

TENNESSEE AQUARIUM

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023



CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE AQUARIUM

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tennessee Aquarium
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tennessee Aquarium, which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tennessee Aquarium as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Tennessee Aquarium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Tennessee Aquarium's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tennessee Aquarium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Aquarium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Chattanooga, Tennessee
May 27, 2025

*Henderson Hutcherson
& McCullough, PLLC*

TENNESSEE AQUARIUM

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

ASSETS		
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,877,181	\$ 3,429,320
Contributions receivable	10,000	10,000
Accounts receivable	1,749,316	1,184,439
Prepaid expenses	<u>839,374</u>	<u>918,604</u>
Total current assets	<u>7,475,871</u>	<u>5,542,363</u>
PROPERTY AND EQUIPMENT, NET	<u>44,757,194</u>	<u>45,114,328</u>
OTHER ASSETS		
Contributions receivable - less current portion, net	-	9,246
Right-of-use assets - operating	3,229,363	609,749
Investments - at fair value	<u>36,999,850</u>	<u>34,808,582</u>
Total other assets	<u>40,229,213</u>	<u>35,427,577</u>
TOTAL ASSETS	<u>\$ 92,462,278</u>	<u>\$ 86,084,268</u>

TENNESSEE AQUARIUM

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	2024	2023
CURRENT LIABILITIES		
Long-term debt - current portion	\$ 1,013,364	\$ 1,083,819
Operating lease liabilities - current portion	318,506	145,115
Accounts payable	742,016	730,095
Accrued expenses	1,525,434	1,485,264
Deferred membership revenue	1,445,079	1,353,657
Other deferred revenue	<u>110,124</u>	<u>196,554</u>
Total current liabilities	<u>5,154,523</u>	<u>4,994,504</u>
LONG TERM LIABILITIES		
Long-term debt, net of current portion	10,794,300	11,804,441
Operating lease liabilities, net of current portion	<u>3,024,964</u>	<u>464,634</u>
Total non-current liabilities	<u>13,819,264</u>	<u>12,269,075</u>
TOTAL LIABILITIES	<u>18,973,787</u>	<u>17,263,579</u>
NET ASSETS		
Without donor restrictions - undesignated	45,481,080	43,663,351
Without donor restrictions - board designated	25,370,718	24,220,018
With donor restrictions	<u>2,636,693</u>	<u>937,320</u>
TOTAL NET ASSETS	<u>73,488,491</u>	<u>68,820,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 92,462,278</u>	<u>\$ 86,084,268</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE AQUARIUM

