

**Texas State Aquarium
Association**

*Consolidated Financial Statements
& Independent Auditors' Report*

**For the Year Ended
December 31, 2021**



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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CERTIFICATE OF BOARD
APPROVAL OR DISAPPROVAL OF AUDIT REPORT
TEXAS STATE AQUARIUM ASSOCIATION

I, _____, Chairperson of the Finance Committee of the Board of Directors of Texas State Aquarium Association, do hereby certify that this accompanying audit report for fiscal year ended December 31, 2021 from Gowland, Morales & Smith PLLC, A Professional Limited Liability Company, was reviewed and _____ approved / _____ disapproved at a meeting of the Finance Committee held on the _____ day of _____, 2022.

Chairperson, Finance Committee

Date



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas State Aquarium
Corpus Christi, Texas

Opinion

We have audited the accompanying consolidated financial statements of Texas State Aquarium Association (a nonprofit organization) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated 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 financial statements referred to above present fairly, in all material respects, the financial position of Texas State Aquarium Association and affiliates as of December 31, 2021, 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. 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 Texas State Aquarium Association 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 Texas State Aquarium Association's ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Texas State Aquarium Association'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 Texas State Aquarium Association'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.

Report on Summarized Comparative Information

We have previously audited the Texas State Aquarium Association's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022, on our consideration of Texas State Aquarium Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Texas State Aquarium Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Texas State Aquarium Association's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gowland, Morales & Smith, PLLC". The signature is fluid and cursive, with "Gowland" on the first line, "Morales & Smith" on the second line, and "PLLC" on the third line.

Gowland, Morales & Smith, PLLC
Certified Public Accountants

Corpus Christi, Texas
August 31, 2022

FINANCIAL SECTION

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statements of Financial Position
December 31, 2021 and 2020

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

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 410,228	\$ 264,522
Accrued Payables	1,208,404	612,436
Deferred Income	13,528	25,000
Notes Payable - Current	<u>1,430,790</u>	<u>1,257,927</u>
Total Current Liabilities	3,062,950	2,159,885
Long-Term Debt:		
Notes Payable	<u>9,093,388</u>	<u>25,217,378</u>
Total Liabilities	<u>12,156,338</u>	<u>27,377,263</u>
Net Assets:		
Without Donor Restrictions	79,388,841	57,326,062
With Donor Restrictions	<u>1,662,490</u>	<u>1,627,954</u>
Total Net Assets	<u>81,051,331</u>	<u>58,954,016</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 93,207,669</u>	<u>\$ 86,331,279</u>

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

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statements of Activities
For the Year Ended December 31, 2021
With Summarized Information for the Year Ended December 31, 2020

	2021			2020	
	Without Donor Restrictions	With Donor Restrictions	Totals	Summarized Totals	
SUPPORT AND REVENUE					
Admissions	\$ 9,148,452	\$ -	\$ 9,148,452	\$ 3,189,943	
Gift Shop Sales	1,211,652	-	1,211,652	495,845	
Programs	6,475,678	-	6,475,678	2,972,937	
Gifts and Donations	274,445	-	274,445	522,706	
In-Kind Donations	96,521	-	96,521	78,792	
Parking	577,654	-	577,654	269,851	
Education Programs	118,091	-	118,091	151,419	
Memberships	1,601,008	-	1,601,008	795,401	
Concessions	2,473,701	-	2,473,701	993,773	
Vending, Rentals & Other	4,958,595	-	4,958,595	1,857,576	
Investment Income	474,694	53,202	527,896	542,389	
Net Unrealized Gain/(Loss) in Investment	-	399,132	399,132	264,998	
Restricted Donations	-	11,706,863	11,706,863	6,110,836	
Net Assets Released From Restrictions	<u>12,124,661</u>	<u>(12,124,661)</u>	-	-	
Total Support and Revenue	<u>39,535,152</u>	<u>34,536</u>	<u>39,569,688</u>	<u>18,246,466</u>	
EXPENSES					
Program services					
Education	232,941	-	232,941	386,203	
Curatorial	3,780,845	-	3,780,845	3,444,449	
Other Program Services	<u>7,575,885</u>	<u>-</u>	<u>7,575,885</u>	<u>6,413,322</u>	
Total Program Services	<u>11,589,671</u>	<u>-</u>	<u>11,589,671</u>	<u>10,243,974</u>	
Supporting Services					
Management and General	2,469,685	-	2,469,685	1,973,423	
Endowment & Reserve	50,790	-	50,790	40,847	
Fundraising	<u>410,380</u>	<u>-</u>	<u>410,380</u>	<u>288,462</u>	
Total Supporting Services	<u>2,930,855</u>	<u>-</u>	<u>2,930,855</u>	<u>2,302,732</u>	
Total Operating Expenses (Before Depreciation & Gains/Losses)	<u>14,520,526</u>	<u>-</u>	<u>14,520,526</u>	<u>12,546,706</u>	
Increase (Decrease) in Net Assets Before Depreciation & Gains/Losses	25,014,626	34,536	25,049,162	5,699,760	
Depreciation Expense	(2,899,102)	-	(2,899,102)	(3,768,067)	
Net Gain (Loss) on Disposal of Assets	<u>(52,745)</u>	<u>-</u>	<u>(52,745)</u>	<u>(18,678)</u>	
Increase (Decrease) in Net Assets	22,062,779	34,536	22,097,315	1,913,015	
NET ASSETS, Beginning of Year	<u>57,326,062</u>	<u>1,627,954</u>	<u>58,954,016</u>	<u>57,041,001</u>	
NET ASSETS, End of Year	<u>\$ 79,388,841</u>	<u>\$ 1,662,490</u>	<u>\$ 81,051,331</u>	<u>\$ 58,954,016</u>	

