

**SEATTLE AQUARIUM**

Financial Statements

For the Year Ended December 31, 2022

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## Independent Auditor's Report

**To the Board of Directors  
Seattle Aquarium Society  
Seattle, Washington**

### Opinion

We have audited the financial statements of Seattle Aquarium Society (dba Seattle Aquarium, herein referred to as the "Aquarium"), which comprise the balance sheet as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Aquarium as of December 31, 2022, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Aquarium and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Aquarium adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited the Aquarium's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



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## **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 Aquarium's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Aquarium's ability to continue as a going concern for a reasonable period of time.

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

*Clark Nuber P.S.*

Certified Public Accountants

April 13, 2023

SEATTLE AQUARIUM

Balance Sheet

December 31, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 19,335,921	\$ 27,344,302
Accounts receivable	853,993	1,042,933
Current portion of grants and contributions receivable, net	2,845,641	2,107,635
Investments	1,510,034	521,775
Prepaid expenses	415,478	356,211
<b>Total Current Assets</b>	<b>24,961,067</b>	<b>31,372,856</b>
Long-term portion of grants and contributions receivable	1,379,580	3,156,466
Right-of-use lease assets	6,028,241	-
Facility expansion project costs	53,366,793	26,092,118
Property and equipment, net	10,866,729	1,970,390
<b>Total Assets</b>	<b>\$ 96,602,410</b>	<b>\$ 62,591,830</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 3,555,656	\$ 3,775,919
Deferred revenue	727,309	661,276
Accrued expenses	3,897,098	1,815,957
Lease incentive	-	519,886
Lease liabilities, current portion	545,400	-
<b>Total Current Liabilities</b>	<b>8,725,463</b>	<b>6,773,038</b>
Expansion financing payable	5,218,095	-
Long-term portion of lease liabilities	6,068,232	-
<b>Total Liabilities</b>	<b>20,011,790</b>	<b>6,773,038</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	21,141,924	10,582,143
Reserve for expansion operating costs	5,000,000	5,000,000
Total without donor restrictions	26,141,924	15,582,143
With donor restrictions	50,448,696	40,236,649
<b>Total Net Assets</b>	<b>76,590,620</b>	<b>55,818,792</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 96,602,410</b>	<b>\$ 62,591,830</b>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Operating Revenues:</b>				
Admissions	\$ 16,961,193	\$ -	\$ 16,961,193	\$ 12,266,961
Membership	1,423,725	-	1,423,725	1,017,321
Concessions	2,066,497	-	2,066,497	1,138,050
Contributions and grants	1,725,826	1,327,980	3,053,806	2,796,613
Federal COVID-19 relief funding	911,122	-	911,122	9,175,682
Special events, net of \$135,745 (2021 - \$123,924) of expenses	215,800	-	215,800	329,570
After hours events	85,953	-	85,953	-
Other income	351,704	-	351,704	112,396
Restricted net assets released from restrictions	1,058,343	(1,058,343)	-	-
<b>Total Operating Revenues</b>	<b>24,800,163</b>	<b>269,637</b>	<b>25,069,800</b>	<b>26,836,593</b>
<b>Operating Expenses:</b>				
Program	17,594,141	-	17,594,141	13,390,889
Management and general	3,774,618	-	3,774,618	2,816,117
Fundraising	1,472,157	-	1,472,157	1,130,035
<b>Total Operating Expenses</b>	<b>22,840,916</b>	<b>-</b>	<b>22,840,916</b>	<b>17,337,041</b>
<b>Change in Net Assets From Operating Activities</b>	<b>1,959,247</b>	<b>269,637</b>	<b>2,228,884</b>	<b>9,499,552</b>
<b>Facility Expansion Project:</b>				
Contributions	-	20,054,583	20,054,583	13,442,581
Restricted net assets released from restrictions	10,112,173	(10,112,173)	-	-
Project expenses	(1,162,182)	-	(1,162,182)	(309,372)
Fundraising expenses	(349,457)	-	(349,457)	(291,867)
<b>Net Facilities Expansion Project</b>	<b>8,600,534</b>	<b>9,942,410</b>	<b>18,542,944</b>	<b>12,841,342</b>
<b>Total Change in Net Assets</b>	<b>10,559,781</b>	<b>10,212,047</b>	<b>20,771,828</b>	<b>22,340,894</b>
Net assets, beginning of year	15,582,143	40,236,649	55,818,792	33,477,898
<b>Net Assets, End of Year</b>	<b>\$ 26,141,924</b>	<b>\$ 50,448,696</b>	<b>\$ 76,590,620</b>	<b>\$ 55,818,792</b>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Functional Expenses  
For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	Program	Management and General	Fundraising	2022 Total	2021 Total
Personnel related expenses	\$ 11,220,530	\$ 2,174,705	\$ 1,472,761	\$ 14,867,996	\$ 12,075,195
Office expense	1,689,981	487,004	140,365	2,317,350	1,883,770
Professional fees	1,141,357	662,487	132,607	1,936,451	1,248,679
Animal and operating costs	1,106,936	39,567	8,923	1,155,426	570,150
Equipment	1,078,231	42,966	-	1,121,197	255,749
Computer expense	534,938	255,971	27,130	818,039	632,451
Depreciation and amortization	506,173	66,638	-	572,811	262,857
Bank fees	510,522	1,092	17,438	529,052	394,841
Taxes	361,092	-	-	361,092	248,806
Travel	223,461	18,989	11,005	253,455	23,760
Gift shop payments to City	170,250	-	-	170,250	166,750
Special events expenses	-	-	135,745	135,745	123,924
Advertising	86,927	4,473	500	91,900	74,337
Facility expense	71,729	2,687	-	74,416	32,321
Meals and entertainment	40,606	12,353	4,198	57,157	11,190
Miscellaneous expense	13,590	5,686	1,342	20,618	16,657
In-kind expense	-	-	5,000	5,000	30,662
Bad debt expense	-	-	345	345	10,105
<b>Total expenses</b>	<b>18,756,323</b>	<b>3,774,618</b>	<b>1,957,359</b>	<b>24,488,300</b>	<b>18,062,204</b>
Less special events expenses	-	-	(135,745)	(135,745)	(123,924)
Less facility expansion expenses	(1,162,182)	-	(349,457)	(1,511,639)	(601,239)
<b>Total Operating Expenses</b>	<b><u>\$ 17,594,141</u></b>	<b><u>\$ 3,774,618</u></b>	<b><u>\$ 1,472,157</u></b>	<b><u>\$ 22,840,916</u></b>	<b><u>\$ 17,337,041</u></b>

