



Virginia Aquarium & Marine Science Center Foundation, Inc.

Financial Statements
Years Ended June 30, 2023 and 2022

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

Financial Statements
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Virginia Aquarium & Marine Science Center Foundation, Inc.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Virginia Aquarium & Marine Science Center Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, 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 the Foundation as of June 30, 2023 and 2022, 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 audits 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 the Foundation 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, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 the Foundation'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 the Foundation'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.

BDO USA, P.C.

November 14, 2023

Financial Statements

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 2,808,599	\$ 1,900,010
Accounts receivable	325,093	283,606
Grant receivables	73,686	35,893
Promises to give, net	410,459	1,142,407
Prepaid expenses	141,250	213,500
Investments	6,765,641	6,370,929
Property and equipment, net	18,418,397	19,048,342
Restricted cash	5,890,428	4,686,695
Total Assets	\$ 34,833,553	\$ 33,681,382
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 366,026	\$ 278,977
Deferred revenue	68,409	116,846
Total Liabilities	434,435	395,823
Net Assets		
Net assets without donor restrictions		
Undesignated	5,562,685	4,233,468
Net investment in property and equipment	18,418,397	19,048,342
Board-designated	5,382,698	4,934,333
Net assets without donor restrictions	29,363,780	28,216,143
Net assets with donor restrictions	5,035,338	5,069,416
Total Net Assets	34,399,118	33,285,559
Total Liabilities and Net Assets	\$ 34,833,553	\$ 33,681,382

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Activities

<i>Year Ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Concessions	\$ 743,570	\$ -	\$ 743,570
Contributions			
Cash	844,829	907,343	1,752,172
Noncash	1,273,850	-	1,273,850
Facility rental income	77,041	-	77,041
Fundraising events, net	217,091	-	217,091
Grant revenue	169,047	-	169,047
Program revenue	1,119,551	-	1,119,551
Transfer of board-designated reserves	6,627	-	6,627
Net assets released from restrictions for operations	1,179,220	(1,179,220)	-
Total Operating Revenue	5,630,826	(271,877)	5,358,949
Operating Expenses			
Program services			
Educational programs	1,441,511	-	1,441,511
Exhibits	973,319	-	973,319
Research and conservation	1,352,431	-	1,352,431
General and administrative	586,053	-	586,053
Fundraising	536,982	-	536,982
Total Operating Expenses	4,890,296	-	4,890,296
Change in Net Assets from Operations	740,530	(271,877)	468,653
Nonoperating Revenue (Expense)			
Bequests, board-designated	140,899	-	140,899
Investment income (loss), net	315,356	244,154	559,510
Gain on extinguishment of debt	-	-	-
Collections	(48,876)	-	(48,876)
Transfer of board-designated reserves	(6,627)	-	(6,627)
Net assets released from restrictions for capital	6,355	(6,355)	-
Total Nonoperating Revenue (Expense)	407,107	237,799	644,906
Change in Net Assets	1,147,637	(34,078)	1,113,559
Net Assets, beginning of year	28,216,143	5,069,416	33,285,559
Net Assets, end of year	\$ 29,363,780	\$ 5,035,338	\$ 34,399,118

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Activities

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Concessions	\$ 839,642	\$ -	\$ 839,642
Contributions			
Cash	952,020	801,325	1,753,345
Noncash	1,182,295	-	1,182,295
Facility rental income	48,396	-	48,396
Fundraising events, net	171,357	-	171,357
Grant revenue	177,588	-	177,588
Program revenue	996,595	-	996,595
Transfer of board-designated reserves	-	-	-
Net assets released from restrictions for operations	983,700	(983,700)	-
Total Operating Revenue	5,351,593	(182,375)	5,169,218
Operating Expenses			
Program services			
Educational programs	1,258,011	-	1,258,011
Exhibits	658,624	-	658,624
Research and conservation	1,374,320	-	1,374,320
General and administrative	559,657	-	559,657
Fundraising	491,624	-	491,624
Total Operating Expenses	4,342,236	-	4,342,236
Change in Net Assets from Operations	1,009,357	(182,375)	826,982
Nonoperating Revenue (Expense)			
Bequests, board-designated	25,000	-	25,000
Investment income (loss), net	(645,985)	(434,759)	(1,080,744)
Gain on extinguishment of debt	136,637	-	136,637
Collections	(10,264)	-	(10,264)
Transfer of board-designated reserves	-	-	-
Net assets released from restrictions for capital	312,064	(312,064)	-
Total Nonoperating Revenue (Expense)	(182,548)	(746,823)	(929,371)
Change in Net Assets	826,809	(929,198)	(102,389)
Net Assets, beginning of year	27,389,334	5,998,614	33,387,948
Net Assets, end of year	\$ 28,216,143	\$ 5,069,416	\$ 33,285,559

