	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	185,445	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory	453220	403,071			1,734,184
103 Other revenue:					
a Administrative services	541600	164,250			
b Sponsorship income					213,738
c Facility rental income					286,666
d Ticketing service charges					11,358
e Miscellaneous income			01	29,600	
104 Subtotal (add columns (B), (D), and (E))		567,321		1,024,121	14,904,086
105 Total (add line 104, columns (B), (D), and (E))					16,495,529

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	See attached schedule

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%		0	0
	%		0	0
	%		0	0
	%		0	0

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Part XI **Information Regarding Transfers To and From Controlled Entities.** Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106	Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.	Yes	No
			X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- -----			
b	----- -----			
c	----- -----			
Totals				0

107	Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.	Yes	No
			X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- -----			
b	----- -----			
c	----- -----			
Totals				0

108	Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?	Yes	No

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer Gordon A Stalans	Date 8/15/2008
Type or print name and title Director of Finance	

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN (See Gen. Inst. X)
Firm's name (or yours if self-employed), address, and ZIP + 4	EIN	Phone no.	

Line 1 (990) - Public Support and Contributions

	Cash	Non Cash
Line 1a - Contributions to Donor Advised Funds		
Line 1b - Direct public support		
1 Contributions	2,605,534	1
2 Membership dues and assessments (contributions from the public)		2
3 Commercial co-venture		3
4 Special events contributions (Line 9 - Special Events)	0	4
5 _____		5
6 _____		6
7 _____		7
8 _____		8
9 _____		9
10 Total	2,605,534	10 0
Line 1c - Indirect public support		
Line 1d - Government contributions (grants)	168,302	

Line 8 (990) - Gain/Loss from Sale of Assets Other than Inventory

Totals:	Gross sales	Cost, other basis and expenses
Public Securities	6,860,436	6,676,016
Non-Public Securities	0	0
Other sales	3,000	1,975

Index	Description	CUSIP #	Check if gain/loss is from sale of public securities	Check if gain/loss is from sale of non public securities	Check if purchaser is a business	Purchaser	Date acquired	Acquisition method	Date sold	Gross sales price	Cost or other basis (Enter one field only)		Expense of sale and cost of improvements	Depreciation
											Cost	Donated value		
1	Vanguard Mid Cap Growth Fund		X					LT Gains Dist.		9,379				
2	Vanguard Mid Cap Growth Fund		X					ST Gains Dist.		7,662				
3	Vanguard Mid Cap Growth Fund		X					LT Gains Dist.		1,199				
4	Vanguard Mid Cap Growth Fund		X					ST Gains Dist.		1,414				
5	Vanguard Star Fund		X				5/20/1999	Purchased	2/5/2007	450,000	376,779			
6	Vanguard Wellington Fund		X				5/20/1999	Purchased	2/5/2007	450,000	388,768			
7	FHLMC Bond		X				1/30/2006	Purchased	1/10/2007	74,625	75,000			
8	FHLMC Bond		X				11/28/2006	Purchased	1/10/2007	34,497	35,000			
9	FHLB Bond		X				6/26/2006	Purchased	1/10/2007	74,719	74,840			
10	FHLB Bond		X				11/24/2006	Purchased	1/10/2007	49,383	50,000			
11	FHLB bond		X				11/30/2006	Purchased	1/10/2007	34,672	35,000			
12	U.S. Treasury Note		X				8/15/1997	Purchased	1/10/2007	140,853	141,433			
13	U.S. Treasury Note		X				2/17/1998	Purchased	1/10/2007	100,582	100,773			
14	U.S. Treasury Note		X				1/3/2006	Purchased	1/10/2007	99,426	99,426			
15	U.S. Treasury Note		X				8/15/1997	Purchased	1/23/2007	261,412	262,661			
16	U.S. Treasury Note		X				8/15/2001	Purchased	1/23/2007	101,082	99,906			
17	Kimberly Clark Corp Bond		X				7/27/2000	Purchased	2/13/2007	100,786	103,493			
18	U. S. Treasury Note		X				5/15/1998	Purchased	2/13/2007	70,550	72,023			
19	Citigroup Inc. Bond		X				3/31/1999	Purchased	3/27/2007	122,746	124,458			
20	Schering Plough Corp Bond		X				11/26/2003	Purchased	3/27/2007	123,061	120,317			
21	U.S. Treasury Note		X				5/15/1998	Purchased	4/11/2007	266,863	269,070			
22	U.S. Treasury Note		X				5/15/1998	Purchased	5/18/2007	352,133	354,115			
23	John Deere Cap Corp Bond		X				8/22/2002	Purchased	6/11/2007	99,808	99,808			
24	U.S. Treasury Note		X				5/15/1998	Purchased	6/11/2007	301,488	302,491			
25	CIT Group Bond		X				12/2/2002	Purchased	7/20/2007	99,976	101,387			
26	Du Pont E I De Nemours & Co. Bond		X				4/30/2004	Purchased	7/20/2007	115,876	118,805			
27	U.S. Treasury Note		X				5/15/1998	Purchased	7/20/2007	371,648	372,876			
28	U.S. Treasury Note		X				8/15/1999	Purchased	7/20/2007	224,684	225,766			
29	U.S. Treasury Note		X				8/15/2003	Purchased	7/20/2007	423,569	425,487			
30	U.S. Treasury Note		X				5/15/2004	Purchased	7/20/2007	59,109	60,361			
31	FHLMC Bond		X				6/1/2007	Purchased	8/15/2007	4,570	4,491			
32	FHLMC Bond		X				7/1/2007	Purchased	8/15/2007	1,490	1,494			
33	FHLMC Bond		X				6/1/2007	Purchased	9/17/2007	3,699	3,634			
34	FHLMC Bond		X				7/1/2007	Purchased	9/17/2007	2,629	2,635			
35	U.S. Treasury Note		X				5/15/2004	Purchased	9/18/2007	590,857	575,672			
36	FHLMC Bond		X				6/1/2007	Purchased	10/15/2007	3,179	3,124			
37	FHLMC Bond		X				7/1/2007	Purchased	10/15/2007	9,759	9,782			
38	Emerson Electric Co. Bond		X				11/14/2001	Purchased	10/22/2007	122,806	127,089			
39	FHLMC Bond		X				6/1/2007	Purchased	11/15/2007	2,560	2,516			
40	FHLMC Bond		X				7/1/2007	Purchased	11/15/2007	13,863	13,895			
41	FHLMC Bond		X				6/1/2007	Purchased	12/17/2007	3,623	3,560			
42	FHLMC Bond		X				7/1/2007	Purchased	12/17/2007	9,711	9,734			
43	FHLB Bond		X				7/21/2006	Purchased	12/17/2007	366,406	351,437			
44	Household Finance Corp Bond		X				11/17/1998	Purchased	12/17/2007	101,121	106,153			