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support:		
Public contributions	\$ 1,185,466	\$ 1,142,417
Fundraising events	170,606	166,090
Membership dues	2,653,273	2,577,189
Admissions	20,511,547	20,397,464
Ancillary sales	4,477,594	4,420,179
Facility rental, sponsorship, and other program income	2,090,910	1,835,631
Net investment income	2,758,507	2,941,633
Net assets released from restriction	<u>312,957</u>	<u>431,178</u>
Total unrestricted support and revenue	<u>34,160,860</u>	<u>33,911,781</u>
EXPENSES		
Program services	17,727,982	16,233,536
Guest services	2,347,847	2,116,189
Management and general	6,963,255	6,539,546
Marketing costs	3,096,324	3,088,142
Fundraising costs	903,219	607,743
Cost of ancillary sales	<u>153,804</u>	<u>154,164</u>
Total expenses	<u>31,192,431</u>	<u>28,739,320</u>
Change in net assets without donor restrictions	<u>2,968,429</u>	<u>5,172,461</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	2,012,330	501,800
Net assets released from restriction	<u>(312,957)</u>	<u>(431,178)</u>
Change in net assets with donor restrictions	<u>1,699,373</u>	<u>70,622</u>
CHANGE IN NET ASSETS	4,667,802	5,243,083
NET ASSETS - beginning of year	<u>68,820,689</u>	<u>63,577,606</u>
NET ASSETS - end of year	<u>\$ 73,488,491</u>	<u>\$ 68,820,689</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE AQUARIUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	Program Services	Guest Services	Management and General	Marketing Costs	Fundraising Costs	Total
Salaries and benefits	\$ 8,221,052	\$ 1,813,767	\$ 3,285,970	\$ 977,750	\$ 725,624	\$ 15,024,163
Printing, publications, and promotions	6,531	31,865	1,819	1,751,390	4,312	1,795,917
Supplies and marine life acquisition	1,028,073	25,901	353,094	111,711	6,218	1,524,997
Professional and other contract services	952,555	145,387	1,579,089	156,861	46,729	2,880,621
Film and projection costs	503,030	-	-	-	-	503,030
Utilities	1,712,979	75,296	56,472	18,824	18,824	1,882,395
Maintenance	843,587	2,332	445,197	1,944	-	1,293,060
Postage and shipping	7,240	4,689	39,416	697	690	52,732
Lease and rental	339,433	-	90,956	-	-	430,389
Travel and education	257,001	27,101	78,003	11,883	18,076	392,064
Telecommunications	94,644	27,725	18,483	9,325	3,851	154,028
Financing costs	-	-	236,153	-	-	236,153
Depreciation	3,654,804	165,443	135,920	43,171	37,839	4,037,177
Other	107,053	28,341	642,683	12,768	41,056	831,901
Total functional expenses	<u>\$ 17,727,982</u>	<u>\$ 2,347,847</u>	<u>\$ 6,963,255</u>	<u>\$ 3,096,324</u>	<u>\$ 903,219</u>	31,038,627
Cost of ancillary sales						<u>153,804</u>
Total expenses						<u>\$ 31,192,431</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE AQUARIUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	Guest Services	Management and General	Marketing Costs	Fundraising Costs	Total
Salaries and benefits	\$ 7,598,842	\$ 1,736,987	\$ 2,723,645	\$ 1,122,785	\$ 481,866	\$ 13,664,125
Printing, publications, and promotions	1,980	26,490	1,776	1,698,860	2,681	1,731,787
Supplies and marine life acquisition	1,013,505	13,595	343,923	94,409	3,422	1,468,854
Professional and other contract services	782,726	72,919	1,709,568	89,818	38,095	2,693,126
Film and projection costs	417,784	-	-	-	-	417,784
Utilities	1,707,297	75,046	56,285	18,762	18,762	1,876,152
Maintenance	767,159	-	332,050	51	-	1,099,260
Postage and shipping	5,027	4,650	40,154	1,147	994	51,972
Lease and rental	129,343	-	214,589	-	-	343,932
Travel and education	229,398	9,418	106,040	7,818	10,816	363,490
Telecommunications	85,812	25,138	16,759	8,455	3,491	139,655
Financing costs	-	-	308,365	-	-	308,365
Depreciation	3,399,841	131,122	119,974	33,253	30,980	3,715,170
Other	94,822	20,824	566,418	12,784	16,636	711,484
Total functional expenses	<u>\$ 16,233,536</u>	<u>\$ 2,116,189</u>	<u>\$ 6,539,546</u>	<u>\$ 3,088,142</u>	<u>\$ 607,743</u>	28,585,156
Cost of ancillary sales						<u>154,164</u>
Total expenses						<u>\$ 28,739,320</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE AQUARIUM