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Functional Expenses

Year Ended June 30, 2023	Program Services			Support Services			Total
	Educational Programs	Exhibits	Research and Conservation	General and Administrative	Fundraising		
Operating Expenses							
Salaries	\$ 337,225	\$ 142,045	\$ 539,211	\$ 203,055	\$ 310,672	\$ 1,532,208	
Payroll taxes	25,427	10,803	36,210	14,600	20,633	107,673	
Employee benefits	95,703	39,103	158,464	63,450	77,949	434,669	
Total Personnel	458,355	191,951	733,885	281,105	409,254	2,074,550	
Advertising and promotion	3,795	-	-	24,151	3,035	30,981	
Bank charges	147	565	-	3,927	4,480	9,119	
Conservation support	-	-	71,750	-	-	71,750	
Contractual services	758,416	282,377	43,271	118,304	40,962	1,243,330	
Contributions to COVB	-	-	44,436	-	-	44,436	
Dues and subscriptions	2,293	55,775	3,414	4,743	660	66,885	
Fuel	1,057	1,303	3,653	-	-	6,013	
Indirect overhead	614	-	4,267	(4,881)	-	-	
Insurance	1,707	20,012	3,902	4,683	-	30,304	
Maintenance and repair	1,655	8,350	1,383	7,599	-	18,987	
Meetings	-	-	3,711	1,845	97	5,653	
Miscellaneous	13,634	112	710	2,095	-	16,551	
Permits and fees	785	536	1,603	1,703	405	5,032	
Printing and postage	246	10,862	508	5,085	22,595	39,296	
Professional development	13,648	47,781	9,597	33,018	2,916	106,960	
Professional services	1,300	700	2,021	53,346	30,575	87,942	
Rent	120	12,536	-	-	102	12,758	
Small tools and equipment	12,270	9,174	12,335	3,000	-	36,779	
Supplies	25,879	4,361	7,675	1,952	17,110	56,977	
Temporary labor	138,614	13,793	71,912	6,347	-	230,666	
Telecommunications	-	3,889	4,448	-	-	8,337	
Travel	-	-	3,376	2,472	-	5,848	
Uncollectible accounts	-	-	-	-	4,791	4,791	
Total expenses before depreciation and (gain) loss on disposal							
	1,434,535	664,077	1,027,857	550,494	536,982	4,213,945	
Depreciation	6,976	309,242	325,122	35,559	-	676,899	
(Gain) loss on disposal of property and equipment	-	-	(548)	-	-	(548)	
Total Operating Expenses	\$ 1,441,511	\$ 973,319	\$ 1,352,431	\$ 586,053	\$ 536,982	\$ 4,890,296	

