

**SEATTLE AQUARIUM**

Financial Statements

For the Year Ended December 31, 2018

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Seattle Aquarium Society (dba Seattle Aquarium, herein referred to as the "Aquarium"), which comprise the balance sheet as of December 31, 2018, 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Aquarium as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2018. As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 1 that were applied to retroactively apply the requirements of ASU 2016-14 to the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived after adjustment for retrospective application of ASU 2016-14.

*Clark Nuber P.S.*

Certified Public Accountants

April 11, 2019

SEATTLE AQUARIUM

Balance Sheet  
December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,774,091	\$ 3,800,330
Accounts receivable	679,317	668,813
Current portion of grants and contributions receivable, net	2,967,371	292,127
Investments	762,798	760,019
Prepaid expenses	411,729	355,132
<b>Total Current Assets</b>	<b>9,595,306</b>	<b>5,876,421</b>
Long-term portion of grants and contributions receivable	3,224,866	1,351,045
Facility expansion project costs	2,282,198	2,677,054
Property and equipment, net	2,254,808	2,419,244
<b>Total Assets</b>	<b>17,357,178</b>	<b>12,323,764</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 645,241	\$ 961,694
Lease incentive	214,830	
Accrued expenses	1,610,093	1,485,276
Term loan, current portion		100,000
<b>Total Current Liabilities</b>	<b>2,470,164</b>	<b>2,546,970</b>
Term loan, net of current portion		400,000
<b>Total Liabilities</b>	<b>2,470,164</b>	<b>2,946,970</b>
<b>Net Assets:</b>		
Without donor restrictions	7,491,668	7,015,076
With donor restrictions	7,395,346	2,361,718
<b>Total Net Assets</b>	<b>14,887,014</b>	<b>9,376,794</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,357,178</b>	<b>\$ 12,323,764</b>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>Operating Revenues:</b>				
Admissions	\$ 13,345,171	\$ -	\$ 13,345,171	\$ 12,748,720
Membership	1,475,143		1,475,143	1,474,980
Concessions	1,579,170		1,579,170	1,419,074
Contributions and grants	693,751	976,732	1,670,483	1,078,139
Special events, net of \$731,902 (2017 - \$578,390) of expenses	718,244		718,244	745,456
In-kind contributions	319,065		319,065	1,133
Other income	164,031		164,031	194,655
Restricted net assets released from restrictions	479,885	(479,885)		
<b>Total Operating Revenues</b>	<b>18,774,460</b>	<b>496,847</b>	<b>19,271,307</b>	<b>17,662,157</b>
<b>Operating Expenses:</b>				
Program	14,503,223		14,503,223	13,167,776
Management and general	2,446,788		2,446,788	2,396,680
Fundraising	1,347,857		1,347,857	1,220,248
<b>Total Operating Expenses</b>	<b>18,297,868</b>		<b>18,297,868</b>	<b>16,784,704</b>
<b>Change in Net Assets</b>				
<b>From Operating Activities</b>	<b>476,592</b>	<b>496,847</b>	<b>973,439</b>	<b>877,453</b>
<b>Facility Expansion Project:</b>				
Contributions		5,918,053	5,918,053	1,814,143
Restricted net assets released from restrictions	1,381,272	(1,381,272)		
Project expenses	(1,111,837)		(1,111,837)	(193,064)
Fundraising expenses	(269,435)		(269,435)	(214,879)
<b>Net Facilities Expansion Project</b>		<b>4,536,781</b>	<b>4,536,781</b>	<b>1,406,200</b>
<b>Total Change in Net Assets</b>	<b>476,592</b>	<b>5,033,628</b>	<b>5,510,220</b>	<b>2,283,653</b>
Net assets, beginning of year	7,015,076	2,361,718	9,376,794	7,093,141
<b>Net Assets, End of Year</b>	<b>\$ 7,491,668</b>	<b>\$ 7,395,346</b>	<b>\$ 14,887,014</b>	<b>\$ 9,376,794</b>

See accompanying notes.