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

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Net Increase (Decrease) in Total Net Assets	\$ 22,097,315	\$ 1,913,015
Adjustments to Reconcile Net Increase in Total Net Assets		
to Cash Provided (Used) by Operating Activities:		
Noncash Revenues and Expenses Included in Net Income:		
Depreciation	2,899,102	3,768,067
Forgiveness of NMTC Loans	(9,900,050)	-
Loss on Sale of Fixed Assets	52,745	18,678
Net Unrealized (Gain)/Loss on Investments	(399,132)	(264,998)
Changes in Operating Assets & Liabilities:		
(Increase) Decrease in:		
Pledge & Other Receivables	(547,516)	(3,868,781)
Note Receivable	6,990,000	-
Inventory	(8,058)	20,657
Other Current Assets	5,853	5,878
Increase (Decrease) in:		
Accounts Payable and Accrued	741,674	(39,098)
Deferred Income	<u>(11,472)</u>	<u>(33,231)</u>
Net Cash Provided (Used) by Operating Activities	<u>21,920,461</u>	<u>1,520,187</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	50,800	449,062
Purchase of Investments	(2,784,051)	(152,292)
Proceeds From Sale of Capital Assets	221,610	-
Capital Expenditures	<u>(2,859,129)</u>	<u>(790,130)</u>
Net Cash Provided (Used) by Investing Activities	<u>(5,370,770)</u>	<u>(493,360)</u>
Cash Flows From Financing Activities:		
Principal Payments on Debt	<u>(6,051,077)</u>	<u>(1,108,480)</u>
Net Cash Provided (Used) in Financing Activities	<u>(6,051,077)</u>	<u>(1,108,480)</u>
Net Increase (Decrease) in Cash	10,498,614	(81,653)
Cash and Cash Equivalents - Beginning of Year	3,579,366	3,661,019
Cash and Cash Equivalents - End of Year	<u>\$ 14,077,980</u>	<u>\$ 3,579,366</u>
 Cash Detail:		
Cash & Cash Equivalents	\$ 9,559,225	\$ 1,263,058
Cash & Cash Equivalents - With Donor Restrictions	<u>4,518,755</u>	<u>2,316,308</u>
	<u>\$ 14,077,980</u>	<u>\$ 3,579,366</u>
 Supplemental Data:		
Interest Paid	<u>\$ 512,482</u>	<u>\$ 628,060</u>

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

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Texas State Aquarium	Friends of TSA	TSAA Beverage Services	Total
Salaries	\$ 6,263,059	\$ -	\$ -	\$ 6,263,059
Fringe Benefits	1,264,887	-	-	1,264,887
Contract Services	444,055	-	-	444,055
Advertising	876,152	-	-	876,152
Bank and Credit Card Fees	50,790	15,257	-	66,047
Building Occupancy	1,199,575	-	-	1,199,575
Concessions Expenses	691,453	-	21,104	712,557
Contributions	-	52,425	7,500	59,925
Dues & Subscriptions	63,812	-	-	63,812
Educational Programming	20,396	-	-	20,396
Equipment Charges	241,916	-	400	242,316
Fees, Permits & Royalties	603,179	-	32,287	635,466
Animal Care	274,168	-	-	274,168
Repairs & Maintenance	580,074	-	-	580,074
Supplies	217,580	-	630	218,210
Telephone	46,795	-	-	46,795
Travel	39,232	-	-	39,232
Printing & Postage	511,666	-	-	511,666
Skill Development	23,594	-	154	23,748
In-Kind Expenditures	96,521	-	-	96,521
Interest Expense	512,482	-	-	512,482
Professional Services	256,098	350	-	256,448
Other	13,497	-	6,366	19,863
Uniforms	42,525	-	-	42,525
Special Events	110,472	-	-	110,472
 Total Functional Expenses				
Before Depreciation & Gain/Losses	14,443,978	68,032	68,441	14,580,451
Depreciation	2,898,604	-	498	2,899,102
Loss on Disposal of Assets	52,745	-	-	52,745
 Total Functional Expenses	 \$ 17,395,327	 \$ 68,032	 \$ 68,939	 \$ 17,532,298

See Independent Auditor's Report on Supplementary Information.