Line 10 (990) - Gross Profit from Sale of Inventory

3,438,547

1,301,292

2,137,255

Category		Gross Sales	Cost of Goods Sold	Net
1	Retail sales	2,946,724	1,175,815	1,770,909
2	Food and beverage sales	491,823	125,476	366,346
3				0
4				0
5				0
6				0
7				0
8				0
9				0
10				0
11				0
12				0
13				0
14				0
15				0
16				0
17				0
18				0
19				0
20				0

Line 20 (990) - Other Changes in Net Assets or Fund Balances

84,773

	Description	Total
1	Unrealized gains on investments	84,773
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

Part II, Line 42 (990) - Depreciation, Depletion, etc.

Description		3,462,810 (A) Total	3,366,315 (B) Program services	96,495 (C) Management and general	0 (D) Fundraising
1	Bond issuance expense	40,865		40,865	
2	Exhibits	598,164	598,164		
3	Aquarium buildings	2,036,287	2,036,287		
4	Plant and equipment	370,610	370,610		
5	Office equipment	1,085		1,085	
6	Furniture and fixtures	23,256		23,256	
7	Vehicles	9,579	9,579		
8	Marine equipment	3,713	3,713		
9	Laboratory equipment	14,865	14,865		
10	Info systems	140,330	112,265	28,066	
11	Sound systems	786	786		
12	Audio/visual systems	47,813	47,813		
13	Safety equipment	4,624	4,624		
14	Quarantine room	4,469	4,469		
15	computer software	16,112	12,889	3,223	
16	Radios	1,383	1,383		
17	Telephone wiring	4,241	4,241		
18	Leasehold improvements	67,891	67,891		
19	Delta renovations	536	536		
20	Nlckajack renovations	6,262	6,262		
21	Gift shop renovations	41,760	41,760		
22	Temporary exhibits	28,178	28,178		

Part II, Line 43 (990) - Other Expenses

2,830,790

1,644,094

979,321

207,375

Description		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
1	Insurance	139,805	111,844	27,961	
2	Film licensing fees	430,953	430,953		
3	Advertising and promotions	714,394	9,146	705,248	
4	Outside service fees	873,021	557,252	108,393	207,375
5	Speciman collection and care	291,112	291,112		
6	Education program expenses	126,634	126,634		
7	Food and beverage license fees	25,000	25,000		
8	Miscellaneous expenses	190,109	52,390	137,718	
9	Business taxes	39,762	39,762		
10		0			
11		0			
12		0			
13		0			
14		0			
15		0			
16		0			
17		0			
18		0			
19		0			
20		0			

Part IV, Line 47 (990) - Accounts Receivable

		Accounts receivable		Allowance for doubtful accounts	
		Beginning	End	Beginning	End
1	Accounts receivable trade	356,364	329,530		
2	Accrued investment income	167,769	169,164		
3	TNARI receivable	32,894	-19,953		
4	Credit card receivables	119,379	62,227		
5	Management fees receivable	41,250	40,500		
6	Computer purchase program	34,136	33,479		
7	IMLS grant receivable	490	44,331		
8	Miscellaneous receivables	167	1,545		
9					
10					
11	Total accounts receivable	752,449	660,823	0	0

Part IV, Line 48 (990) - Pledges Receivable

		Pledges receivable		Allowance for doubtful accounts	
		Beginning	End	Beginning	End
1	Capital campaign	750,000	500,000		
2	Penguins Rock campaign	0	1,180,242		
3					
4					
5					
6					
7					
8					
9					
10					
11	Total pledges receivable	750,000	1,680,242	0	0

Part IV, Line 54a (990) - Investments - Publicly-Traded Securities

Check one box below to indicate how securities are reported:

Cost

End of year market value (FMV)

			7,000	14,872,377	14,983,930
Securities at end of year		Number of shares/ face value	Value at time of donation	Beginning balance book value FMV	Ending balance book value FMV
1	Various mutual funds	68,103.73		3,739,919	3,049,832
2	U. S. Government obligations	1,520,000.00		2,486,560	1,588,064
3	Federal agency bonds	5,226,869.30		3,846,526	5,368,476
4	Corporate bonds	4,900,000.00		4,799,372	4,970,496
5	Dixie Group stock	250.00	2,000		2,078
6	Microsoft stock	140.00	5,000		4,984
7					0
8					0
9					0
10					0
11					0
12					0
13					0
14					0
15					0
16					0
17					0
18					0
19					0
20					0

Part IV, Line 55 (990) - Investments - Land, Buildings, and Equipment

		107,223,667	33,516,407	36,932,427	104,630,943	70,291,240
Category or Item		Cost/Other Basis	Beginning Accumulated Depreciation	Ending Accumulated Depreciation	Beginning Balance	Ending Balance
1	Aquarium land	4,484,445			4,484,445	4,484,445
2	Buildings	82,568,795	21,043,369	23,079,657	82,568,795	59,489,138
3	Furniture, fixture and equipment	17,517,681	11,512,372	12,816,090	15,269,818	4,701,591
4	Vehicles	239,238	218,208	221,862	243,312	17,376
5	Leasehold improvements	894,325	553,950	621,841	890,750	272,484
6	Quarantine room	192,977	188,508	192,977	192,977	0
7	Construction in progress	1,326,206			980,846	1,326,206
8						0
9						0
10						0
11						0
12						0
13						0
14						0
15						0
16						0
17						0
18						0
19						0
20						0

Part IV, Line 58 (990) - Other Assets

622,329

581,464

	Description	Beginning	End
1	Unamortized debt issuance costs	622,329	581,464
2			
3			
4			
5			
6			
7			
8			
9			
10			