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Functional Expenses

Year Ended June 30, 2022	Program Services			Support Services			Total
	Educational Programs	Exhibits	Research and Conservation	General and Administrative	Fundraising		
Operating Expenses							
Salaries	\$ 309,101	\$ 169,707	\$ 502,544	\$ 133,837	\$ 279,676	\$ 1,394,865	
Payroll taxes	23,518	13,028	37,066	9,841	18,462	101,915	
Employee benefits	93,117	48,670	150,009	38,479	67,759	398,034	
Total Personnel	425,736	231,405	689,619	182,157	365,897	1,894,814	
Advertising and promotion	15,476	-	-	8,870	595	24,941	
Bank charges	2	4	1,700	29,778	3,709	35,193	
Conservation support	-	-	56,239	-	-	56,239	
Contractual services	682,704	608	45,018	84,486	80,952	893,768	
Contributions to COVB	-	-	-	-	-	-	
Dues and subscriptions	962	51,069	11,820	5,213	660	69,724	
Fuel	464	378	6,867	-	-	7,709	
Indirect overhead	40	-	4,513	(4,553)	-	-	
Insurance	1,542	-	19,570	1,504	-	22,616	
Maintenance and repair	972	-	7,656	9,914	-	18,542	
Meetings	-	-	362	1,364	40	1,766	
Miscellaneous	7,689	252	2,276	266	-	10,483	
Permits and fees	539	142	1,305	3,067	-	5,053	
Printing and postage	1,217	376	876	1,259	21,099	24,827	
Professional development	4,449	31,016	2,902	44,352	4,785	87,504	
Professional services	350	600	8,931	60,394	2,500	72,775	
Rent	-	-	247	-	-	247	
Small tools and equipment	8,278	18,351	78,637	86,242	-	191,508	
Supplies	32,089	2,349	49,389	4,771	86	88,684	
Temporary labor	62,949	5,756	60,151	2,924	-	131,780	
Telecommunications	-	3,985	5,307	2,090	-	11,382	
Travel	7	185	254	-	229	675	
Uncollectible accounts	-	-	-	-	11,072	11,072	
Total expenses before depreciation and (gain) loss on disposal	1,245,465	346,476	1,053,639	524,098	491,624	3,661,302	
Depreciation	12,546	308,365	320,681	35,559	-	677,151	
(Gain) loss on disposal of property and equipment	-	3,783	-	-	-	3,783	
Total Operating Expenses	\$ 1,258,011	\$ 658,624	\$ 1,374,320	\$ 559,657	\$ 491,624	\$ 4,342,236	

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Operating Activities		
Change in net assets	\$ 1,113,559	\$ (102,389)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	676,899	677,151
(Gain) Loss on disposal of property and equipment	(548)	3,783
Uncollectible accounts	4,791	11,072
Cash received on contributions restricted for long-term purposes	(292,636)	(586,852)
Realized and unrealized (gain) loss on investments	(423,000)	1,134,450
Gain on extinguishment of debt	-	(136,637)
Collections	48,876	10,264
Changes in operating assets and liabilities		
Accounts and grants receivable	(84,071)	243,924
Promises to give	731,948	565,327
Prepaid expenses	72,250	(57,500)
Accounts payable	87,049	22,149
Deferred revenue	(48,437)	58,465
Net Cash Provided by Operating Activities	1,886,680	1,843,207
Investing Activities		
Purchase of property and equipment	(46,954)	(308,829)
Purchase of investments	(8,323,531)	(2,850,110)
Purchase of collections	(48,876)	(10,264)
Proceeds from sale of property and equipment	548	-
Proceeds from sale of investments	8,351,819	2,352,769
Net Cash Used in Investing Activities	(66,994)	(816,434)
Financing Activities		
Cash received on contributions restricted for long-term purposes	292,636	586,852
Net Cash Provided by Financing Activities	292,636	586,852
Net Increase in Cash, Cash Equivalents, and Restricted Cash	2,112,322	1,613,625
Cash, Cash Equivalents and Restricted Cash, beginning of year	6,586,705	4,973,080
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 8,699,027	\$ 6,586,705
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 2,808,599	\$ 1,900,010
Restricted cash	5,890,428	4,686,695
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 8,699,027	\$ 6,586,705

See accompanying notes to financial statements.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

1. Nature of Organization

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

The City of Virginia Beach (COVB or the City) owns, operates and maintains the building (the Aquarium) that houses the Foundation’s exhibits.

2. Summary of Significant Accounting Policies

Recently Adopted Authoritative Guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 replaced most existing accounting for lease guidance. ASU 2016-02 requires the entity to record a right-of-use asset and a lease liability for the entity’s leases, including the leases currently treated as operating leases. The Foundation adopted this standard beginning January 1, 2022, using the optional transition method. The Foundation elected practical expedients permitted under the transition guidance within the new standard, which, among other things, allows it to carry forward historical lease classifications. In addition, the Foundation made an accounting policy election not to recognize leases with an initial term of 12 months or less in the statements of financial position. There was no material impact upon adoption.

Basis of Presentation

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

Estimates

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

Cash and Cash Equivalents

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

Accounts and Grants Receivable

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

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Promises to Give

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

Investments

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

Property and Equipment

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

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

Restricted Cash

Restricted cash consists of cash received by donors and board-designated transfers which are restricted for future exhibit, program or capital purposes.