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,667,802	\$ 5,243,083
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,037,177	3,715,170
Noncash change to construction in progress	18,567	-
Noncash operating lease expense	114,107	-
Net realized and unrealized gain on investments	(1,337,871)	(1,966,654)
Changes in operating assets and liabilities:		
Contributions and grants receivable	9,246	-
Accounts receivable	(564,877)	(361,460)
Prepaid expenses	79,230	(115,724)
Accounts payable	11,921	(717,301)
Accrued expenses	40,170	184,432
Deferred revenue	4,992	20,589
Net cash flows from operating activities	<u>7,080,464</u>	<u>6,002,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,698,610)	(2,943,337)
Proceeds from sale or maturity of investments	2,827,954	2,146,811
Purchase of investments	<u>(3,681,351)</u>	<u>(7,409,968)</u>
Net cash flows from investing activities	<u>(4,552,007)</u>	<u>(8,206,494)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(1,080,596)	(1,060,969)
Payments of lease liability - financing	<u>-</u>	<u>(12,200)</u>
Net cash flows from financing activities	<u>(1,080,596)</u>	<u>(1,073,169)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,447,861	(3,277,528)
Cash and cash equivalents - beginning of year	<u>3,429,320</u>	<u>6,706,848</u>
Cash and cash equivalents - end of year	<u>\$ 4,877,181</u>	<u>\$ 3,429,320</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for financing costs	<u>\$ 228,677</u>	<u>\$ 278,129</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Tennessee Aquarium (the “Aquarium”) is a nonprofit corporation in the State of Tennessee. The Aquarium provides a center to connect people with nature and empower them to make informed decisions about water and wildlife. Principal aquarium programs include facility and ancillary operations, animal husbandry and care, membership services, education, and an IMAX theater. In addition to these programs, the Aquarium engages in significant conservation efforts and conservation research initiatives.

Basis of Accounting

The financial statements of the Aquarium are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) establishes GAAP in the Accounting Standards Codification (ASC). Updates to the ASC are done through the issuance of Accounting Standards Updates (ASU).

Basis of Presentation

The financial statements of the Aquarium have been prepared in accordance with GAAP, which require the Aquarium to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Aquarium's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Aquarium or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Concentration of Risk

From time to time, the Aquarium has on deposit, in institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC), funds that total in excess of the insured maximum. The at-risk amount is subject to significant fluctuations on a daily basis throughout the year.

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TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Aquarium considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable represents unconditional promises to give. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reported at the present value of expected cash flows at the date of the promise. Amortization of the resulting discount is recognized as additional contribution revenue. The Aquarium considers all unconditional promises to give to be fully collectible as of December 31, 2024 and 2023; accordingly, no allowance for credit losses is considered necessary. Accounts are charged to bad debt expense as they are deemed uncollectible. The Aquarium had \$10,000 and \$19,246 in contributions receivable as of December 31, 2024 and 2023, respectively.

Accounts Receivable and Allowance for Credit Losses

The Company follows the guidance in ASC 326, which uses the expected loss model, to determine the allowance for credit losses. Financial assets held by the Company that are subject to the guidance in ASC 326 consist of funds received through credit card transactions, service management fees, accrued investment income, rental fees due from clients for events held at the Aquarium, and revenues from third-party management for gift shop, concession stand, and parking sales.

Management has not established a reserve for expected credit losses as they expect to collect all of the outstanding balances.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid on IMAX, insurance, and software license fees.

Inventories

In October 2019, the Aquarium signed an agreement to transfer management of its gift shops and concession stands to Event Network. On January 21, 2020, management of the gift shops and concession stands officially transferred to Event Network. Per the terms of the agreement, Event Network receives a percentage of the gross gift shop and concession sales as a management fee. Also, as part of that agreement, Event Network bought all non-obsolete inventory from the Aquarium at cost. Any obsolete inventory was written off by the Aquarium and used for promotional purposes.

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets ranging from three to forty years.

Investments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP set out a fair value hierarchy. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 - Unobservable inputs which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investments in marketable securities with readily determinable fair values, shares in mutual funds, limited partnerships, and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in net investment return.

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Fair Value Measurements (Continued)

Investment securities are exposed to various risks, such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Deferred Revenue

Advanced collections of membership dues and facility rental income are deferred and recognized over the periods to which the income relates.

Debt Issuance Costs

Debt issuance costs relate to the issuance of long-term debt. Unamortized debt issuance costs are reported as a reduction of long-term debt. These costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. Amortization of deferred financing costs is reported as interest expense.