See accompanying notes.



SEATTLE AQUARIUM

Statement of Cash Flows  
For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 20,771,828	\$ 22,340,894
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	572,811	262,857
Contributions restricted to endowment and capital projects	(14,296)	-
Change in assets and liabilities:		
Accounts receivable	188,940	592,031
Grants and contributions receivable	1,013,880	482,510
Prepaid expenses	(59,267)	(120,256)
Accounts payable	66,837	420,345
Right-of-use lease assets and liabilities	107,900	352,796
Deferred revenue	66,033	269,448
Accrued expenses	586,801	192,966
<b>Net Cash Provided by Operating Activities</b>	<b>23,301,467</b>	<b>24,793,591</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(9,469,150)	(376,376)
Purchases of facility expansion project costs	(26,067,435)	(14,155,942)
Proceeds from sale of investments	346,398	1,616,002
Purchases of investments	(1,334,657)	(1,617,121)
<b>Net Cash Used in Investing Activities</b>	<b>(36,524,844)</b>	<b>(14,533,437)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from expansion financing	5,218,095	-
Principal payments on finance leases	(42,395)	-
Cash received from endowment and capital projects	39,296	-
<b>Net Cash Provided by Financing Activities</b>	<b>5,214,996</b>	<b>-</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(8,008,381)</b>	<b>10,260,154</b>
Cash and cash equivalents balance, beginning of year	27,344,302	17,084,148
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b>\$ 19,335,921</b>	<b>\$ 27,344,302</b>
<b>Supplementary Disclosure of Noncash Investing Activities:</b>		
Facility expansion project costs in accounts payable and accrued expenses	\$ 4,815,985	\$ 3,608,745

See accompanying notes.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Organization and Summary of Significant Accounting Policies

The Seattle Aquarium Society (dba Seattle Aquarium, herein referred to as “the Aquarium”) is a nonprofit corporation founded in 1982. Its mission is *Inspiring Conservation of Our Marine Environment*. The Aquarium is a conservation organization working to regenerate the health of the one world ocean. It works among global leaders to advance animal welfare, marine and ecosystem science, public policy, field conservation, and education that benefits the ocean.

The Aquarium operates and manages the Seattle Aquarium. The Aquarium brings the ocean to life for the public with experiences that inspire awe, empathy, and conservation action. It presents extraordinary habitats, marine life and educational programs that engage and delight all members of the local and global communities. The Aquarium’s work is integral to a healthy future for marine life, people and the planet.