Collections

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

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Deferred Revenue

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

Net Asset Classification

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

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

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

Operating Measure

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

Operating Leases

The Foundation does not have any rental agreements with an initial lease term greater than 12 months. Rent expense in the statements of functional expenses includes payments made on various short-term rentals of temporary storage and vehicles.

Functional Allocation of Expenses

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

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

Income Taxes

The Foundation is an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income from regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for returns filed for tax years prior to 2019. Management continually evaluates tax positions reflected in the Foundation's tax filings and does not believe that any material uncertain tax positions exist.

Subsequent Events

The Foundation has evaluated subsequent events through November 14, 2023, the date which the financial statements were available to be issued.

3. Related Party Transactions

The Foundation has an operating agreement with the City which is in the initial five-year term and expires in April 2024. In the absence of termination by any party, the agreement shall automatically be extended for successive terms of five years each. The Foundation owns all the animals and permanent exhibits located in the Aquarium which have been funded by the Foundation. The City agrees to insure and maintain exhibits designed, fabricated and installed in the Aquarium by the Foundation. The following summarizes the amounts related to this agreement included in these financial statements at and for the years ended June 30, 2023 and 2022.

<i>June 30,</i>	2023	2022
<hr/>		
Statements of Financial Position		
Accounts receivable	\$ 216,787	\$ 132,568
Accounts payable	\$ 204,255	\$ 120,733
Statements of Activities		
Operating revenue		
Contributions, cash	\$ 783,992	\$ 321,640
Contributions, noncash	\$ 1,246,250	\$ 1,172,395
Operating expenses		
Salaries, payroll taxes and employee benefits, cash paid	\$ 828,300	\$ 722,419
Salaries, payroll taxes and employee benefits, noncash	\$ 1,246,250	\$ 1,172,395
Contributions to COVB	\$ 44,436	\$ -
Rent, Marine Animal Care Center	\$ -	\$ 247
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Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

4. Revenue Recognition

The Foundation generates revenue primarily from grants, programs, and concessions. The Foundation recognizes revenue as transfer of promised goods and services to the customer occurs.

Concessions

The Foundation receives revenue based on specified agreements with third party vendors in exchange for their operation within the Aquarium. The Foundation provides the space for vendors to run their business in exchange for a specified percentage of the concessionaire's gross revenue. The transaction price is the commission outlined in each individual contract. Vendors simultaneously receive and consume the benefits of occupying the space provided by the Foundation, and accordingly, revenue is recognized over time as sales occur. Payment terms are net 30, with billing occurring monthly.

Grant Revenue

The Foundation receives grant revenue primarily derived from federal grants. The performance obligation varies depending on the services requested in the agreement, such as surveys or research projects. The transaction price is determined when the grant is received and is allocated over the performance obligations on a cost reimbursement model, where transaction price is proportionate to expenditures required for each performance obligation. Grant revenue is recognized over time using the input method as expenditures are incurred towards satisfaction of performance obligations. Payment terms vary by federal government guidelines.

Program Revenue

The Foundation has various educational programs which generate revenue including boat programs, classroom programs, and other opportunities which allow members of the public to learn about marine ecosystems. The Foundation sells tickets to various programs which represent the contract. There is only one performance obligation per ticket which includes the transaction price and is fixed upon sale. Program revenue is recognized over time as the program services are provided. Tickets bought prior to the date of the educational experience represent deferred revenue until the experience occurs. Payment terms are immediate upon purchase and are non-refundable.

Revenue recognized in the statements of activities is considered to be revenue from contracts with customers in accordance with ASC Topic 606 with the exception of contributions, fundraising events, and temporary exhibit income which are all within the scope of Topic 958, *Not-for-Profit Entities*. Facility rental income would also be an exception to ASC Topic 606, as this stream falls within the scope of ASC Topic 842.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

The following table disaggregates the Foundation's revenue recognized based on the satisfaction of performance obligations and timing of transfer of services.