Income Tax Status

The Aquarium is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Aquarium believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Aquarium's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The Aquarium classifies expenses as program services or support expenses. Program services are the activities that fulfill the Aquarium's mission and include its husbandry, facility operations, education, and conservation expenses.

Support expenses are all activities other than program services and include guest services, retail, marketing costs, human resources and management, and general expenses. All fundraising costs are classified as support expenses.

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Printing, publications, and promotions	Nature of expenses
Supplies and marine life acquisition	Nature of expenses
Professional and other contract services	Nature of expenses
Utilities	Square footage
Maintenance	Nature of expenses
Postage and shipping	Nature of expenses
Lease and rental	Nature of expenses
Travel and education	Nature of expenses
Telecommunications	Square footage
Financing costs	In proportion to total expense categories
Depreciation	Square footage
Other	Nature of expenses

Estimates and Uncertainties

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Aquarium expenses advertising costs as incurred. Advertising expense totaled \$1,721,036 and \$1,675,522 for the years ended December 31, 2024 and 2023, respectively, and is included with marketing costs on the statements of activities and changes in net assets.

Revenue Recognition

The Aquarium follows the guidance of ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, “ASC 606”). ASC 606 outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step revenue recognition model is as follows:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to performance obligations in the contract
- 5) Recognize revenue when or as the Aquarium satisfies a performance obligation

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Admissions revenue is recognized at the time the tickets are sold. Ancillary sales include revenue from the Aquarium's gift shop. Revenue is recognized when goods are transferred to the Aquarium's visitors. Memberships purchased include a performance obligation to provide various benefits over the membership period. The primary benefit of membership is unlimited admission during the term of the membership. Other benefits included are considered immaterial (member events) or tied to admission (gift shop discounts). Proceeds from the sale of annual memberships are recognized at the time memberships are sold. Rental income is recognized on the date of the rental.

Rental income, a component of facility rental, sponsorship, and other program income on the statements of activities and changes in net assets are recognized over the period of rental. Deferred income from these arrangements totaled \$69,900 and \$120,915 as of December 31, 2024 and 2023, respectively.

Contributions, grants, and state funding are non-exchange transactions outside the scope of ASC 606. Revenue for these transactions is recognized when an unconditional promise to give is made or when a cash contribution is received. The Aquarium reports gifts of cash and other assets as support with donor restriction if they are subject to time or donor-imposed restrictions.

Revenue from grants is recognized according to the specific agreement. Generally, revenues from restricted grants are recognized in the period of the grant award while revenues from cost reimbursement contracts are recognized to the extent of project expenses incurred. Grants and contracts are subject to audit by the awarding agency. Based on prior experience, the Aquarium's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Aquarium.

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	2024	2023
Performance obligations satisfied at a point in time	\$ 26,437,133	\$ 26,289,662
Performance obligations satisfied over time	3,466,797	3,106,891
Not in scope of ASC 606	<u>3,197,796</u>	<u>1,644,217</u>
Total operating revenues and other support	<u>\$ 33,101,726</u>	<u>\$ 31,040,770</u>

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions and grants receivable are expected to be collected in the following periods:

	2024	2023
Less than one year	\$ 10,000	\$ 10,000
One to five years	<u>-</u>	<u>10,000</u>
	10,000	20,000
Unamortized discount (at 4%)	<u>-</u>	<u>(754)</u>
	<u>\$ 10,000</u>	<u>\$ 19,246</u>

As of December 31, 2024 and 2023, there were no contributions receivable representing more than 10% of gross contributions receivable.