**Basis of Presentation** - Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Aquarium and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Aquarium and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of long-lived assets and contributions restricted to acquire long-lived assets are reported as contributions with donor restrictions and are released from restriction when placed in service.

**Cash and Cash Equivalents** - The Aquarium considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Aquarium holds cash that typically exceeds the Federal Deposit Insurance Corporation insurance limits.

**Receivables** - Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**Investments** - Investments consisted of cash equivalents and certificates of deposits at December 31, 2022 and 2021. Investments in certificates of deposit are reported at original cost plus accrued interest. The Aquarium accepts gifts of donated marketable securities and it’s the Aquarium’s policy is to sell all donated securities received as soon as practicable.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Continued

**Property and Equipment** - Property and equipment are stated at cost if purchased or fair value if contributed. The Aquarium follows the practice of capitalizing all expenditures for property and equipment over \$10,000. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives for computer equipment, software, furniture and fixtures and other equipment are two to five years. The estimated useful lives for vehicles are five to ten years. The useful lives of exhibits and Aquarium improvements are equal to the lesser of their useful lives or the term of the Agreement described in Note 2. Estimated useful life of tenant improvements is the lesser of the useful life of those improvements or the lease.

**Implementation of New Accounting Standard for Leases** - Effective January 1, 2022, the Aquarium adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease accounting guidance (ASC Topic 840).

The Aquarium has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Aquarium accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Aquarium did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Aquarium recognized on January 1, 2022 (a) a lease liability of \$7,130,917, (b) a right-of-use asset of \$6,636,031, and (c) removal of deferred rent liabilities of \$519,886 and prepaid rent asset of \$25,000.

**Lease Obligations** - The Aquarium determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Aquarium's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Aquarium's leases do not provide an implicit rate of return; thus, the Aquarium uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The Aquarium has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Aquarium will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less, or when total lease payments are less than \$10,000 annually.

**Donated Materials and Services** - Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by the Aquarium. Donated services and materials are reflected in the statement of activities and changes in net assets at their estimated fair value at the date of receipt of the service or gift.

Donated services and materials received during 2022 and 2021 totaled \$5,000 and \$30,912, respectively, which was used for program activities, special fundraising events and other fundraising activities.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Continued

**Revenue Recognition** - The Aquarium operates an aquarium and earns revenues from the sale of admissions. Admissions are generally purchased by customers in advance or on the date of entry to the aquarium and are nonrefundable. Revenues from admissions are recognized when the performance obligation of providing access to the aquarium is met on the date of entry to the aquarium. The Aquarium also earns revenues from the sales of memberships, which are nonrefundable, and provides the member access to the aquarium during the annual membership period. The Aquarium recognizes memberships ratably as the performance obligation is met over the membership period.

The Aquarium recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Conditional promises to give are further described in Note 4.

**Advertising** - The Aquarium expenses advertising as incurred. Advertising and marketing expenses totaled \$91,900 and \$74,337 for the years ended December 31, 2022 and 2021, respectively.

**Federal Income Tax** - The Aquarium has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), with the exception of income from any activities that are not related to the Aquarium's tax-exempt purpose. The Aquarium is also exempt from private foundation status under Section 509(a)(1) of the IRC.

**Allocation of Functional Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include the salaries and related costs of certain management staff and the information technology department, which are allocated based on estimates of the level of effort spent on program and supporting services activities.

Program expenses are those expenses that are incurred for conservation, education and the maintenance of a living collection of marine life representative of the Puget Sound and the Pacific Ocean. These costs are directly in support of the Aquarium's mission, Inspiring Conservation of our Marine Environment, to encourage visitors and the general public to conserve and protect not just Puget Sound, but the Pacific and all of the one world ocean.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Totals** - The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Aquarium's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**Subsequent Events** - The Aquarium evaluated its 2022 financial statements for subsequent events through April 13, 2023, which is the date the financial statements were available to be issued.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 2 - Operations and Management Agreement

The Aquarium entered into an Operations and Management Agreement (the "Agreement") with the City's Superintendent of Parks and Recreation to operate and manage the Aquarium effective July 1, 2010 through June 30, 2030. The City will continue to own the aquarium buildings and will remain responsible for insurance and capital maintenance of the buildings and piers for the duration of the Agreement. Under the Agreement, the Aquarium is responsible for funding a minimum of \$10,000,000 of new or refurbished exhibits or visitor amenities by June 30, 2030, with at least \$5,000,000 of expenditures occurring on or before June 30, 2020. This obligation was fully met in 2020.