TEXAS STATE AQUARIUM ASSOCIATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Texas State Aquarium	Friends of TSA	TSAA Beverage Services	Total
Salaries	\$ 6,122,596	\$ -	\$ -	\$ 6,122,596
Fringe Benefits	1,144,085	-	-	1,144,085
Contract Services	374,021	-	-	374,021
Advertising	870,616	-	-	870,616
Bank and Credit Card Fees	40,847	346	-	41,193
Building Occupancy	1,175,853	-	-	1,175,853
Concessions Expenses	343,390	-	9,498	352,888
Contributions	-	69,900	-	69,900
Dues & Subscriptions	43,795	-	-	43,795
Educational Programming	12,303	-	-	12,303
Equipment Charges	174,822	-	-	174,822
Fees, Permits & Royalties	287,654	-	20,537	308,191
Animal Care	248,492	-	-	248,492
Repairs & Maintenance	247,230	-	-	247,230
Supplies	197,742	-	831	198,573
Telephone	47,312	-	-	47,312
Travel	43,827	-	-	43,827
Printing & Postage	160,036	-	-	160,036
Skill Development	46,241	-	110	46,351
In-Kind Expenditures	78,792	-	-	78,792
Interest Expense	628,060	-	-	628,060
Professional Services	120,255	-	-	120,255
Other	52,718	-	4,930	57,648
Uniforms	15,551	-	-	15,551
Special Events	33,841	-	-	33,841
 Total Functional Expenses				
Before Depreciation & Gain/Losses	12,510,079	70,246	35,906	12,616,231
Depreciation	3,767,569	-	498	3,768,067
Loss on Disposal of Assets	18,678	-	-	18,678
 Total Functional Expenses	 \$ 16,296,326	 \$ 70,246	 \$ 36,404	 \$ 16,402,976

See Independent Auditor's Report on Supplementary Information.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Texas State Aquarium Association (the Aquarium) operates an aquarium facility located in Corpus Christi, Texas. The Aquarium is organized as a non-profit Texas corporation and qualifies as a tax-exempt organization under Code Section 501(c)(3) of the Internal Revenue Service Code. In addition to live marine exhibits, the Aquarium provides educational programs concerning marine habitats of the Texas Gulf Coast area. The Aquarium's primary revenues include admission fees, retail sales, and program fees. Other revenue sources include grants, gifts, and parking fees. TSAA Beverage Services Association ("TSAABSA"), a wholly-owned subsidiary of the Aquarium, operates as a liquor catering company for patrons of the Aquarium as well as the general public.

Friends of the Texas State Aquarium (FTSA) was organized in December 2014 by the Aquarium as a Texas Nonprofit Corporation to facilitate the construction of a new facility for use by the Aquarium. Both organizations are under common control, since board members of the Aquarium comprise a majority of the Board of Trustees of FTSA and, accordingly, are combined in these financial statements.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Consolidation

The consolidated financial statements as of and for the year ended December 31, 2021 and 2020, include the accounts of The Aquarium, the TSAABSA and FTSA (collectively, "the Aquarium"). All significant inter-organizational transactions and balances have been eliminated.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Financial Statement Presentation

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization implemented this new standard for the year ended December 31, 2019.

Under ASU No. 2016-14, the Organization is required to report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- Net Assets Without Donor Restrictions – These resources are available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application of tax-exempt status, and any limits resulting from contractual agreements with creditors and other that are entered into in the course of its operations.
- Net Assets With Donor Restrictions – These resources are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Capitalization Policy

Purchases of \$2,500 and an estimated useful life span of greater than one year are capitalized. Any purchases of less than \$2,500 are expensed.

**TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

Allowance for Doubtful Accounts

In the opinion of management, substantially all receivables are collectible in full; therefore, no allowance for doubtful accounts is provided.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2021 and 2020 was \$876,152 and \$870,616, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Taxes

The Aquarium, TSAABSA and FTSA are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Aquarium's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Aquarium and FTSA qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than a private foundation under Section 509(a)(2). As of December 31, 2021 and 2020, there were no material uncertain tax positions.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in financial institutions and highly-liquid investments with maturity dates of less than three months.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Investments

Investments are carried at fair value, which is based on quoted market prices at December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Without Donor Restrictions		
Cash/Money Accounts	\$ 5,022,177	\$ 2,547,957
Certificates of Deposit/ Equivalents	12,500	12,500
	<u>\$ 5,034,677</u>	<u>\$ 2,560,457</u>
With Donor Restrictions		
Capital Campaign - Cash/ Money Accounts	\$ 11,317	\$ 25,797
Endowment - Cash/ Money Accounts	976,919	555,141
Endowment - Stock Equities	528,980	550,352
Endowment - Stock Funds	1,331,085	1,597,844
Endowment - Bond Funds	627,700	380,026
Endowment - Exchange Traded Funds	1,403,161	1,152,116
Total	<u>\$ 4,879,162</u>	<u>\$ 4,261,276</u>

Contributions

Contributions received are recorded as Without Donor Restrictions and With Donor Restrictions depending on the existence of any donor restrictions. All donor-restricted support is reported as an increase in With Donor Restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), With Donor Restricted net assets are reclassified to Without Donor Restricted net assets and reported in the Statement of Activities as net assets released from restrictions.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Promises to Give

The Aquarium receives pledges, or promises to give, for contributions extending over several years. Contributions are recognized when the donor makes a promise to give to the Aquarium that is, in substance, unconditional. Donor-restricted promises to give are reported as increases in With Donor Restrictions net assets. When a restriction expires, With Donor Restrictions net assets are reclassified to Without Donor Restrictions net assets and shown as net assets released from restrictions. The Aquarium uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. Conditional promises to give are recognized only when the condition on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give as of December 31, 2021 and 2020 are due as follows:

	2021	2020
Pledges Receivable	\$ 10,125,278	\$ 9,608,063
Less: Allowance for Uncollectible		
Promises Receivable	(101,253)	(96,081)
Unamortized Discount	<u>(405,011)</u>	<u>(381,323)</u>
 Total Unconditional Promises to Give, Net	 <u>\$ 9,619,014</u>	 <u>\$ 9,130,659</u>

Amounts Due in:

Less Than One Year	\$ 350,000	\$ 334,413
One to Four Years, Net of Discount	<u>9,269,014</u>	<u>8,796,246</u>
 Total Unconditional Promises to Give, Net	 <u>\$ 9,619,014</u>	 <u>\$ 9,130,659</u>

Unconditional promises to give receivable due in more than one year are discounted at 4.0% for 2021 and 4.0% for 2020.