NOTE 3 – INVESTMENTS

Investments are stated at fair value and consist of the following as of December 31, 2024 and 2023:

	Cost	Fair Value	Unrealized Gains (Losses)
2024			
Equity securities	\$ 7,521,813	\$ 9,855,831	\$ 2,334,018
Corporate bonds	<u>27,144,078</u>	<u>27,144,019</u>	<u>(59)</u>
	<u>\$ 34,665,891</u>	<u>\$ 36,999,850</u>	<u>\$ 2,333,959</u>
2023			
Equity securities	\$ 7,551,574	\$ 8,401,234	\$ 849,660
Corporate bonds	<u>25,151,461</u>	<u>26,407,348</u>	<u>1,255,887</u>
	<u>\$ 32,703,035</u>	<u>\$ 34,808,582</u>	<u>\$ 2,105,547</u>

The net change in unrealized gain on investments is included in net investment income on the accompanying statements of activities and changes in net assets and is presented with realized and unrealized gain on investments on the accompanying statements of cash flows. Investment income is presented net of investment expense.

Net investment return consists of the following:

	2024	2023
Interest and dividend income	\$ 1,579,656	\$ 1,096,791
Investment expense	(159,020)	(121,812)
Realized and unrealized gain	<u>1,337,871</u>	<u>1,966,654</u>
Total investment income	<u>\$ 2,758,507</u>	<u>\$ 2,941,633</u>

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 3 – INVESTMENTS (Continued)

The Aquarium's financial assets carried at fair value have been classified based upon the hierarchy defined by accounting standard, *Fair Value Measurements*. The following table provides information as of December 31, 2024 about the Aquarium's financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Equity securities	\$ 9,855,831	\$ -	\$ -	\$ 9,855,831
Corporate bonds	-	27,144,019	-	27,144,019
Total assets at fair value	<u>\$ 9,855,831</u>	<u>\$ 27,144,019</u>	<u>\$ -</u>	<u>\$ 36,999,850</u>

Information about the Aquarium's financial assets measured at fair value as of December 31, 2023 is as follows:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Equity securities	\$ 8,401,234	\$ -	\$ -	\$ 8,401,234
Corporate bonds	-	26,407,348	-	26,407,348
Total assets at fair value	<u>\$ 8,401,234</u>	<u>\$ 26,407,348</u>	<u>\$ -</u>	<u>\$ 34,808,582</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

	2024	2023
Land	\$ 4,484,445	\$ 4,484,445
Buildings	93,412,439	92,791,206
Furniture, fixtures, and equipment	38,954,792	35,344,713
Telecommunications equipment	579,276	579,276
Construction in progress	<u>1,807,720</u>	<u>2,369,354</u>
	139,238,672	135,568,994
Accumulated depreciation	<u>(94,481,478)</u>	<u>(90,454,666)</u>
	<u>\$ 44,757,194</u>	<u>\$ 45,114,328</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$4,037,177 and \$3,715,170, respectively.

NOTE 5 – LINE OF CREDIT

On December 8, 2016, the Aquarium entered into a revolving loan credit agreement with First Tennessee Bank for a line of credit to fund its working capital needs. The line of credit allowed the Aquarium to borrow up to \$2.5 million. On April 12, 2020, the maximum amount of the line of credit was increased to \$4.0 million. The line of credit bears a variable interest rate of 1-Month CME Term SOFR plus a margin of 2.50% per annum. The line of credit expires on November 1, 2025. There was no outstanding balance on the line of credit as of December 31, 2024 and 2023.

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 6 – LONG-TERM DEBT

On May 5, 2020, the Aquarium entered into a loan agreement with the lender that purchased the Revenue Refunding Bonds Series 2020 (the “Series 2020 Bonds”) in their entirety of \$15,841,139 as issued by the Industrial Development Board of the County of Hamilton, Tennessee. The Series 2020 Bonds mature on December 30, 2035. Under the terms of the loan, the Aquarium is to make monthly principal and interest payments of \$99,856 at a fixed rate of 2.25% until the Series 2020 Bonds’ maturity date. The balance of the Series 2020 Bonds was \$11,762,277 and \$12,680,272 on December 31, 2024 and 2023, respectively. The Series 2020 Bonds are secured by a springing lien on the Aquarium’s property.