Part IV, Line 64a (990) - Tax-Exempt Bond Liabilities

34,500,000

34,500,000

0

	Issue name	Purpose	Beginning balance	End of year amount outstanding	Unexpended proceeds	% of space used by 3rd party, if required	Maturity date
1	7/1/91 Industrial Development Board of	Hamilton County Bonds, Original amount	5,500,000	5,500,000	0		
2	\$30,000,000;matures 7/1/2021;Variable int	erest rate (3.48% @12/31/07);Secured by					
3	mortgage on property & direct pay letter of	credit expiring 4/30/10; Proceeds used to					
4	construct River Journey aquarium to serve	as center for the general public to gain					
5	awareness of, understand & enjoy all	forms of aquatic life					
6							
7	3/1/95 Industrial Development Board of	Hamilton County Bonds, Original amount	14,000,000	14,000,000	0		
8	\$14,000,000;matures 3/1/2015;Variable int	erest rate (3.48% @12/31/07); secured by					
9	mortgage on property & direct pay letter of	credit expiring 4/30/10;Proceeds used to					
10	construct IMAX Center including 3D	Theater, Environmental Learning Lab &					
11	staff office space						
12							
13	4/1/04 Industrial Development Board of	City of Chattanooga Bonds;Original amount	15,000,000	15,000,000	0		
14	\$15,000,000;matures 4/1/2024;Variable int	erest rate (3.48% @12/31/07);Secured by					
15	mortgage on property & direct pay letter of	credit expiring 4/30/10; Proceeds used to					
16	construct Ocean Journey building to	expand visitor experience.					
17							
18							

Repayment terms	Interest rate	Purpose of loan	Description of consideration	FMV of consideration	Lender's Title	Relationship to Insider
semi-annual	Variable	Fund building renovations				
participation in excess revenues	zero	Fund construction of ecotour boat				

Part IV, Line 65 (990) - Other Liabilities

13,194

69,317

	Description	Beginning	End
1	Interest rate swap payable	13,194	69,317
2			
3			
4			
5			
6			
7			
8			
9			
10			

Part IV-A, Line b(4) (990) - Reconciliation of Rev per Audited Financial Stmts

		135,547
Other		Amount
1	Affiliate revenue	135,547
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part IV-A, Line d(2) (990) - Reconciliation of Rev per Audited Financial Stmts

		-1,247,505
Other		Amount
1	Cost of goods sold	-1,301,292
2	Investment advisor services	53,787
3		
4		
5		
6		
7		
8		
9		
10		

Part IV-B, Line b(4) (990) - Reconciliation of Exp per Audited Financial Stmts

44,918

Other		Amount
1	Affiliate expenses	44,918
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part IV-B, Line d(2) (990) - Reconciliation of Exp per Audited Financial Stmts

		-1,247,505
Other		Amount
1	Cost of goods sold	-1,301,292
2	Investment advisory services	53,787
3		
4		
5		
6		
7		
8		
9		
10		

Part VI, Line 80b (990) - Organization Relations

	Organization Name	Please Check "X"	
		Exempt	Non-Exempt
1	Tennessee Aquarium Research Institute	X	
2			
3			
4			
5			
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11			
12			
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15			
16			
17			
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19			
20			

Part VII, Line 93 (990) - Program Service Revenue

	Unrelated business income		Excluded by section 512, 513, or 514		
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	(E) Related or exempt function income
a	Program Service Revenue				
a	General admissions				9,342,493
b	Education group tours				1,012,955
c	Education program fees				245,493
d	Parking fees				475,761
e	Photography fees				250,152
f					
g					
h					
i					
j					
k					
l					
m					
n					
o					
p					
q					
r					
s					
t					
u					
v					
w					
x					
y					
z					

Part VII, Line 103 (990) - Other Revenue

	Unrelated business income		Excluded by section 512, 513, or 514		
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	(E) Related or exempt function income
a	Other Revenue Description				
a	Administrative services	541600	164,250		
b	Sponsorship income				213,738
c	Facility rental income				286,666
d	Ticketing service charges				11,358
e	Miscellaneous income		01	29,600	
f					
g					
h					
i					
j					
k					
l					
m					
n					
o					
p					
q					
r					
s					
t					
u					
v					
w					
x					
y					
z					

Part III, Line 2 (Sch A (990/990-EZ)) - Self Dealing Transactions

During the year, did the organization engage in a transaction with a related party? Yes No

If "Yes," please provide a detailed statement explaining the transaction(s).

Line No.	Explanation:
2a	1 See attached schedule

Exempt Organization Declaration and Signature for Electronic Filing

For calendar year 2007, or tax year beginning _____, 2007, and ending _____, 20_____

2007

Department of the Treasury
Internal Revenue Service

For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868
See instructions on back.

Name of exempt organization
Tennessee Aquarium

Employer identification number
58-1837154

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8453-EO and enter the applicable amount from the return, if any. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line for the return for which you are filing this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). If you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than one line in Part I.

1a Form 990 check here	<input checked="" type="checkbox"/>	b Total revenue, if any (Form 990, line 12)	1b	19,289,365
2a Form 990-EZ check here	<input type="checkbox"/>	b Total revenue, if any (Form 990-EZ, line 9)	2b	0
3a Form 1120-POL check here	<input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3b	0
4a Form 990-PF check here	<input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	0
5a Form 8868 check here	<input type="checkbox"/>	b Balance due (Form 8868, line 3c)	5b	0

Part II Declaration of Officer

I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2007 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) an indication of any refund offset, (c) the reason for any delay in processing the return or refund, and (d) the date of any refund.

Sign Here  | 8/14/2008 | Date |  | Title

Part III Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-File (MeF) Information for Authorized e-File Providers. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

ERO's signature	Date	Check if also paid preparer <input type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code				EIN Phone no.

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code			EIN Phone no.

**TENNESSEE AQUARIUM
990 TAX RETURN
FOR THE YEAR ENDED DECEMBER 31, 2007**

SCHEDULE A, PART III, 2(a)

The Aquarium leases approximately 7,700 square feet of office space from 201 Broad Street, LLC. One of the Aquarium's trustees is a principal in 201 Broad Street, LLC. The lease is a ten-year lease with monthly rent installments of \$8,342.