Contributed Services

The Aquarium received an estimated 19,335 hours of donated services during the year ended December 31, 2021 and 14,113 hours during the year ended December 31, 2020. A significant amount of those donated services are not reflected in the financial statements because they do not meet the criteria for recognition of such volunteer efforts under SFAS No. 116. Volunteer services of a specialized nature are valued at estimated market values and are recorded at the time of contribution. Other contributions of services or materials are

**TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

recorded at estimated market value at the time of contribution. For the years ended December 31, 2021 and 2020, the Aquarium recognized \$87,702 and \$78,792 respectively, for donated services. The amounts are included in unrestricted support and expense.

Inventories

Inventories consist of concession items and are stated at the lower of cost or market determined by the first-in first-out method.

Membership Fees

The Aquarium sells annual memberships entitling the purchaser to unlimited admission during the year as well as discounts on gifts and special events. Fees for memberships are recognized as revenue in the period to which they relate.

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition, except for certain donated items. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Aquarium reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. At that time, the Aquarium reclassifies temporarily restricted net assets to unrestricted net assets. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset.

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 3 - WITH DONOR RESTRICTIONS NET ASSETS

With Donor Restrictions net assets are available for the following purposes:

	<u>2021</u>	<u>2020</u>
To Provide Educational Activities	\$ 24,707	\$ 85,747
To Support the Texas State Aquarium Library	18,014	18,014
Gloria Hicks Endowment (Interest)	21,786	16,826
Hurricane Harvey Staff Relief	55,109	59,109
Texas State Aquarium Endowment (Appreciation)	616,813	639,850
To Provide for Curatorial Program Services	531,990	781,440
Construction of Center for Conservation	201,992	-
TSAA Restricted	97,729	48,363
Friends of TSA Restricted	<u>(1,690)</u>	<u>13,141</u>
 Total	 <u>\$ 1,566,450</u>	 <u>\$ 1,662,490</u>

Aquarium's Endowment

The Aquarium's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Aquarium has interpreted the Texas Prudent Management of Institutional Funds Act (TPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Aquarium classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Aquarium in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the Aquarium considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4)

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Aquarium, and (7) the Aquarium's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Aquarium has adopted investment policies, approved by the Board of Trustees, for endowment assets that can be used to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds an annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Therefore, the Aquarium expects its endowment assets, over time, to produce an average rate of return. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The nature of the endowment fund is that the corpus is to remain invested in perpetuity, and managed by the TSA Investment Committee, under the governance of the TSA Executive Committee. Based on the desire to increase the size of the endowment, every effort will be made to reinvest earned income until such time as the Trustees feel the endowment has reached a certain minimum level. Capital appreciation, or gain in the fund will remain as part of the fund corpus.

On an annual basis, the TSA staff and Executive Committee evaluates current needs and cash flow projections, and may make recommendations in terms of dispersal of earnings. A decision to utilize the annual earned income may be made by a majority vote of the Executive Committee. Any decision to use any of the fund in addition to a given years earned income needs the approval of the majority of the Trustees.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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Endowment Net Asset Composition by Type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-Restricted Endowment Funds:			
TSA Endowment Fund	\$ -	\$ 3,820,585	\$ 3,820,585
Gloria Hicks Endowment Fund	- -	85,486	85,486
Board-Designated Endowment Funds	523,518	-	523,518
Total Funds	\$ 523,518	\$ 3,906,071	\$ 4,429,589

Changes in endowment net assets as of December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beg. of Year	\$ 476,724	\$ 3,371,583	\$ 3,848,307
Contributions	46,794	15,250	62,044
Investment Income		570,028	570,028
Investment Expense		(50,790)	(50,790)
Education Programs Expense		-	-
Net Appreciation (Depreciation)		-	-
Amounts Appropriated for Expenditure		-	-
Endowment Net Assets, End of Year	\$ 523,518	\$ 3,906,071	\$ 4,429,589

In 2009, the Board of Trustees approved yearly 20% allocations of unrestricted donations to an Endowment fund within the category of Without Donor Restrictions. The endowment allocation for 2021 was \$46,794 and is reported as a Board-designated endowment fund within the Without Donor Restrictions category.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-Restricted Endowment Funds:			
TSA Endowment Fund	\$ -	\$ 3,291,057	\$ 3,291,057
Gloria Hicks Endowment Fund	- -	80,526	80,526
Board-Designated Endowment Funds	476,724	-	476,724
Total Funds	\$ 476,724	\$ 3,371,583	\$ 3,848,307

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Changes in endowment net assets as of December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 454,571	\$ 2,994,109	\$ 3,448,680
Contributions	22,153	1,000	23,153
Investment Income	-	133,815	133,815
Investment Expense	-	(40,847)	(40,847)
Education Programs Expense	-	-	-
Net Appreciation (Depreciation)	-	283,506	283,506
Amounts Appropriated for Expenditure	-	-	-
Endowment Net Assets, End of Year	<u>\$ 476,724</u>	<u>\$ 3,371,583</u>	<u>\$ 3,848,307</u>

In 2009, the Board of Trustees approved yearly 20% allocations of unrestricted donations to an Endowment Fund within the category of Without Donor Restrictions. The endowment allocation for 2020 was \$22,153 and is reported as a Board-designated endowment fund with the Without Donor Restricted category.