On May 5, 2020, the Aquarium entered into a loan agreement totaling \$794,500. Under the terms of the loan, the Aquarium is to make monthly principal and interest payments of \$14,110 at a fixed rate of 2.50% until the loan’s maturity date of May 1, 2025. The balance of the loan was \$70,056 and \$234,900 on December 31, 2024 and 2023, respectively. The loan is cross collateralized with the Aquarium’s Series 2020 Bonds.

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. As of December 31, 2024 and 2023, the Aquarium determined it was in compliance with all the financial covenants of the loan agreements.

Long-term debt is reported net of unamortized debt issuance costs, as follows:

	2024	2023
Principal amount	\$ 11,832,333	\$ 12,915,172
Unamortized debt issuance costs	<u>(24,669)</u>	<u>(26,912)</u>
Long-term debt, less unamortized debt issuance costs	11,807,664	12,888,260
Current portion of long-term debt	<u>(1,013,364)</u>	<u>(1,083,819)</u>
Noncurrent portion of long-term debt	<u>\$ 10,794,300</u>	<u>\$ 11,804,441</u>

Future maturities of long-term debt, excluding unamortized debt issuance costs, are as follows as of December 31:

2025	\$ 1,013,364
2026	960,719
2027	982,560
2028	1,004,897
2029	1,027,742
Thereafter	<u>6,843,051</u>
	<u>\$ 11,832,333</u>

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2024 and 2023, consist of the following:

	2024	2023
Subject to expenditure for specified purpose:		
Grant agreements	\$ 2,390,766	\$ 691,393
Subject to permanent restriction of corpus	<u>245,927</u>	<u>245,927</u>
	<u>\$ 2,636,693</u>	<u>\$ 937,320</u>

During 2024 and 2023, net assets released from restrictions consisted of:

	2024	2023
Satisfaction of purpose restrictions:		
Other purpose filled	<u>\$ 312,957</u>	<u>\$ 431,178</u>

NOTE 8 – BOARD DESIGNATED ENDOWMENT

As of December 31, 2024 and 2023, the Board of Trustees had designated \$25,370,718 and \$24,220,018, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Aquarium. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

As part of the spending policy for the board designated endowment, when the endowment exceeds \$5,000,000 plus any approved spending allocation, the board has discretion to approve spending up to 6% of the endowment's total asset value based upon the average of the trailing 12 quarters ending each December 31 from the endowment. In establishing this policy, the Aquarium considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Aquarium expects the current spending policy to allow its general endowment fund to grow at an average of 7% annually. This is consistent with the Aquarium's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment returns.

To achieve that objective, the Aquarium has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions as stated in the spending policy, while growing the fund. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to avoid exposing the fund to unacceptable levels of risk.

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 8 – BOARD DESIGNATED ENDOWMENT (Continued)

Composition of, and changes in, board designated endowment net assets for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Endowment net assets, beginning of year	\$ 24,220,018	\$ 6,305,541
Interest and dividend income	198,993	148,006
Board designated funds	-	16,673,317
Realized and unrealized gain	951,707	1,093,154
Endowment net assets, end of year	<u>\$ 25,370,718</u>	<u>\$ 24,220,018</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

A board member of the Aquarium is the chief operating officer for the organization that provides the Aquarium's employee healthcare insurance. Premiums paid were \$791,584 and \$616,902 for the years ended December 31, 2024 and 2023, respectively.

NOTE 10 – UNCERTAIN TAX POSITIONS

The Aquarium is exempt, by statute, from federal and state income taxes. However, the Aquarium may be subject to tax on unrelated business income. This income is reported on the federal form 990-T as unrelated business income.

The Aquarium follows the guidance of FASB ASC Topic 740, *Income Taxes*, which specifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. Based on its evaluation, the Aquarium has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

NOTE 11 – DEFINED CONTRIBUTION 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 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 years ended December 31, 2024 and 2023, was \$678,716 and \$609,805, respectively.