**TENNESSEE AQUARIUM
990 TAX RETURN
FOR THE YEAR ENDED DECEMBER 31, 2006
PART III**

Tennessee Aquarium Mission

The Tennessee Aquarium inspires wonder and appreciation for the natural world by creating a connection between people and nature. This mission challenges and motivates the Aquarium to:

- ← Offer an enriching and enjoyable experience to a wide and diverse audience through
 - 1) Excellent exhibits
 - 2) A healthy and dynamic living collection
 - 3) Engaging educational programs and activities and
 - 4) Outstanding customer service
- ← Protect and restore wildlife through research and conservation initiatives
- ← Provide positive community leadership and economic impact

2007 In Review

2007 was a dynamic year for the Tennessee Aquarium. We served over 790,000 people from all walks of life, bringing conservation and education concepts to life. Over the last several years, our facility has been impacted in a major way by changes in the competitive climate in our region. High gas prices affected the Aquarium's attendance as well. Given all of these changes, the Tennessee Aquarium has refocused on its core mission and has put in place a new strategy to remain fresh and exciting as the heart of the Chattanooga Experience. Also in 2007, the Aquarium dedicated itself to achieving these programmatic goals. We will enhance and expand education and conservation programs. We will empower current and future generations to conserve our natural world, focusing on the biologically diverse and unique southeastern United States.

While refocusing our mission and planning our programmatic efforts strategically, 2007 was a year of continued successes and high points. Below are some of the highlights of our efforts.

I. Aquarium

Working Smarter To Reach More Minds

With support from across the community, the Tennessee Aquarium's educators offered a record number of programs in 2007. Over 86,000 students visited the Aquarium through education groups. 28,000 students, parents and teachers learned more about the environment through our Education Outreach Programs this year, topping record set in the prior year. Nearly 1,400 students visited the Aquarium through Home School Days, which invited home school students and their families for a day of learning and exploring at the Aquarium. It has been a phenomenal year in terms of outreach, gallery programs, and home school day.

Home School Days A Huge Success

In January and September, Home School Days continued to expand the footprint that the Aquarium has in the region, welcoming more than 1,400 students and their families. To increase participation from home school students and their parents, the days were enlarged to encompass the Chattanooga Nature Center, the Chattanooga Zoo, Hunter Museum, and the Creative Discovery Museum. Both events were considered home runs this year and will continue to be polished in the future to reach as many of these students and their families as possible.

Magnifying the Museums Partnership Wraps Up Year Three

The Tennessee Aquarium leads a consortium of schools and museums in a program designed to enhance the museum experiences of students at Chattanooga Middle Museum Magnet School and Normal Park Museum Magnet. A new school, Calvin Donaldson Elementary was adopted in 2007 when it was granted magnet status as an Environmental Science Magnet School. The consortium includes seven Chattanooga museums: Chattanooga Nature Center, Creative Discovery Museum, Chattanooga African American Museum, Tennessee Valley Railroad Museum, Chattanooga Regional History Museum, Hunter Museum of American Art and the Tennessee Aquarium. Through funding from the Institute of Museum and Library Services the school-museum partnership is dedicated to strengthening the schools' utilization of the Chattanooga museum community's rich resources. 2007 marked three years of partnership and collaboration.

Summer Camp Inspires Young Minds

Nearly 600 kids enjoyed a very successful and fun summer camp program, and 400 Girl Scouts participated in the Aqua Z's overnight visits to the Aquarium. Even more Girl Scouts joined in for *Splash*, a unique educational program taking place at the Aquarium.

Teacher Workshops

The Aquarium's education staff reached over 400 teachers in the region by conducting numerous teacher workshops in 2007. Partnerships with the Hamilton County and Cleveland/Bradley County Stormwater Pollution Control Programs, Hamilton County and Cleveland/Bradley County Schools and the Cherokee National Forest helped train teachers in Project WET, a nationally recognized environmental education program. The Aquarium also hosted an Animal Math workshop for educators. This nationally recognized workshop trains teachers to use aquariums and zoos for math field trips to engage students and build math skills.

Animal Success Stories

In May, 2007 the Aquarium opened its latest exhibit, *Penguins' Rock*. The Aquarium negotiated a rather unusual long-term breeding loan agreement with SeaWorld to acquire gentoo and macaroni penguins. A special exhibit space was constructed to simulate the sub-Antarctic world for the penguins. These active animals have captivated Aquarium audiences and will continue to so for years to come.

Inside both River Journey and Ocean Journey animal success stories appeared throughout 2007. Among the highlights, husbandry reported the birth of a Beal's four-eyed turtle –

the first hatched in a North American zoo or aquarium. The Aquarium also logged other notable successes this year including hatching a four-eyed turtle and a spiny turtle. Both were firsts for the Tennessee Aquarium. Three other endangered turtle species also hatched this year – a Chinese three-striped box turtle, Chinese pond turtle and Japanese pond turtle.

Working Hard to Earn High Marks

Everyone at the Tennessee Aquarium works hard each day to ensure the finest guest experience, striving to become “The Most Visitor-Friendly Aquarium in the World.” The 2007 Morey and Associates Aquarium Benchmark Survey, which monitors many nationally-known aquariums, once again placed the Tennessee Aquarium at the top of the list of surveyed institutions in Overall Satisfaction. Our employees work together as a team to engage our guests, know our mission, live our core values and exceed service standards. As a result of the Aquarium team efforts, the Tennessee Aquarium is also

Special Events and Programs

Throughout the year the Aquarium team worked to provide special events and programs designed to educate in an entertaining manner. Aquarium educators enjoyed leading spring break visitors on a “Chattanooga Family Adventure.” Families enjoyed the chance to become an aquatic biologist for a day during one of two daily sessions offered during March and April. When *Penguins’ Rock* opened in May, the combined efforts of the Aquarium team helped manage the flow of visitors through this very popular gallery while engaging people with excellent keeper talks and gallery information. The Aquarium partnered with the Association of Zoos and Aquariums during “Shark Week” to provide shark conservation messages in a fun way through special dive shows and handing out shark conservation books and trading cards. Keeper talks focused on enrichment activities and animal care during Tennessee Week for the Animals in September. New elements were created for our October event, “Thrills, Gills and Chills” which focused on the predator-prey relationship in the natural world. Costumed divers added fun to a fact-filled month of special keeper talks and myth-busting information which was presented throughout both buildings. Our holiday promotions, “Ho, HO, H2O, a Tropical Holiday Adventure” featured many of the relaxing elements of past years along with a cell phone audio tour which allowed guests to learn more about the Aquarium’s animals and exhibits.