Funds with Deficiencies. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires the Aquarium to retain as a fund of perpetual duration. Deficiencies of this nature are reported in Without Donor Restricted net assets. Deficiencies result from unfavorable market fluctuations. There were no deficiencies at December 31, 2021 or 2020.

Note 4 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes by donors as follows:

	2021	2020
Educational Activities	\$ 12,616	\$ 39,352
Gloria Hicks Endowment	115	50
Construction of Center for Conservation	2,346,996	42,616
Use of Land and Building	2,866,920	7,221
TSA Endowment Investment Expense	50,675	40,797
Hurricane Harvey Relief - Staff Assistance	4,000	2,343
Sheltered Venue Operators Grant	6,553,024	-
Curatorial Program Services	290,315	53,058
Total	<u>\$ 12,124,661</u>	<u>\$ 185,437</u>

**TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

Note 5 - PROPERTY AND EQUIPMENT

Presentation of Building

The Aquarium constructed its primary operating facility for approximately \$24.2 million. The City of Corpus Christi, Texas (the City) provided approximately \$11 million of support to the Aquarium in exchange for title to the building. In addition, the City purchased land valued at approximately \$2 million from third parties for the benefit of the Aquarium. The City will provide the facility to the Aquarium at no cost for a period of thirty years. The Aquarium is responsible for all expenses relating to operating, maintaining, and insuring the building. The Aquarium characterizes the \$13 million in support provided by the City as an unconditional promise to give the use of long-lived assets. The contribution made by the City is reported in the financial statements as land and building and amortized over thirty years with the net value treated as a temporarily restricted asset. The remaining value of the building is carried at original cost and is being depreciated over a thirty-year life.

Presentation of Certain Other Assets

On March 1, 1996, the City issued \$4,400,000 in Combination Tax and Texas State Aquarium Revenue Certificates of Obligation. In exchange for proceeds from the issue, the City assumed title to a portion of land the Mobile Aquarium, the Wildlife Rescue Center, and the Turtle Exhibit. The Aquarium leased these items from the City and agreed to repay the bond amounts issued by the City, to continue to operate the exhibits and maintain the property.

The Aquarium characterizes the full amount of the bonds issued as a note payable to the City. The exchanged assets remain on the Aquarium's books as capital lease assets.

Presentation of Parking Facility

The Aquarium and City agreed to make Improvements to land adjoining the Aquarium to provide parking for visitors. The Aquarium agreed to repay bonds issued by the City for improvements and entered into a 5-year lease agreement to operate the parking facilities. The lease provides for annual payments of principal and interest plus fifty percent of the revenues exceeding \$400,000. The Aquarium characterized the parking lot improvements as a note payable to the City. The parking lot improvements are carried on the Aquarium's books at original cost.

TEXAS STATE AQUARIUM ASSOCIATION
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The following is a summary of property and equipment as of December 31, 2021 and 2020:

	2021	2020
Land	\$ 3,569,593	\$ 3,556,740
Building	99,295,193	99,283,773
Parking Facility	1,648,764	1,648,915
Furniture and Equipment	1,349,327	1,324,056
Machinery and Tanks	3,784,993	3,789,979
Exhibits	6,854,946	6,942,016
Construction in Progress	2,810,877	541,317
Other	127,307	127,307
Total	119,441,000	117,214,103
Less Accumulated Depreciation/Amortization	60,320,264	57,779,039
Total	\$ 59,120,736	\$ 59,435,064

Depreciation/Amortization expense is computed on a straight-line basis over the estimated useful lives or lease term of the assets amounted to \$2,899,102 and \$3,768,067 respectively, for 2021 and 2020. Useful lives/lease terms are as follows:

Land (Amortization)	30 years
Buildings	20 - 30 years
Parking Facility	19 years
Furniture and Equipment	10 years
Office Equipment	5 years
Machinery and Tanks	10 - 20 years
Exhibits	10 years
Animal and Other	5 years

Note 6 - LINE OF CREDIT

The Aquarium has a construction bridge loan available with The Ed Rachal Foundation of up to \$30,000,000 to provide financing for the construction, furniture, and fixtures including exhibits cost for construction projects. As of December 31, 2021, \$10,524,178 was outstanding on this line of credit. As of December 31, 2020, \$16,575,255 was outstanding on this line of credit.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 7 - NOTES PAYABLE AND LONG-TERM DEBT

New Markets Tax Credits Notes Payable

In January 2015, the Aquarium, a Qualified Active Low-Income Community Business, executed secured loan agreements to borrow \$6,990,000 and \$2,910,050 from TMF Sub-COE XXII, LLC to finance the construction of a new Caribbean Wing expansion project. These loans are secured by, among other things, that certain Leasehold Deed of Trust (Security Agreement, Assignment of Rents and Leases and Financing Statement).

Under the terms of the loan agreement, each loan has an interest rate of 1.38% per annum, payable quarterly, beginning March 2016, and the principal balance is due in its entirety on the stated maturity dates. The Aquarium is not permitted to prepay any portion of the loans in whole or in part until the seventh anniversary of the loans.