As part of the Agreement, the Aquarium is committed to pay approximately \$180,000 annually to the City from the Aquarium's café and gift shop commission revenue through 2025. Payments to the City during 2022 and 2021 for this obligation totaled \$170,250 and \$166,750, respectively, and have been reported as program expenses in the statement of activities and changes in net assets.

#### Note 3 - Aquarium Expansion

In 2013, the Aquarium and the City executed a memorandum of agreement ("the 2013 MOA") regarding master planning efforts for the organization. On September 25, 2017, the City Council unanimously approved an amendment to the MOA that identifies the Ocean Pavilion, a new building on the future Aquarium Plaza at the base of the future Overlook Walk, as the Aquarium's expansion project and reaffirms the City's commitment to provide funding as part of a combination of public and private philanthropic sources. On December 9, 2019, the City Council unanimously approved a funding agreement for the Ocean Pavilion that formally committed the balance of the City's \$34 million contribution to the project.

On October 1, 2022, the Aquarium entered into a funding agreement with the City to make available draws up to \$20 million. The Aquarium drew \$5,218,095 during the year ended December 31, 2022, and an additional \$14,242,967 as of the date these financial statements were available to be issued. This funding is an interfund advance from the City until such time as the City issues limited tax general obligation bonds, at which time bond payments of principal and interest would be due from September 1, 2023 through August 1, 2030. Management intends to fully repay the City advance prior to a bond issue, scheduled by the City to occur in late spring or early summer of 2023.

The Aquarium began the Ocean Pavilion project in 2020 and construction continues in to 2023. Expenditures for design and related costs of the facilities expansion are capitalized on the balance sheet and totaled \$53,366,793 and \$26,092,118 at December 31, 2022 and 2021, respectively.

The facilities expansion project includes creation of an animal care center. This facility was completed and placed in operation 2022, and the related costs were transferred to the property and equipment account on the balance sheet.

During the year ended December 31, 2021, the Board established a reserve for expansion operating costs totaling \$5 million. This reserve is anticipated to be utilized between 2023 and 2024 for costs associated with increased staffing necessary for the operations of both the animal care facility and the Ocean Pavilion.

SEATTLE AQUARIUM

Notes to Financial Statements  
For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

**Note 4 - Grants and Contributions Receivable**

Unconditional grants and contributions receivable consisted of the following at December 31:

	Facility Expansion Project	Other Receivables	2022 Total	2021 Total
Receivables due in less than one year	\$ 2,988,853	\$ 274,473	\$ 3,263,326	\$ 2,472,635
Receivables due in one to five years	<u>1,386,626</u>	<u>20,001</u>	<u>1,406,627</u>	<u>3,196,152</u>
Total grants and contributions receivable	4,375,479	294,474	4,669,953	5,668,787
Less discount to present value of long-term receivables	(26,238)	(809)	(27,047)	(39,686)
Less allowance for uncollectible amounts	(415,185)	(2,500)	(417,685)	(365,000)
Less current portion	<u>(2,573,668)</u>	<u>(271,973)</u>	<u>(2,845,641)</u>	<u>(2,107,635)</u>
<b>Long-Term Portion of Grants and Contributions Receivable</b>	<b><u>\$ 1,360,388</u></b>	<b><u>\$ 19,192</u></b>	<b><u>\$ 1,379,580</u></b>	<b><u>\$ 3,156,466</u></b>

Amounts included under Facility Expansion Projects consist of unconditional promises to give that are restricted by donors for use in the Aquarium's expansion project described in Note 3.

At December 31, 2022, approximately 29% of the balance consisted of grants and contributions from two individuals. At December 31, 2021, approximately 29% of the balance consisted of grants and contributions from two individuals.

The Aquarium had conditional grants receivable of \$3.30 million and \$3.96 million as of December 31, 2022 and 2021, respectively. Revenue for these conditional grants will be recognized in future periods when the conditions are met. Contributions receivable that contain stipulating conditions are not recognized in the accompanying statement of activities.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 540,052	\$ 540,052
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	1,895,449	1,480,308
Vehicles	209,093	209,093
Leasehold improvements	775,319	566,681
Animal care center	8,600,879	
Exhibits and Aquarium improvements	<u>2,820,153</u>	<u>2,575,661</u>
	14,913,135	5,443,985
Less accumulated depreciation	<u>(4,046,406)</u>	<u>(3,473,595)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 10,866,729</u></b>	<b><u>\$ 1,970,390</u></b>

#### Note 6 - Line of Credit

As of December 31, 2021, the Aquarium had an unsecured line of credit with a bank in the amount of \$1,000,000. This agreement expired on July 31, 2022, at which time the line was renewed and increased to \$2,000,000. This line will be available to the Aquarium until July 31, 2024. Interest shall accrue on the unpaid outstanding principal balance of the credit at a reference rate set by the bank. As of December 31, 2022 and 2021, there were no draws on the line by the Aquarium.