Random Acts of Kindness

Customer appreciation days were a big hit in 2007. Throughout the summer, a station was set up in the ticketing center where free donuts, orange juice, or bottled water were offered. Staff performed random windshield cleanings in the parking lots. A simple note explained that the Aquarium wants our guests to know how much we appreciate their business. These things may sound small, but to anyone not accustomed to random acts of kindness, these extra perks made a trip to the Tennessee Aquarium extra special.

Program costs for all of the above were \$14,214,378.

II. Conservation and Research

The Aquarium's husbandry staff continued important work raising and releasing imperiled Barrens topminnows. In 2007, another 558 fish were released and 578 more hatchlings were transferred to U.S. Fish and Wildlife Service hatcheries for further growth before release. By the end of 2007, over 8,000 of these fish had been reintroduced in the region. Barrens topminnows were once common throughout Middle Tennessee, but are now confined to only a few clear streams and springs in Coffee County. Once on the brink of extinction, the efforts of the Tennessee Aquarium and its partners (The Nature Conservancy, the U.S. Fish and Wildlife Service, the Tennessee Wildlife Resources Agency, Nature Resources Conservation Service and Conservation Fisheries, Inc.) are bringing these tiny but important links back to the ecosystem. Associated program costs were \$138,898.

III. IMAX Brings Conservation Messages to Wide Audience

Throughout the year, our IMAX Theater facility provided further enrichment of our conservation and education programs to nearly 325,000 people. The IMAX Theater presented the following conservation-themed films in 2007: *Deep Sea 3D*, *Last Buffalo*, *Dinosaurs Alive 3D*, *Sea Monsters 3D*, *Sharks 3D* and *Happy Feet*. Program costs associated with the IMAX Theater were \$1,140,742.

**TENNESSEE AQUARIUM
990 TAX RETURN
FOR THE YEAR ENDED DECEMBER 31, 2007**

PART VIII

- | | |
|----------------|--|
| Line No.
93 | The purpose of the organization is to operate an Aquarium to serve as a center for the general public to improve their awareness, understanding and enjoyment of all forms of aquatic life. These revenues represent the admission and service income received from the general public |
| 94 | Membership dues are collected from the general public who purchase memberships in order to increase their involvement in the Aquarium's education activities. |
| 102 | Most items sold promote awareness of the Aquarium's live collection, promote environmental education or provide a service to visitors while attending the Aquarium. |
| 103(b) | Sponsorship revenues are used to present special programs and exhibits that enhance the visitors' education experience. |
| 103(c) | Rental and service fees received from guests for after-hours functions where all exhibit spaces are open for viewing |
| 103(d) | Convenience fees paid by customers purchasing tickets online. |

CONSOLIDATED FINANCIAL STATEMENTS

Tennessee Aquarium
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors

Tennessee Aquarium

Consolidated Financial Statements

Years Ended December 31, 2007 and 2006

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Report of Independent Auditors

The Board of Trustees
Tennessee Aquarium

We have audited the accompanying consolidated statements of financial position of the Tennessee Aquarium as of December 31, 2007 and 2006, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Aquarium's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Aquarium's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Tennessee Aquarium as of December 31, 2007 and 2006, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

July 21, 2008

Tennessee Aquarium

Consolidated Statements of Financial Position

	December 31	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,274,389	\$ 1,319,119
Cash and cash equivalents-restricted	250,000	-
Contributions receivable	620,404	-
Inventories	310,060	325,622
Accounts receivable	680,777	551,786
Prepaid expenses	520,941	431,278
Other current assets	-	167,769
Total current assets	4,656,571	2,795,574
Property and equipment:		
Land	4,484,445	4,484,445
Buildings	82,568,795	82,568,795
Equipment, furniture and fixtures	18,859,386	16,612,023
Construction in progress	1,326,206	980,846
	107,238,832	104,646,109
Less accumulated depreciation	36,947,591	33,531,574
Total property and equipment	70,291,241	71,114,535
Other assets:		
Contributions receivable, less current portion	1,059,838	750,000
Investments at fair value	14,983,929	14,872,377
Other assets	581,464	622,329
Total other assets	16,625,231	16,244,706
Total assets	\$ 91,573,043	\$ 90,154,815

	December 31	
	2007	2006
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 718,919	\$ 377,667
Accrued expenses	620,867	1,080,852
Current portion of note payable	200,000	200,000
Deferred membership revenue	862,735	602,151
Other deferred revenue	106,722	137,829
Total current liabilities	<u>2,509,243</u>	2,398,499
Deferred sponsorship revenues	75,000	100,000
Long-term portion of notes payable	1,260,000	300,000
Long-term debt	34,500,000	34,500,000
Other non-current liabilities	69,317	13,194
Total liabilities	<u>38,413,560</u>	37,311,693
Net assets:		
Unrestricted	53,159,483	52,843,122
Total net assets	<u>53,159,483</u>	52,843,122
Total liabilities and net assets	<u><u>\$ 91,573,043</u></u>	<u><u>\$ 90,154,815</u></u>

See accompanying notes.

Tennessee Aquarium

Consolidated Statements of Activities and Changes in Net Assets

	Years Ended December 31	
	2007	2006
Changes in unrestricted net assets:		
Revenues and gains:		
Admissions	\$ 10,385,152	\$ 9,134,367
Ancillary sales	4,164,460	3,883,619
Membership dues	1,370,340	1,398,067
Investment income	1,024,483	1,176,984
Contributions	3,103,329	498,124
Other income	922,426	724,641
	20,970,190	16,815,802
Expenses and losses:		
Programming	7,124,222	7,313,923
Guest services	2,514,832	2,487,222
Management and general	2,758,046	2,767,764
Marketing costs	1,485,808	1,543,586
Fundraising costs	207,825	-
Cost of ancillary sales	1,301,292	1,309,165
Financing costs	1,742,872	1,697,012
Depreciation and amortization	3,462,809	3,390,254
Loss on change in fair market value of derivative	56,123	-
	20,653,829	20,508,926
Increase (decrease) in unrestricted net assets	316,361	(3,693,124)
Change in net assets	316,361	(3,693,124)
Net assets at beginning of year	52,843,122	56,536,246
Net assets at end of year	\$ 53,159,483	\$ 52,843,122

See accompanying notes.