The loan agreements are intended to be treated as a “qualified low-income community investment” and generate new markets tax credits for TMF Sub-COE XXII, LLC. Accordingly, in conjunction with the financing, the Aquarium entered into an indemnification agreement with USBCDC for costs incurred or valued lost as a result of a recapture event as defined in Section 45D (g) of the Internal Revenue Code of 1986, as amended.

Additionally, the FTSA entered into a put agreement (put) or fair value (call) with USBCDC to buy Twain Investment Fund 43, LLC (See Note 6 and Note 9) for \$1,000 at the end of the seven-year NMTC investment period. Should such put be exercised, FTSA would also own TMF-Sub-CDE XXII, LLC and its primary assets, the secured notes from the Aquarium.

During 2021, these loans were formally forgiven by the lender.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

A summary of the New Market Tax Credit notes payable is as follows:

	<u>2021</u>	<u>2020</u>
Note Payable to TMF Sub-CDE XXII, LLC, Matures of January 31, 2045, with Principal Payments Commencing in December 2021.	\$ -	\$ 6,990,000
Note Payable to TMF Sub-CDE XXII, LLC, Matures on January 31, 2045, with Principal Payment Commencing in December 2021	- -	<u>2,910,050</u>
Total New Markets Tax Credits (NMTC) Note Payable	<u>\$ -</u>	<u>\$ 9,900,050</u>

Note 8 - NEW MARKETS TAX CREDIT PROJECT

In the fiscal year 2016, the Aquarium began construction and development of a 65,000-square foot expansion of its existing building.

In connection with the Aquarium's efforts to construct the new addition, it determined that it would be financially beneficial to participate in a New Market Tax Credit (NMTC) program.

To facilitate utilizing the NMTC program, the Aquarium organized Friends of the Texas State Aquarium (FTSA), a Texas nonprofit corporation. Both organizations are under common control, since board members of the Aquarium comprise a majority of the Board of Trustees of FTSA. In January 2015, in connection with the Aquarium's efforts to obtain supplemental financing for the construction of the new facility, FTSA partnered with U.S. Bancorp Community Development Corporation (USBCDC) to obtain additional funding for the facility.

The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must, in turn, be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and the credit is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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As part of the NMTC program, FTSA entered into an agreement on January 27, 2015 to lend \$6,990,000 to the U.S. Bancorp Community Development Corporation Twain Investment Fund 43, LLC (the “Investment Fund”). The interest rate on the note is fixed at 1.000% per annum. USBCDC made a capital contribution of \$3,315,000 to the Investment Fund as its 100% member. The Investment Fund then made an equity investment in the amount of \$10,000,000 in TMF Sub-CDE XXII, LLC (CDE), a Texas limited liability company, which is intended to qualify as a “qualified equity investment” (a QEI). On January 27, 2015, substantially all of the proceeds received by CDE were then loaned to the Aquarium in the form of two promissory notes: Note A for \$6,990,000 and Note B for \$2,910,050 (to be used for construction and development of the new addition). Both notes have a fixed rate of 1.38235% per annum.

After a seven-year period, during which tax credits are earned and paid to the investor group, FTSA can then exercise its option to purchase the Investment Fund for \$1,000. Once FTSA acquires the Investment Fund, FTSA can cancel the notes payable of \$6,990,000 and \$2,910,000 owed by the Aquarium.

During 2021, FTSA formally cancelled the two notes payable.

Note 9 - RETIREMENT PLAN

The Aquarium sponsors a Section 403 (b) salary reduction retirement plan that covers all full-time employees employed on a regular basis and certain regular part-time employees. For those eligible employees who elect to contribute to the plan, the Aquarium will match 100% of the employee’s contribution, up to a maximum of 5% of base earnings. Employees may contribute up to \$19,500 per year (26,000 per year if employee is age 50 or over).

The vesting plan provides for 100% vesting after one year of regular full-time or eligible regular part-time employment. The vesting schedule applies only to the matching funds contributed by the Aquarium, and not to the employees’ contributions. Contributions by the Aquarium to the plan amounted to \$173,596 and \$164,635 for 2021 and 2020, respectively.

Note 10 - FAIR VALUE MEASUREMENTS

The Aquarium’s assets and liabilities reported at fair value are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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The Aquarium uses the following hierarchical disclosure framework:

Level 1 - Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 - Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Measurement based on the Aquarium's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The Aquarium uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the Aquarium measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

The following tables set forth by level within the fair value hierarchy, the Aquarium's assets measured at fair value on a recurring basis as of December 31, 2021:

INVESTMENTS	2021			
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Cash / Money Accounts	\$ 5,022,177	\$ -	\$ -	\$ 5,022,177
Certificates of Deposit/ Equivalent	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Total Investments	<u><u>\$ 5,034,677</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,034,677</u></u>
With Donor Restrictions:				
Cash / Money Accounts - Cap. Campaign	\$ 11,317	\$ -	\$ -	\$ 11,317
Cash / Money Accounts - Endowment	976,919			976,919
Stock Equities	528,980	-	-	528,980
Stock Funds	1,331,085	-	-	1,331,085
Bond Funds	627,700	-	-	627,700
Exchange Traded Funds	1,403,161	-	-	1,403,161
Total Investments	<u><u>\$ 4,879,162</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,879,162</u></u>

TEXAS STATE AQUARIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 11 - SUBSEQUENT EVENTS

The organization has evaluated subsequent events through August 31, 2022, which is the date the consolidated financial statements were available to be issued. The consolidated financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are not subsequent events that require additional disclosure.