<i>June 30, 2023</i>	2023	2022
Revenue recognized over time		
Concessions	\$ 743,570	\$ 839,642
Grant revenue	169,047	177,588
Program revenue	1,119,551	996,595
Total	\$ 2,032,168	\$ 2,013,825

5. Liquidity and Availability of Resources

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

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 2,808,599	\$ 1,900,010
Accounts receivable, net	325,093	283,606
Grants receivable	73,686	35,893
Promises to give, net	410,459	1,142,407
Investments	6,765,641	6,370,929
Restricted cash	5,890,428	4,686,695
Total Financial Assets	16,273,906	14,419,540
Adjustments for amounts not available for general expenditures within one year		
Net assets with donor restrictions	(5,035,338)	(5,069,416)
Board-designated net assets	(5,382,698)	(4,934,333)
Endowment spending distributions	126,210	148,666
Total Financial Assets Available for General Expenditures within one year	\$ 5,982,080	\$ 4,564,457

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

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

6. Promises to Give

Promises to give consist of the following:

<i>June 30,</i>	2023	2022
Receivable in less than one year	\$ 77,361	\$ 771,280
Receivable in 1 - 5 years	-	66,786
Receivable in more than 5 years	670,000	670,000
Total promises to give	747,361	1,508,066
Less discounts to net present value (ranging from 1.41% - 6.83%)	(315,299)	(336,244)
Less allowance for doubtful accounts	(21,603)	(29,415)
Total Promises to Give, net	\$ 410,459	\$ 1,142,407

7. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2023	2022
Exhibits and equipment	\$ 16,675,570	\$ 16,568,657
Leasehold improvements	221,614	221,614
Vehicles	219,204	246,494
Vessels	589,921	589,921
Construction in progress	9,375,112	9,502,361
Total	27,081,421	27,129,047
Less accumulated depreciation	(8,663,024)	(8,080,705)
Property and Equipment, net	\$ 18,418,397	\$ 19,048,342

8. Investment Income (Loss)

Net investment income (loss) consists of the following:

<i>Years ended June 30,</i>	2023	2022
Interest and dividends, net	\$ 136,510	\$ 53,706
Realized gain (loss) on sale of investments	(165,135)	265,416
Unrealized gain (loss) on investments	588,135	(1,399,866)
Total Investment Income (Loss), net	\$ 559,510	\$ (1,080,744)

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

9. Fair Value Measurements

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

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

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

<i>June 30, 2023</i>	Level 1	Level 2	Level 3	Total
Money market	\$ 231,490	\$ -	\$ -	\$ 231,490
Equities	1,023,513	-	-	1,023,513
Exchange Traded Funds	4,993,764	-	-	4,993,764
Fixed income	-	478,705	-	478,705
REITs	38,169	-	-	38,169
Total Investments	\$ 6,286,936	\$ 478,705	\$ -	\$ 6,765,641

<i>June 30, 2022</i>	Level 1	Level 2	Level 3	Total
Money market	\$ 127,786	\$ -	\$ -	\$ 127,786
Equities	3,237,328	-	-	3,237,328
Exchange Traded Funds	2,429,565	-	-	2,429,565
Fixed income	-	519,843	-	519,843
REITs	56,407	-	-	56,407
Total Investments	\$ 5,851,086	\$ 519,843	\$ -	\$ 6,370,929

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

10. Paycheck Protection Program

During 2021, the Foundation applied for and received \$136,637 under the second round of the Paycheck Protection Program. The Foundation received forgiveness in full of this loan in April 2022. Forgiveness is reflected in gain on extinguishment of debt in the statements of activities.

11. Board-Designated Net Assets

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

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

<i>June 30,</i>	2023	2022
Operating reserves	\$ 1,036,329	\$ 1,036,171
Capital reserves	3,285,938	3,026,795
Board-designated endowment	1,060,431	871,367
Total Board-Designated Net Assets	\$ 5,382,698	\$ 4,934,333

12. Net Assets with Donor Restrictions

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

<i>June 30,</i>	2023	2022
Restricted for specific purpose		
Capital	\$ 1,403,932	\$ 1,276,704
Education	218,265	196,083
Endowment earnings	681,323	593,920
Exhibits	143,285	155,395
Research and conservation	204,113	249,262
Other	217,115	430,997
Total restricted for specific purpose	2,868,033	2,902,361
Restricted in perpetuity		
Education	552,444	552,444
Exhibits	500,000	500,000
Research and conservation	954,716	954,466
Other	160,145	160,145
Total restricted in perpetuity	2,167,305	2,167,055
Total Net Assets with Donor Restrictions	\$ 5,035,338	\$ 5,069,416