**SEATTLE AQUARIUM**

**Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)**

	Program	Management and General	Fundraising	2018 Total	2017 Total
Personnel related expenses	\$ 8,922,149	\$ 1,487,440	\$ 1,083,483	\$ 11,493,072	\$ 10,732,955
Office expense	2,539,352	467,477	171,546	3,178,375	1,970,777
Professional fees	406,523	201,686	253,874	862,083	1,138,870
Animal and operating costs	592,100	22,827	526	615,453	663,928
Advertising	531,460	27,834	186	559,480	588,782
Bank fees	507,989	15,258	3,040	526,287	426,361
Computer expense	327,713	67,371	23,110	418,194	153,031
Facility expense	360,387	16,919		377,306	80,752
In-kind expense	319,065			319,065	194,197
Depreciation and amortization	241,811	58,954		300,765	312,538
Equipment	243,504	33,009	2,454	278,967	279,155
Taxes	260,040			260,040	229,865
Gift shop payments to City	175,000			175,000	170,500
Travel	133,283	11,273	5,411	149,967	107,065
Meals and entertainment	49,351	36,537	4,496	90,384	32,533
Bad debt expense		18	69,005	69,023	71,997
Miscellaneous expense	5,333	185	161	5,679	39,341
Special events expenses			731,902	731,902	578,390
<b>Total expenses</b>	<b>15,615,060</b>	<b>2,446,788</b>	<b>2,349,194</b>	<b>20,411,042</b>	<b>17,771,037</b>
Less special events expenses			(731,902)	(731,902)	(578,390)
Less facility expansion expenses	(1,111,837)		(269,435)	(1,381,272)	(407,943)
<b>Total Operating Expenses</b>	<b>\$ 14,503,223</b>	<b>\$ 2,446,788</b>	<b>\$ 1,347,857</b>	<b>\$ 18,297,868</b>	<b>\$ 16,784,704</b>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 5,510,220	\$ 2,283,653
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Conversion of note payable to contribution	(500,000)	
Donation of strategic master plan costs	1,054,838	
Loss on disposal of property and equipment	29,871	
Facility expansion project in-kind expenses		193,065
Depreciation and amortization	300,765	312,538
Change in assets and liabilities:		
Accounts receivable	(10,504)	(238,844)
Grants and contributions receivable	(4,549,065)	(1,203,095)
Prepaid expenses	(56,597)	32,041
Accounts payable	(18,320)	32,013
Lease incentive liability	214,830	
Accrued expenses	124,817	123,548
<b>Net Cash Provided by Operating Activities</b>	<b>2,100,855</b>	<b>1,534,919</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(166,200)	(194,832)
Purchases of facility expansion project costs	(958,115)	(1,280,587)
Proceeds from sale of investments		533
Purchases of investments	(2,779)	
<b>Net Cash Used by Investing Activities</b>	<b>(1,127,094)</b>	<b>(1,474,886)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from term loan		500,000
<b>Net Cash Provided by Financing Activities</b>		<b>500,000</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>973,761</b>	<b>560,033</b>
Cash and cash equivalents balance, beginning of year	3,800,330	3,240,297
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b>\$ 4,774,091</b>	<b>\$ 3,800,330</b>
<b>Supplementary Disclosure of Noncash Investing Activities:</b>		
Facility expansion project costs in accounts payable	\$ 81,521	\$ 379,654

See accompanying notes.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

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

Seattle Aquarium Society (dba Seattle Aquarium, herein referred to as the "Aquarium") is a nonprofit corporation whose primary purpose is to manage the day-to-day operations of the Seattle Aquarium on behalf of the City of Seattle ("the City") in support of the Aquarium's mission: *Inspiring Conservation of Our Marine Environment*.

**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 consist of cash equivalents and certificates of deposits. Investments in certificates of deposit are reported at original cost plus accrued interest, which approximates fair value.

**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 \$5,000. 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.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

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#### Note 1 - Continued

**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 2018 and 2017 totaled \$649,504 and \$399,298, respectively, which was used for program activities, special fundraising events and other fundraising activities.

**Membership Revenue** - Memberships are recorded as contributions and recognized as revenue when received.

**Advertising** - The Aquarium expenses advertising as incurred. Advertising and marketing expenses totaled \$559,480 and \$588,782 for the years ended December 31, 2018 and 2017, 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, 2017, from which the summarized information was derived.