Note 12 - CONCENTRATION OF CREDIT RISK

The Aquarium, TSAABSA and FTSA maintain operating cash in four financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2021 the cash in bank balances exceeded the FDIC by \$14,714,367. At December 31, 2020, the cash in bank balances exceeded the FDIC by \$3,511,334. Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings. No losses were incurred during 2021 or 2020.

Note 13 - LIQUIDITY

Texas State Aquarium Association has \$19,600,074 of financial assets available within one year of the balance sheet date to meet cash needs for general expenses consisting of cash and cash equivalents of \$14,077,980; Investments of \$5,034,677 and Receivables of \$275,151. Most of these financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenses within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximates \$2,420,000. The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. Texas State Aquarium Association has an average daily cash flow of \$77,400 generated by Admission, programs, memberships and concessions. In addition, as part of its liquidity, management of the Organization invests cash in excess of daily requirements in various short-term investments, including Money Market accounts and other short-term investments.

SINGLE AUDIT SECTION



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Texas State Aquarium Association
Corpus Christi, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Texas State Aquarium Association (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Texas State Aquarium Association's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas State Aquarium Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas State Aquarium Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas State Aquarium Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Gowland, Morales & Smith, PLLC". The signature is fluid and cursive, with "Gowland" on the first line, "Morales & Smith" on the second line, and "PLLC" on the third line.

Gowland, Morales & Smith, PLLC
Certified Public Accountants

Corpus Christi, Texas
August 31, 2022



GOWLAND, MORALES & SMITH, PLLC

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Texas State Aquarium Association
Corpus Christi, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Texas State Aquarium Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Texas State Aquarium Association's major federal program for the year ended December 31, 2021. Texas State Aquarium Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Texas State Aquarium Association's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Texas State Aquarium Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination Texas State Aquarium Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Texas State Aquarium Association's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Texas State Aquarium Association's compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Texas State Aquarium Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Texas State Aquarium Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Texas State Aquarium Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Texas State Aquarium Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gowland, Morales & Smith, PLLC
Certified Public Accountants

Corpus Christi, Texas
August 31, 2022

Texas State Aquarium Association

Schedule of Findings and Questioned Costs

For Year Ended December 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? _____ Yes _____ X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weakness(es) identified? _____ Yes _____ X No _____

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

59,075 Shuttered Venue Operators Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Texas State Aquarium Association

Schedule of Findings and Questioned Costs

For Year Ended December 31, 2021

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

Texas State Aquarium Association

Schedule of Status of Prior Year Findings

For Year Ended December 31, 2021

ALL PROGRAMS

None

Texas State Aquarium Association

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. SMALL BUSINESS ADMINISTRATION Shuttered Venue Operators Grant*	59.075	SBAHQ21SV011310	\$ <u>6,553,023</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>6,553,023</u>

* - Indicates Major program and/or cluster.

Texas State Aquarium Association
Notes to Schedule of Expenditures of Federal Awards
December 31, 2021

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the grant activity of all Federal financial assistance of Texas State Aquarium Association (the “Association”). The Association is defined in Note 1 of the financial statements. Federal assistance received directly from the Federal agencies, as well as federal financial assistance passed through other governmental agencies, are included in the Schedule of Expenditures of Federal Awards.

(2) Basis of Accounting

The accompanying Schedule of Federal Financial Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to Association’s financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

SUPPLEMENTARY INFORMATION



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Board of Directors
Texas State Aquarium
Corpus Christi, Texas

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 40 and 41 is presented for purposes of additional analysis and is presented to highlight certain information in the consolidated financial statements, and is not a required part of those financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gowland, Morales & Smith, PLLC
Certified Public Accountants

Corpus Christi, Texas
August 31, 2022

TEXAS STATE AQUARIUM ASSOCIATION
Consolidating Statements of Financial Position
December 31, 2021
With Summarized Information at December 31, 2020

	2021			
	Texas State Aquarium	Friends of TSA	TSAA Beverage Services	Elimination
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 9,465,733	\$ -	\$ 93,492	\$ -
Cash and Cash Equivalents - With Donor Restrictions	4,507,438	11,317	-	-
Investments:				
Without Donor Restrictions	5,022,177	-	12,500	-
Trade and Other Receivables	283,125	-	5,032	(13,006)
Inventories	36,557	-	4,796	-
Prepaid Assets	166,399	-	4,514	-
Total Current Assets	<u>19,481,429</u>	<u>11,317</u>	<u>120,334</u>	<u>(13,006)</u>
Note Receivable				
Pledges Receivable, restricted to purchase of property and equipment, net	9,619,014	-	-	-
Endowment Assets				
Cash and Cash Equivalents	-	-	-	-
Investments	4,867,845	-	-	-
Total Endowment Assets	<u>4,867,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and Equipment	119,436,025	-	4,975	-
Less: Accumulated Depreciation	(60,317,113)	-	(3,151)	-
Total Property and Equipment, Net	<u>59,118,912</u>	<u>-</u>	<u>1,824</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 93,087,200</u>	<u>\$ 11,317</u>	<u>\$ 122,158</u>	<u>\$ (13,006)</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 387,203	\$ -	\$ 23,025	\$ -
Accrued Payables	1,207,000	-	1,404	-
Deferred Income	13,528	-	-	-
Deposits	-	-	-	-
Notes Payable - Current	1,430,790	-	-	-
Total Current Liabilities	<u>3,038,521</u>	<u>-</u>	<u>24,429</u>	<u>-</u>
Long-Term Debt:				
Notes Payable	9,093,388	13,006	-	(13,006)
Total Liabilities	<u>12,131,909</u>	<u>13,006</u>	<u>24,429</u>	<u>(13,006)</u>
Net Assets:				
Without Donor Restrictions	79,388,841	-	-	-
With Donor Restrictions	1,566,450	(1,689)	97,729	-
Total Net Assets	<u>80,955,291</u>	<u>(1,689)</u>	<u>97,729</u>	<u>\$ -</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 93,087,200</u>	<u>\$ 11,317</u>	<u>\$ 122,158</u>	<u>\$ (13,006)</u>