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

13. Net Assets Released from Restrictions

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

<i>Years ended June 30,</i>	2023	2022
Capital	\$ 43,871	\$ 525,809
Education	88,870	76,086
Exhibits	348,503	10,898
Research and conservation	278,887	185,023
Stranding	-	207,888
Other	425,444	290,060
Total Net Assets Released from Restrictions	\$ 1,185,575	\$ 1,295,764

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

<i>Years ended June 30,</i>	2023	2022
Net assets released for operations	\$ 1,179,220	\$ 983,700
Net assets released for capital purchases	6,355	312,064
Total Net Assets Released from Restrictions	\$ 1,185,575	\$ 1,295,764

14. Endowments

The Foundation's endowment consists of eight individual donor-restricted funds held with the Foundation for the purpose of attracting other donors who wish to support the work of the Foundation in perpetuity through gifts to the endowment and one fund without donor restriction that has been designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Governing Board's Interpretation of Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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

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

Spending Policy

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

Investment Return Objectives and Risk Parameters

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

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2023 and 2022.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

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

<i>June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,060,431	\$ -	\$ 1,060,431
Amounts required to be maintained in perpetuity by donor	-	2,167,305	2,167,305
Accumulated investment gains	-	681,323	681,323
Total Endowment Funds	\$ 1,060,431	\$ 2,848,628	\$ 3,909,059

<i>June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 871,367	\$ -	\$ 871,367
Amounts required to be maintained in perpetuity by donor	-	2,167,055	2,167,055
Accumulated investment gains	-	593,920	593,920
Total Endowment Funds	\$ 871,367	\$ 2,760,975	\$ 3,632,342

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	\$ 977,236	\$ 3,092,658	\$ 4,069,894
Contributions	25,000	104,466	129,466
Investment income (loss), net	(130,869)	(436,149)	(567,018)
Expenditures	-	-	-
Balance, June 30, 2022	871,367	2,760,975	3,632,342
Contributions	140,899	250	141,149
Investment income (loss), net	54,792	229,442	284,234
Expenditures	(6,627)	(142,039)	(148,666)
Balance, June 30, 2023	\$ 1,060,431	\$ 2,848,628	\$ 3,909,059

15. Contributions of Nonfinancial Assets

The Foundation receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fundraising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Virginia Aquarium & Marine Science Center Foundation, Inc.

Notes to Financial Statements

The following table presents contributed nonfinancial assets by function and classification:

<i>Year ended June 30, 2023</i>	Educational Programs	Exhibits	Research and Conservation	General and Administrative	Fundraising	Total
Salaries	\$ 251,271	\$ 142,046	\$ 279,253	\$ 75,936	\$ 180,036	\$ 928,542
Payroll taxes	19,178	10,803	19,859	5,732	13,668	69,240
Employee benefits	71,783	39,104	70,643	20,976	45,962	248,468
Professional services	1,300	600	-	8,400	1,300	11,600
Supplies	-	-	-	-	16,000	16,000
Total Contributed Nonfinancial Assets	\$ 343,532	\$ 192,553	\$ 369,755	\$ 111,044	\$ 256,966	\$ 1,273,850

<i>Year ended June 30, 2022</i>	Educational Programs	Exhibits	Research and Conservation	General and Administrative	Fundraising	Total
Salaries	\$ 226,207	\$ 132,316	\$ 259,754	\$ 73,103	\$ 169,314	\$ 860,694
Payroll taxes	17,255	10,086	19,086	5,521	12,881	64,829
Employee benefits	68,590	41,777	70,491	21,345	44,669	246,872
Professional services	350	600	-	6,450	2,500	9,900
Total Contributed Nonfinancial Assets	\$ 312,402	\$ 184,779	\$ 349,331	\$ 106,419	\$ 229,364	\$ 1,182,295

All donated services and supplies were utilized in the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and supplies. Donated supplies were recorded at the estimated fair value by comparing to similar assets in the market available for purchase. Donated services were recorded at the estimated fair value at the estimated market rates charged for similar services.

16. Concentrations

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

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

17. Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on financial position or operating results as previously reported.