**Subsequent Events** - The Aquarium has evaluated subsequent events through April 11, 2019, the date on which the financial statements were available to be issued.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

#### Note 1 - Continued

**New Accounting Pronouncements** - During the year ended December 31, 2018, the Aquarium adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) required for fiscal years ending 2019. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three and recognition of capital contributions for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service. A footnote on liquidity and availability of financial assets has also been added at Note 13.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is presented below:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 5,309,294	\$ -	\$ 5,309,294
Temporarily restricted		4,067,500	4,067,500
Net assets as previously presented	5,309,294	4,067,500	9,376,794
Reclassifications to implement ASU 2016-14:			
Capital contributions for construction of long-lived assets	1,705,782	(1,705,782)	
<b>Net Assets, As Reclassified, at December 31, 2017</b>	<b>\$ 7,015,076</b>	<b>\$ 2,361,718</b>	<b>\$ 9,376,794</b>
	\$ -	\$ -	\$ -

During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional.

The primary effect of adoption of this ASU for the Aquarium is that certain grants received that were previously treated as unconditional are now treated as conditional. As a result, revenue for these grants is recognized when the conditions are met during the grant term, whereas previously revenue had been recognized when the grants were awarded. The effect of this change was a decrease of \$1,676,000 to donor-restricted grant revenue and change in net assets for 2018.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

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#### Note 1 - Continued

The Aquarium has elected to adopt the changes from this ASU prospectively starting in 2018, and accordingly, no changes have been made to balances reported in the 2017 financial statements.

#### 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 building 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. Total expenditures incurred toward this commitment as of December 31, 2018 were \$7,086,000 which includes certain capitalized costs and expenses incurred. The City's obligations under the Agreement includes funding \$8,000,000 of capital maintenance projects, together with such other capital maintenance as may be required to keep the aquarium building open and operating. The \$8,000,000 funding was fully expended as of December 31, 2017.

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 2018 and 2017 for this obligation totaled \$175,000 and \$170,500, 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. This includes an evaluation of how a potential Aquarium expansion could positively integrate into the City's larger central waterfront redevelopment plan. The 2013 MOA stipulates partial City funding for the Aquarium's planning efforts provided that private matching funds are raised and deployed in the creation of a final design for adoption by City Council at a future date. In 2015, the City Council unanimously approved the master plan document produced in collaboration with the Parks Department and Office of the Waterfront for the City of Seattle. On September 25, 2017, the City Council unanimously approved an amendment to the MOA that identifies the Ocean Pavilion, a new building on the Aquarium Plaza at the base of the 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 July 23, 2018, the City Council unanimously approved a memorandum of understanding (the "2018 MOU") that authorizes up to \$4.7 million for current design and development work.

The Aquarium's expenditures for design and related costs of the facilities expansion are capitalized on the balance sheet and totaled \$2,282,197 and \$2,677,054 at December 31, 2018 and 2017, respectively. During the design process, the Aquarium incurred and capitalized assets of \$1,054,838 for design costs related to future renovations of Pier 59, which in turn were donated to the City of Seattle in 2018.

SEATTLE AQUARIUM

Notes to Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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**Note 4 - Grants and Contributions Receivable**

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

	Facility Expansion Project	Other Receivables	Total 2018	Total 2017
Receivables due in less than one year	\$ 2,284,313	\$ 754,558	\$ 3,038,871	\$ 321,227
Receivables due in one to five years	<u>3,284,286</u>	<u>5,000</u>	<u>3,289,286</u>	<u>1,368,609</u>
Total grants and contributions receivable	5,568,599	759,558	6,328,157	1,689,836
Less discount to present value of long-term receivables	(64,420)		(64,420)	(17,564)
Less allowance for uncollectible amounts		(71,500)	(71,500)	(29,100)
Less current portion	<u>(2,284,313)</u>	<u>(683,058)</u>	<u>(2,967,371)</u>	<u>(292,127)</u>
<b>Long-term Portion of Grants and Contributions Receivable</b>	<b><u>\$ 3,219,866</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ 3,224,866</u></b>	<b><u>\$ 1,351,045</u></b>

During the year ended December 31, 2018, approximately 56% of the balance consisted of grants and contributions from three individual and foundation grantors. There were no concentrations of grants and contributions receivable during the year ended December 31, 2017.