See Independent Auditor's Report on Supplementary Information.

2021		2020	
Total	Summarized Totals	Total	Summarized Totals
\$ 9,559,225	\$ 1,263,058	\$ 4,518,755	2,316,308
5,034,677	2,534,660	275,151	215,990
41,353	33,295	170,913	176,766
<u>19,600,074</u>	<u>6,540,077</u>		
	6,990,000		
9,619,014	9,130,659		
<u>4,867,845</u>	<u>4,235,479</u>		
4,867,845	4,235,479		
119,441,000	117,214,103		
(60,320,264)	(57,779,039)		
<u>59,120,736</u>	<u>59,435,064</u>		
<u>\$ 93,207,669</u>	<u>\$ 86,331,279</u>		
\$ 410,228	\$ 264,522		
1,208,404	612,436		
13,528	25,000		
<u>1,430,790</u>	<u>1,257,927</u>		
3,062,950	2,159,885		
<u>9,093,388</u>	<u>25,217,378</u>		
12,156,338	27,377,263		
79,388,841	57,326,062		
1,662,490	1,627,954		
<u>81,051,331</u>	<u>58,954,016</u>		
<u>\$ 93,207,669</u>	<u>\$ 86,331,279</u>		

TEXAS STATE AQUARIUM ASSOCIATION
Consolidating Statement of Activities
For the Year Ended December 31, 2021
With Summarized Information for the Year Ended December 31, 2020

	2021			
	Texas State Aquarium	Friends of TSA	Beverage Services	TSAA
SUPPORT AND REVENUE				Eliminations
Admissions	\$ 9,148,452	\$ -	\$ -	\$ -
Gift Shop Sales	1,211,652	-	-	-
Programs	6,475,678	-	-	-
Gifts and Donations	274,445	-	-	-
In-Kind Donations	96,521	-	-	-
Parking	577,654	-	-	-
Education Programs	118,091	-	-	-
Memberships	1,601,008	-	-	-
Concessions	2,359,335	-	114,366	-
Vending, Rentals & Other	4,954,899	-	3,696	-
Investment Income	474,451	53,202	243	-
Net Unrealized Gain/(Loss) on Investments	399,132	-	-	-
Restricted Donations	11,766,788	-	-	(59,925)
Net Assets Released From Restrictions				-
Total Support and Revenue	39,458,106	53,202	118,305	(59,925)
EXPENSES				
Program Services				
Education	232,941	-	-	-
Curatorial	3,780,845	-	-	-
Other Program Services	7,522,094	-	53,791	-
Total Program Services	11,535,880	-	53,791	-
Supporting Services				
Management and General	2,446,928	68,032	14,650	(59,925)
Endowment & Reserve	50,790	-	-	-
Fundraising	410,380	-	-	-
Total Supporting Services	2,908,098	68,032	14,650	(59,925)
Total Operating Expenses (Before Depreciation & Gain/Loss)	14,443,978	68,032	68,441	(59,925)
Increase (Decrease) in Net Assets Before Depreciation & Gain/Loss	25,014,128	(14,830)	49,864	-
Depreciation and Amortization Expense	(2,898,604)	-	(498)	-
Net Gain (Loss) on Disposal of Assets	(52,745)	-	-	-
Increase (Decrease) in Net Assets	22,062,779	(14,830)	49,366	-
NET ASSETS, Beginning of Year	58,892,512	13,141	48,363	-
NET ASSETS, End of Year	\$ 80,955,291	\$ (1,689)	\$ 97,729	\$ -

See Independent Auditor's Report on Supplementary Information.

		2021	2020
		Summarized	
Total		Totals	
\$	9,148,452	\$	3,189,943
	1,211,652		495,845
	6,475,678		2,972,937
	274,445		522,706
	96,521		78,792
	577,654		269,851
	118,091		151,419
	1,601,008		795,401
	2,473,701		993,773
	4,958,595		1,857,576
	527,896		542,389
	399,132		264,998
	11,706,863		6,110,836
	-		-
	39,569,688		18,246,466

232,941	386,203
3,780,845	3,444,449
7,575,885	6,413,322
<u>11,589,671</u>	<u>10,243,974</u>

2,469,685	1,973,423
50,790	40,847
410,380	288,462
<u>2,930,855</u>	<u>2,302,732</u>

14,520,526 12,546,706

25,049,162	5,699,760
(2,899,102)	(3,768,067)

22,097,315 1,913,015

58,954,016 57,041,001
81,051,331 \$ 58,954,016