NOTE 12 – DONATED SERVICES

The Aquarium received contributed services valued at approximately \$403,000 and \$311,000 in 2024 and 2023, respectively, from participants in its volunteer diver program. Such contributed services have been recognized as contributions without donor restrictions and as program services since individuals possessing specialized skills are required and would otherwise need to be purchased if not provided by donation.

(Continued)

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 12 – DONATED SERVICES (Continued)

The Aquarium also received contributed services in its other volunteer programs. These contributed services have not been recorded because they did not meet the requirements for recognition in the financial statements.

NOTE 13 – OPERATING LEASES

The Aquarium follows the lease accounting guidance of ASU 2016-02, *Leases* (ASC Topic 842). The weighted average discount rate on operating leases is 4.44%. The weighted average remaining lease term is 14.26 years.

The Aquarium leases a building under an operating lease arrangement with a third party, expiring May 31, 2026. Monthly lease expense is payable in equal monthly installments of \$6,694.

The Aquarium subleases 5000 square feet of space under an operating lease arrangement with a third party, expiring November 30, 2043. The lease involves monthly base rent payments that increase approximately 3% annually through the life of the lease. At December 31, 2024, the lease involved monthly base rent payments of \$11,667.

The Aquarium leases equipment under an operating leases agreement with a third party, expiring February 28, 2029. Monthly lease expense is payable in equal monthly installments of \$13,064.

The Aquarium leases equipment under an operating leases agreement with a third party, expiring September 1, 2029. Monthly lease expense is payable in equal monthly installments of \$6,458.

Operating lease cost for the years ended December 31, 2024 and 2023 was \$472,570 and \$157,822, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31:

2025	\$ 456,690
2026	414,093
2027	385,012
2028	389,535
2029	244,180
Thereafter	<u>2,857,724</u>
Total undiscounted cash flows	4,747,234
Present value discount	<u>(1,403,764)</u>
Total lease liability	<u>\$ 3,343,470</u>

The Aquarium also leases telecommunication equipment previously recognized as a capital lease. This equipment consists of two finance leases, both of which expired in October 2023. The cost of the equipment is included in property and equipment as disclosed in Note 4.

TENNESSEE AQUARIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 14 – AVAILABILITY AND LIQUIDITY

The following represents the Aquarium's financial assets at December 31:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,877,181	\$ 3,429,320
Contributions receivable	10,000	19,246
Accounts receivable	1,749,316	1,184,439
Investments, at fair value	<u>36,999,850</u>	<u>34,808,582</u>
Total financial assets	<u>43,636,347</u>	<u>39,441,587</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,636,693	937,320
Board-designated funds	25,370,718	24,220,018
Internally designated bond funds	12,343,327	13,244,717
Less net assets with purpose restrictions to be met in less than a year	<u>-</u>	<u>-</u>
	<u>40,350,738</u>	<u>38,402,055</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,285,609</u>	<u>\$ 1,039,532</u>

The Aquarium is substantially supported by restricted and unrestricted contributions, as well as by admissions, membership dues, and various fundraising events. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Aquarium must maintain sufficient resources to meet those responsibilities to its donors.

Internally designated bond funds include amounts designated by management to pay long-term debt. Management does not consider these amounts available for use within one year.

As part of the Aquarium's cash management, it has a policy to maintain a level of assets in reserve that is equal to 25% of the Aquarium's annual operating expenses. In addition to its operating reserve, the Aquarium also maintains currently available financial assets less current liabilities at a minimum of 30 days of operating expenses. To achieve this target, the Aquarium forecasts its future cash flows and monitors its liquidity throughout the year. The Aquarium also maintains a \$4,000,000 line of credit to use if needed for cash flow.

NOTE 15 – SUBSEQUENT EVENTS

The Aquarium has evaluated events and transactions subsequent to December 31, 2024 through May 27, 2025 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. The Aquarium has not identified any items requiring recognition or disclosure.