#### Note 7 - Lease Commitments

**Office Space Lease** - The Aquarium leases office space under a long-term, noncancelable lease agreement which expires December 2027. The lease includes payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability.

**Animal Care Center Lease** - The Aquarium leases space for its animal care facility under a long-term, noncancelable lease agreement with an initial term that expires May 2031, plus two five-year extension. The Aquarium has concluded that it is reasonably certain to exercise those options and so have included the extended terms in the calculation of the lease liability. The lease includes payments for common area maintenance and utilities that are considered variable lease payments and are excluded from determining the lease liability.

**Equipment Leases** - The Aquarium leases equipment under a long-term, noncancelable lease agreement which expires in May 2025. The leases include payments for taxes, insurance and use-overages that are considered variable lease payments and are excluded from determining the lease liability.

SEATTLE AQUARIUM

Notes to Financial Statements  
For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

Note 7 - Continued

Lease liabilities and right-of-use assets consisted of the following at December 31, 2022:

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
Current portion of lease liabilities	\$ 44,327	\$ 501,073	\$ 545,400
Noncurrent portion of lease liabilities	<u>86,675</u>	<u>5,981,557</u>	<u>6,068,232</u>
<b>Total Lease Liabilities</b>	<b><u>\$ 131,002</u></b>	<b><u>\$ 6,482,630</u></b>	<b><u>\$ 6,613,632</u></b>
<b>Right-of-Use Lease Asset</b>	<b><u>\$ 129,014</u></b>	<b><u>\$ 5,899,227</u></b>	<b><u>\$ 6,028,241</u></b>

Future minimum payments required under leases at December 31, 2022 were as follows:

For the Year Ending December 31,	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
2023	\$ 45,792	\$ 614,930	\$ 660,722
2024	45,792	632,171	677,963
2025	41,975	651,584	693,559
2026		675,934	675,934
2027		700,704	700,704
Thereafter		<u>4,284,222</u>	<u>4,284,222</u>
Total undiscounted cash flows	133,559	7,559,545	7,693,104
Less present value discount	<u>(2,557)</u>	<u>(1,076,915)</u>	<u>(1,079,472)</u>
<b>Total Lease Liabilities</b>	<b><u>\$ 131,002</u></b>	<b><u>\$ 6,482,630</u></b>	<b><u>\$ 6,613,632</u></b>

The components of lease expense for the year ended December 31, 2022 are as follows:

Finance lease cost-	
Amortization of right-of-use assets	\$ 44,233
Interest on lease liabilities	2,065
Operating lease cost	684,757
Variable, short-term and other lease cost	<u>92,213</u>
<b>Total Leasing Expense</b>	<b><u>\$ 823,268</u></b>



## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 7 - Continued

Supplemental cash flow information related to leases as of December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$	596,240
Operating cash flows from financing leases		1,916
Financing cash flows from finance leases		42,395
Weighted-average discount rate - operating lease		1.85%
Weighted-average discount rate - finance lease		1.37%

#### Note 8 - Employee Related Commitments

The Aquarium has established a defined contribution benefit plan under IRC Section 403(b) that covers all employees who are 21 years of age or older. Qualifying employees are immediately 100% vested in the salary reduction amounts. The plan provides for an employer match of employees' voluntary contributions subject to certain terms and conditions. Vesting of the employer match occurs over 4 years, at the rate of 25% per year. The Aquarium contributed a total of \$403,112 and \$180,579 to the plan for the years ended December 31, 2022 and 2021, respectively.