Tennessee Aquarium

Consolidated Statements of Cash Flows

	Years Ended December 31	
	2007	2006
Operating activities		
Change in net assets	\$ 316,361	\$ (3,693,124)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	3,462,809	3,390,254
Realized and unrealized gain on investments	(269,195)	(409,413)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(930,242)	210,000
Decrease in inventories	15,562	115,950
(Increase) decrease in accounts receivable	(128,991)	215,645
(Increase) decrease in prepaid expenses	(89,663)	92,782
Decrease (increase) in other current assets	167,769	(16,897)
Decrease in accounts payable and accrued expenses	(118,733)	(187,435)
Increase (decrease) in other liabilities	204,477	(386,300)
Decrease in other non-current liabilities	56,123	(149,401)
Net cash provided by (used in) operating activities	2,686,277	(817,939)
Investing activities		
Proceeds from sale of investments	157,643	1,277,804
Purchases of property and equipment	(2,598,650)	(1,938,058)
Net cash used in investing activities	(2,441,007)	(660,254)
Financing activities		
Proceeds of long-term borrowings	1,160,000	-
Payments of long-term borrowings	(200,000)	(200,000)
Net cash provided by (used in) financing activities	960,000	(200,000)
Net increase (decrease) in cash and cash equivalents	1,205,270	(1,678,193)
Cash and cash equivalents at beginning of year	1,319,119	2,997,312
Cash and cash equivalents at end of year	\$ 2,524,389	\$ 1,319,119
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, net of capitalized interest	\$ 1,318,609	\$ 1,216,419

See accompanying notes.

Tennessee Aquarium
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1. Summary of Significant Accounting Policies

Description of Business

Tennessee Aquarium (the Aquarium) is a nonprofit corporations and is exempt from federal and state income tax under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Aquarium provides a center for the general public to improve their awareness, understanding and enjoyment of all forms of aquatic life. Principal Aquarium programs include facility and ancillary operations, animal husbandry and care, membership services, education and an IMAX theater.

Principles of Consolidation

The consolidated financial statements include the accounts of the Tennessee Aquarium and the Tennessee Aquarium Research Institute. All intercompany transactions and accounts have been eliminated.

Reclassifications

Certain prior year amounts shown in the accompanying consolidated financial statements have been reclassified to conform to the 2007 presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect the amounts reported in the financial statements. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized on admission tickets and ancillary sales on a cash basis.

Contributions are recognized as revenue when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Proceeds from the sale of annual memberships are recognized ratably over the period for which the membership is valid.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Aquarium has entered into a long-term sponsorship agreement with one sponsor. This agreement is for a term of 20 years and the unamortized portion of the sponsorship fee is refundable at the request of the donor. The entire sponsorship fee was received upon execution of the agreement. Revenue from the agreement is being recognized over the life of the agreement.

Contributions Receivable

Contributions receivable represents unconditional promises to give. In 2007, the Aquarium launched a capital campaign to fund its Penguins' Rock exhibit which opened in 2007. All pledges were recognized as revenue in 2007. The pledges were payable over periods of less than one year, one to five years, or in more than five years. The Aquarium had \$620,404 and \$0 of contributions receivable due in less than twelve months and \$1,059,838 and \$750,000 due in two to five years, as of December 31, 2007 and 2006, respectively.

Cash and Cash Equivalents

The Aquarium considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash and Cash Equivalents – Restricted

The Aquarium received \$250,000 from the Community Foundation of Greater Chattanooga to finance the high-speed catamaran discussed in Note 5.

Property and Equipment

Property and equipment is recorded on the cost basis. Property and equipment placed into service is depreciated using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Inventory

The cost incurred with respect to the purchase or capture of specimens, food and other supplies not held for sale are expensed as incurred.

The gift shop inventory is valued at the lower of first-in, first-out (FIFO) cost or market.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Advertising Costs

The Aquarium expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2007 and 2006, was approximately \$714,000 and \$755,000, respectively.

Temporarily Restricted Contributions

The Aquarium records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. It is the Aquarium's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class category. There were no temporarily restricted contributions for 2007 and 2006.

Investments

Investments are presented in the financial statements in the aggregate at fair value. Realized gains and losses on the sale of investments are computed using the specific identification method. Included in Investments in the accompanying Statement of Financial Position are \$415,636 and \$1,897,849 of investments that mature in one year or less, as of December 31, 2007 and 2006, respectively.

Derivatives

The Aquarium uses an interest rate swap to hedge interest rate risks associated with certain of its long-term debt. The basic type of risk associated with derivatives is market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest rates). The market risk of the derivatives should generally offset the market risk associated with the hedged liability. The agreement involves payments of fixed-rate amounts in exchange for the receipt of variable-rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The Aquarium uses mark-to-market accounting to value the derivative and records changes in the value in the Statement of Activities and Changes in Net Assets. The fair value of the swap comprises the balance of other non-current liabilities in the Statement of Financial Position.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Classification of Expenses

The Aquarium classifies expenses as programming expenses or support expenses. Programming expenses are the activities that fulfill the Aquarium's mission and include its Husbandry, Facility Operations, Education and Research expenses. For the years ended December 31, 2007 and 2006, programming expenses for the Aquarium include all Programming, 94% of Financing Costs, and 86% of Depreciation and Amortization in the Statement of Activities and Changes in Net Assets.