The Aquarium also received conditional grants receivable of \$1.7 million as of December 31, 2018. Revenue for these conditional grants will be recognized in future periods when the conditions are met. There were no conditional grants for the year ended December 31, 2017. 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, 2018 (With Comparative Totals for 2017)

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#### Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 475,367	\$ 549,875
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	1,259,681	1,237,829
Vehicles	190,473	190,473
Leasehold improvements	566,681	545,618
Exhibits and Aquarium improvements	<u>2,312,015</u>	<u>2,312,015</u>
	4,876,407	4,908,000
Less accumulated depreciation	<u>(2,621,599)</u>	<u>(2,488,756)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 2,254,808</u></b>	<b><u>\$ 2,419,244</u></b>

#### Note 6 - Term Loan

During 2017, the Aquarium received an unsecured term loan from a member of the board of directors in the amount of \$500,000 for the purposes of advancing schematic design for the facilities expansion project in absence of City funding. The loan was payable in five equal, annual installments beginning in December 2018 plus interest at a rate of 2.0%. On July 25, 2018, the donor converted this loan to a contribution toward the Ocean Pavilion project, which has been recorded as donor-restricted revenue during 2018.

#### Note 7 - Line of Credit

The Aquarium had an unsecured revolving line of credit with a bank in the amount of \$1,000,000 that expired in September 2018. A new line of credit in the amount of \$1,000,000 was established on January 31, 2019. Interest shall accrue on the unpaid outstanding principal balance of the credit at the prime rate set by the bank. As of December 31, 2018 and 2017, there were no draws on any line by the Aquarium.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

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#### Note 8 - Lease Commitments

**Office Space Lease** - The Aquarium is obligated under a lease agreement for office space in Seattle, Washington, which expires on December 31, 2027. Total rental expense was \$506,652 and \$402,882 for the years ended December 31, 2018 and 2017, respectively, which includes base monthly rents plus common area maintenance charges. This lease agreement also provides for certain lease incentives including leasehold improvements of approximately \$239,000. This resulted in a lease incentive liability of \$214,830 and \$0 as of December 31, 2018 and 2017, respectively. Future minimum rental commitments under this operating lease are as follows:

For the Year Ending December 31,		
2019	\$	437,559
2020		426,776
2021		399,712
2022		411,716
2023		424,078
Thereafter		<u>1,827,339</u>
	\$	<u><b>3,927,180</b></u>

#### Note 9 - 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 \$323,218 and \$300,904 to the plan for the years ended December 31, 2018 and 2017, respectively.

#### Note 10 - Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Purpose restrictions-		
Education	\$ 713,193	\$ 111,001
Other programs	122,026	217,150
Life sciences	67,825	77,926
Facility expansion project	<u>6,492,419</u>	<u>1,955,641</u>
<b>Total Net Assets With Donor Restrictions</b>	<u><b>\$ 7,395,463</b></u>	<u><b>\$ 2,361,718</b></u>

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

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#### Note 11 - Concessions Agreements

**Sodexo Agreement** - A ten-year 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 \$684,479 and \$595,230 for the years ended December 31, 2018 and 2017, respectively. This agreement was renewed in 2016 for an extended five-year term through November 2021. As part of the extension Sodexo is was obligated to invest at least \$500,000 for capital investments in the café and related space; that work was completed during 2017. If the agreement is terminated before the end of the five-year extended term the Aquarium will repay Sodexo the unamortized portion of the capital investment cost.

**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. Commissions are based on a percentage of gross receipts, as defined in the agreement and totaled \$863,691 and \$823,844 for the years ended December 31, 2018 and 2017, respectively.

#### Note 12 - Waterfront Construction

Waterfront Seattle is a multi-year program to rebuild Seattle's waterfront following the removal of the Alaskan Way Viaduct. The Program spans the waterfront from Pioneer Square to Belltown and includes a rebuilt Elliott Bay Seawall, a new surface street providing access to and from downtown, and new parks, paths, and access to Elliott Bay. Seawall construction near the Aquarium was completed in 2017. Removal of the Alaskan Way Viaduct began in February 2019 with the area directly in front of the Aquarium scheduled to be completed during May of 2019.

#### Note 13 - 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 \$1,000,000. See Note 7 for additional information about the line of credit. 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>2018</u>	<u>2017</u>
Cash and equivalents	\$ 4,774,091	\$ 3,800,330
Investments	762,798	760,019
Accounts receivable	679,317	668,813
Current portion of grants and contributions receivable	2,967,371	292,127
Adjustments for non-operating items	<u>(1,888,399)</u>	<u>944,968</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 7,295,178</u></b>	<b><u>\$ 6,466,257</u></b>