#### Note 9 - Net Assets With Donor Restrictions

Net assets were restricted by donors for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Purpose restrictions-		
Education	\$ 1,521,281	\$ 1,506,822
Life sciences	48,369	60,653
Other programs	237,370	64,546
Conservation	237,988	142,958
Endowment	98,921	98,969
Facility expansion project	<u>48,304,767</u>	<u>38,362,701</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 50,448,696</u></b>	<b><u>\$ 40,236,649</u></b>

#### Note 10 - Concessions Agreements

**Sodexo Agreement** - An agreement was executed between Sodexo and the Aquarium on November 17, 2006, whereby Sodexo operates the café and catering business for the Aquarium, remitting commission revenue monthly to the Aquarium. Commissions are based on a percentage of gross receipts, as defined in the agreement, and totaled \$808,111 and \$162,977 for the years ended December 31, 2022 and 2021, respectively. In January 2021, a modification to this agreement was signed to provide for reduced commissions due during a mutually-agreed upon time period representing the recovery phase from COVID-19 disruptions. The agreement in place with Sodexo is scheduled to expire December 31, 2023.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 10 - Continued

**Event Network Agreement** - A ten-year agreement was executed between Event Network and the Aquarium on December 19, 2006, whereby Event Network operates the Aquarium gift store, remitting commission revenue monthly to the Aquarium. The agreement was amended during 2016 to extend the term through June 30, 2022. On July 1, 2022, a new ten-year agreement was executed with Event Network which terminates on June 30, 2032 and provides the option to renew for two additional two-year lease terms. Commissions are based on a percentage of gross receipts, as defined in the agreement and totaled \$993,953 and \$763,148 for the years ended December 31, 2022 and 2021, respectively.

#### Note 11 - Liquidity and Availability of Financial Assets

The Aquarium's primary sources of liquidity are cash, investments, accounts receivable and the current portion of operating grants and contributions receivable. Adjustments are made to exclude any assets with restrictions, such as donor and/or purpose restrictions, that are not available for operations. In addition, the Aquarium maintains an unsecured revolving line of credit in the amount of \$2,000,000 (Note 6), and a funding agreement with the City of Seattle to make available draws up to \$20 million for the facilities expansion project (Note 3). See the statement of cash flows for additional information about the sources and uses of cash in the operations of the Aquarium.

The table below shows the financial assets held by the Aquarium that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 19,335,921	\$ 27,344,302
Investments	1,510,034	521,775
Accounts receivable	853,993	1,042,933
Current portion of grants and contributions receivable	2,845,641	2,107,635
Adjustments for amounts not available for operations or not available within one year-		
Donor restrictions	(920,418)	(10,988,065)
Reserve for expansion operating costs	<u>(5,000,000)</u>	<u>(5,000,000)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 18,625,171</u></b>	<b><u>\$ 15,028,580</u></b>

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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#### Note 12 - Federal COVID-19 Relief Funding

The following reflects the federal COVID-19 relief funding presented on the statement of activities and changes in net assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Shuttered Venue Operators Grant	\$ -	\$ 5,499,308
Paycheck Protection Program loan forgiveness	-	2,000,000
Employee Retention Tax Credits	-	1,676,374
Other federal COVID-relief funding	<u>911,122</u>	<u>-</u>
<b>Total Federal COVID-Relief Funding</b>	<b><u>\$ 911,122</u></b>	<b><u>\$ 9,175,682</u></b>

**Shuttered Venue Operators Grant** - In response to the COVID-19 pandemic, the Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program includes over \$16 billion in grants to shuttered venues, to be administered by SBA's Office of Disaster Assistance.

During the year ended December 31, 2021, the Aquarium received a notice of award for an SVOG totaling \$5,499,308 for use through the budget period ending December 31, 2021. As of December 31, 2021, \$5,499,308 of allowable costs had been incurred and recognized as revenue on the statement of activities and changes in net assets.

**Paycheck Protection Program** - In December 2020, the U.S. Congress passed the Consolidated Appropriations Act, 2021. Included in this act was the Second Draw Program for Paycheck Protection Program (PPP) loans to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On February 9, 2021, the Aquarium obtained a PPP loan under the Second Draw Program with a principal balance of \$2,000,000 and an annual interest rate of 1%. Subject to the terms and conditions of the loan, the Aquarium received forgiveness of the loan from the SBA on February 9, 2022.

The Aquarium follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loans. In applying that guidance, the Aquarium recognizes revenue when the barriers to entitlement to loan forgiveness are met.

**Employee Retention Tax Credits** - Included in the CARES Act was the Employee Retention Tax Credits (ERTC) intended to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by the Aquarium. The Aquarium's accounting policy for the ERTC is to record revenue when the credits are received from the Internal Revenue Service. Total ERTC revenue recognized during the year ended December 31, 2021 was \$1,676,374.

**Other Funding** - During the year ended December 31, 2022 the Aquarium was the beneficiary of federal funding passed-through from King County and the Association of Zoos & Aquariums totaling \$911,122.