Support expenses are all activities other than programming and include Guest Services, Retail, Marketing, Human Resources, and Administrative expenses. Support expenses for the Aquarium include all Guest Services, Management and General, Marketing costs, and Cost of Ancillary Sales included in the Statements of Activities and Changes in Net Assets. Support expenses also include 6% of Financing Costs and 14% of Depreciation and Amortization for the years ended December 31, 2007 and 2006.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). This statement provides a new definition of fair value that serves to replace and unify old fair value definitions so that consistency is achieved, and the definition provided acts as a modification of the current accounting presumption that a transaction price of an asset or liability equals its initial fair value. The statement also provides a fair value hierarchy used to classify source information used in fair value measurements that places higher importance on market based sources. New disclosures of assets and liabilities measured at fair value based on their level in the fair value hierarchy are required by this statement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, except for nonfinancial assets and non-financial liabilities, for which the effective date is fiscal years beginning after November 15, 2008. The Aquarium is currently evaluating the impact of adopting SFAS 157 on its consolidated financial statements but does not expect the impact to be material.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Aquarium is currently assessing the impact, if any, of SFAS 159 on its consolidated financial statements but does not expect the impact to be material.

2. Donated Services

The Aquarium received contributed services valued at approximately \$233,000 and \$222,000 in 2007 and 2006, respectively, from participants in its Volunteer Diver program. Such contributed services have been recognized as unrestricted contributions and as programming expenses as they require specialized skills, provided by individuals possessing these skills and would otherwise need to be purchased if not provided by donation.

The Aquarium also received contributed services in its other volunteer programs. These contributed services have not been recorded because no specialized skills are required.

3. Lease Commitments

The Aquarium leases equipment and office space pursuant to agreements that expire from 2008 to 2011. Future minimum rental payments under the lease agreements are as follows:

2008	\$ 258,881
2009	177,677
2010	154,823
2011	66,733
	<u>\$ 658,114</u>

The Aquarium entered into a lease agreement which started in 1996 and expired in 2006 for the rental of an IMAX® 3D projection system. The terms of this agreement required a prepayment of \$1,800,000. The prepayment of rent was amortized over the ten-year term of the lease.

The Aquarium had the option of renewing this lease at the end of the original term for a period of ten years. In lieu of renewing the lease, the Aquarium agreed on March 31, 2006, to purchase the projection system for \$800,000.

The Aquarium's total rent expense for the year ended December 31, 2007 and 2006, was \$356,028 and \$352,695, respectively.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

4. Investments

Investments at December 31, 2007 and 2006, are composed of the following:

	2007		
	Fair Market Value	Cost	Net Unrealized Gain (Loss)
Mutual funds	\$ 3,049,832	\$ 2,610,528	\$ 439,304
U.S. Government obligations	1,588,063	1,533,124	54,939
Federal agency bonds	5,368,476	5,280,259	88,217
Corporate bonds	4,970,496	5,058,125	(87,629)
Corporate equities	7,062	1	7,061
Total	\$ 14,983,929	\$ 14,482,037	\$ 501,892
	2006		
	Fair Market Value	Cost	Net Unrealized Gain (Loss)
Mutual funds	\$ 3,739,919	\$ 3,249,980	\$ 489,939
U.S. Government obligations	2,486,560	2,475,086	11,474
Federal agency bonds	3,846,526	3,841,318	5,208
Corporate bonds	4,799,372	4,908,112	(108,740)
Total	\$ 14,872,377	\$ 14,474,496	\$ 397,881

The net change in unrealized gain on investments is included in investment income in the Statements of Activities and Changes in Net Assets and is included in the Realized and Unrealized Gains and Losses on the Statements of Cash Flows.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

The Industrial Development Board of the County of Hamilton, Tennessee issued \$30,000,000 of Industrial Development Revenue Bonds Series 1991 (the Series 1991 Bonds) on July 11, 1991. The entire proceeds of the Series 1991 Bonds were loaned to the Aquarium pursuant to a loan agreement dated July 1, 1991, which had terms substantially identical to terms of the Series 1991 Bonds. During June of 1993, the Aquarium repaid \$24,500,000 of the Series 1991 Bonds and refinanced the remaining \$5,500,000 of bonds with a new lender. The remaining Series 1991 Bonds mature in their entirety on July 1, 2021.

During 1996, the Aquarium completed construction of the Tennessee Aquarium Imax Center, including an IMAX® 3D theater, an environmental learning lab and office space for Aquarium personnel. The total cost of the project was approximately \$14,000,000 and the project was completed in July of 1996. On January 26, 1995, the Board of Trustees approved the decision to finance the project with tax-exempt bonds. The Industrial Development Board of the County of Hamilton, Tennessee issued \$14,000,000 of Industrial Development Revenue Bonds Series 1995 (the Series 1995 Bonds) on March 24, 1995. The entire proceeds of the Series 1995 Bonds were loaned to the Aquarium pursuant to a loan agreement dated March 1, 1995, which had terms substantially identical to terms of the Series 1995 Bonds. The Series 1995 Bonds mature on March 1, 2015.

During 2005, the Aquarium completed construction of the Tennessee Aquarium Ocean Journey. The total cost of the project was approximately \$33,200,000 and the project was completed in April of 2005. On January 22, 2004, the Board of Trustees approved the decision to partially finance the project with tax-exempt bonds. On April 29, 2004, the Industrial Development Board of the City of Chattanooga, Tennessee issued \$15,000,000 of Industrial Development Revenue Bonds Series 2004 (the Series 2004 Bonds). The entire proceeds of the Series 2004 Bonds were loaned to the Aquarium pursuant to a loan agreement dated April 1, 2004, which had terms substantially identical to the terms of the Series 2004 Bonds. The 2004 Series Bonds mature in their entirety on April 1, 2024.

Interest on all of the aforementioned bond series is at a variable rate determined weekly and payable monthly. During 2007, interest rates ranged from 3.10% to 4.00%. All three bond series are secured by a mortgage on the Aquarium's property and direct pay letters of credit expiring on April 29, 2010. All letters of credit may terminate sooner than their expressed expiration dates upon the occurrence of certain conditions.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

The Aquarium is required to meet profitability, liquidity and leverage financial covenants and is limited as to the amount of additional debt that can be incurred, the purchase and disposition of assets and other business activities under the terms of the various financing documents. At December 31, 2007, the Aquarium was in compliance with all of the financial covenants of the loan agreements with the exception of a financial covenant stipulating that no additional debt can be incurred. The additional debt incurred by the Aquarium related to the River Gorge Explorer described below for which a waiver of the violation was obtained from the lender. As a result of delays in obtaining the aforementioned waiver, the Aquarium failed to comply with the financial covenant related to providing audited financials to the lender within a specified period of time, which violation was also waived.

In May of 2007, the Aquarium entered into a Vessel Building Agreement to have a 70-passenger, high-speed catamaran constructed to take visitors on an ecotour into the Tennessee River Gorge. The Company expects that the vessel will be operating by mid-2008. The total purchase price of the vessel is \$2,885,600. In connection with the Company entering into the Vessel Building Agreement, the Aquarium also executed promissory notes to the Community Foundation of Greater Chattanooga, to fund \$2,860,200 of the purchase price. The notes bear interest at 0% and are non-recourse such that repayment is required only to the extent the vessel's operations generate revenues in excess of the related expenses. The loans are secured by the value of the vessel and are subordinate to the Aquarium's other debt. At December 31, 2007, the Aquarium had paid \$910,000 of the purchase price of the vessel and had received \$1,160,000 of funding, of which \$250,000 is included as restricted cash due to the Aquarium not remitting this amount to the builder prior to December 31, 2007.

The Aquarium executed a loan agreement on April 10, 2002, establishing a \$5,000,000 revolving line of credit. The loan bears interest at a rate of 2.00% above the LIBOR Daily Floating Rate. The principal of the loan balance was due on April 10, 2005. The line of credit was reduced to \$1,000,000 on May 3, 2004, and converted to a term loan. The term loan required semi-annual principal payments of \$100,000 beginning October 1, 2004, and at December 31, 2007, bore an interest rate of 7.36%. At December 31, 2007, the Aquarium had an outstanding balance of \$300,000 on the term loan.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

The combined aggregate amount of future principal payments for all long-term borrowings due is as follows:

2008	\$ 200,000
2009	100,000
2010	—
2011	—
2012	—
Thereafter	<u>35,660,000</u>
	<u>\$35,960,000</u>

The fair value of the Aquarium's debt does not significantly differ from its carrying value.

On March 24, 2003, the Aquarium entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its long-term debt. At December 31, 2007 and 2006, the swap agreement had a notional amount of \$7,000,000 and results in fixed interest rate payable of 3.41%. The Aquarium makes payments at the stated fixed rates and receives payments at tax-exempt variables rates, which reset on a weekly basis.

6. Benefit Plan

The Aquarium adopted a 403(b) defined contribution retirement plan on January 1, 1996, covering substantially all full-service employees. Employer contributions under the new plan are based upon a defined percentage of eligible participant compensation plus a defined matching percentage of any voluntary employee contributions to the plan. Benefit plan expense for the year ended December 31, 2007 and 2006, was approximately \$333,000 and \$326,000, respectively.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

7. Related-Party Transaction

The Aquarium's Ocean Journey expansion was funded with \$15,000,000 of long-term debt, as discussed in Note 5, and \$20,000,000 of private contributions collected through the 21st Century Waterfront Trust (the Trust). The Aquarium's President is one of the Trustees of the Trust. In order to fund the expansion on a timely basis, the Trust secured a loan collateralized by contribution pledges. The terms of the agreement for funding from the Trust provided for the Aquarium to be reimbursed for construction expenditures as they were incurred and approved by the Aquarium. The reimbursements were paid from pledges collected and from the proceeds of the Trust loan. The agreement also requires the Aquarium to pay a portion of the interest expense incurred by the Trust, which was approximately \$191,000 and \$380,000 for the period ended December 31, 2007 and 2006, respectively.

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

8. Functional Expenses

Expenses incurred in 2007 were:

	Programming	Guest Services	Management & General	Marketing Costs	Fundraising	Total
Salaries and benefits	\$ 3,626,687	\$ 2,194,560	\$ 1,412,022	\$ 544,365	\$ —	\$ 7,777,634
Printing, publications, and promotion	10,502	—	105,161	782,057	—	897,720
Supplies and marine life acquisition	624,809	88,716	64,685	66,408	—	844,618
Professional and other contract services	529,887	34,190	530,510	18,571	207,375	1,320,533
Film and projection costs	430,953	—	—	—	—	430,953
Utilities	1,393,492	—	—	—	—	1,393,492
Maintenance	161,202	85,299	78,355	882	—	325,738
Postage and shipping	8,710	65,965	73,227	7,241	—	155,143
Lease and rental	52,034	—	303,994	—	—	356,028
Travel and education	35,299	11,404	24,925	8,463	450	80,541
Telecommunications	125,847	—	—	—	—	125,847
Other	124,800	34,698	165,167	57,821	—	382,486
Total	\$ 7,124,222	\$ 2,514,832	\$ 2,758,046	\$ 1,485,808	\$ 207,825	14,090,733
Cost of ancillary sales						1,301,292
Financing costs						1,742,872
Depreciation and amortization						3,462,809
Loss on change in fair market value of derivative						56,123
Total costs						\$ 20,653,829

Tennessee Aquarium

Notes to Consolidated Financial Statements (continued)

8. Functional Expenses (continued)

Expenses incurred in 2006 were:

	<u>Programming</u>	<u>Guest Services</u>	<u>Management & General</u>	<u>Marketing Costs</u>	<u>Total</u>
Salaries and benefits	\$ 3,695,875	\$ 2,144,231	\$ 1,452,543	\$ 616,588	\$ 7,909,237
Printing, publications, and promotion	10,866	-	75,432	804,704	891,002
Supplies and marine life acquisition	562,213	114,963	76,204	58,738	812,118
Professional and other contract services	535,967	26,928	291,904	23,521	878,320
Film and projection costs	544,721	-	-	-	544,721
Utilities	1,445,672	-	-	-	1,445,672
Maintenance	145,667	90,615	83,650	-	319,932
Postage and shipping	9,195	49,725	66,434	6,113	131,467
Lease and rental	52,964	-	299,731	-	352,695
Travel and education	35,005	23,272	27,625	12,300	98,202
Telecommunications	189,523	-	-	-	189,523
Other	86,255	37,488	394,241	21,622	539,606
Total	<u>\$ 7,313,923</u>	<u>\$ 2,487,222</u>	<u>\$ 2,767,764</u>	<u>\$ 1,543,586</u>	<u>14,112,495</u>
Cost of ancillary sales					1,309,165
Financing costs					1,697,012
Depreciation and amortization					3,390,254
Total costs					<u>\$ 20,508,926</u>