

SEATTLE AQUARIUM

Financial Statements

For the Year Ended December 31, 2023

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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, 2023, 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, 2023, 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.

Report on Summarized Comparative Information

We have previously audited the Aquarium's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.



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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 18, 2024

SEATTLE AQUARIUM

**Balance Sheet
December 31, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 14,829,890	\$ 19,335,921
Accounts receivable	2,035,254	853,993
Current portion of grants and contributions receivable, net	3,612,778	2,845,641
Investments	448,744	1,510,034
Prepaid expenses	604,460	415,478
Total Current Assets	21,531,126	24,961,067
Long-term portion of grants and contributions receivable	5,580,752	1,379,580
Cash restricted for long-term debt reserve fund	7,088,466	-
Right-of-use lease assets	5,488,179	6,028,241
Facility expansion project costs	123,087,633	53,366,793
Property and equipment, net	10,372,617	10,866,729
Total Assets	<u>\$173,148,773</u>	<u>\$ 96,602,410</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,682,301	\$ 3,555,656
Deferred revenue	781,670	727,309
Accrued expenses	6,794,684	3,897,098
Lease liabilities, current portion	588,384	545,400
Total Current Liabilities	12,847,039	8,725,463
Expansion financing payable	-	5,218,095
Long-term debt	55,127,352	-
Long-term portion of lease liabilities	5,555,597	6,068,232
Total Liabilities	73,529,988	20,011,790
Net Assets:		
Without donor restrictions-		
Undesignated	22,337,185	21,141,924
Reserve for expansion operating costs	2,000,000	5,000,000
Total without donor restrictions	24,337,185	26,141,924
With donor restrictions	75,281,600	50,448,696
Total Net Assets	<u>99,618,785</u>	<u>76,590,620</u>
Total Liabilities and Net Assets	<u>\$173,148,773</u>	<u>\$ 96,602,410</u>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating Revenues:				
Admissions	\$ 19,015,277	\$ -	\$ 19,015,277	\$ 16,961,193
Membership	1,494,474	-	1,494,474	1,423,725
Concessions	2,464,058	-	2,464,058	2,066,497
Contributions and grants	1,924,296	1,061,667	2,985,963	3,964,928
Special events, net of \$177,833 (2022 - \$135,745) of expenses	435,964	-	435,964	215,800
After hours events	166,677	-	166,677	85,953
Interest income	702,350	-	702,350	171,332
Other income	205,995	-	205,995	180,372
Restricted net assets released from restrictions	1,244,089	(1,244,089)	-	-
Total Operating Revenues	27,653,180	(182,422)	27,470,758	25,069,800
Operating Expenses:				
Program	22,810,992	-	22,810,992	17,594,141
Management and general	4,565,747	-	4,565,747	3,774,618
Fundraising	2,081,180	-	2,081,180	1,472,157
Total Operating Expenses	29,457,919	-	29,457,919	22,840,916
Change in Net Assets From Operating Activities Activities Before Reserve Transfer	(1,804,739)	(182,422)	(1,987,161)	2,228,884
Transfer from reserve for expansion operating costs	3,000,000	-	3,000,000	-
Change in Net Assets From Operating Activities	1,195,261	(182,422)	1,012,839	2,228,884
Nonoperating Activities:				
Contributions for facility expansion project	-	26,062,244	26,062,244	20,054,583
Restricted net assets released from restrictions	1,046,918	(1,046,918)	-	-
Facility expansion project expenses	(714,596)	-	(714,596)	(1,162,182)
Facility expansion fundraising expenses	(332,322)	-	(332,322)	(349,457)
Transfer from reserve for expansion operating costs	(3,000,000)	-	(3,000,000)	-
Change in Net Assets From Nonoperating Activities	(3,000,000)	25,015,326	22,015,326	18,542,944
Total Change in Net Assets	(1,804,739)	24,832,904	23,028,165	20,771,828
Net assets, beginning of year	26,141,924	50,448,696	76,590,620	55,818,792
Net Assets, End of Year	\$24,337,185	\$75,281,600	\$99,618,785	\$76,590,620

See accompanying notes.

SEATTLE AQUARIUM

Statement of Functional Expenses For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

	Program	Management and General	Fundraising	2023 Total	2022 Total
Personnel related expenses	\$ 15,354,256	\$ 2,712,696	\$ 1,861,446	\$ 19,928,398	\$ 14,867,996
Office expense	1,788,046	746,418	171,327	2,705,791	2,317,350
Professional fees	1,202,059	601,404	179,203	1,982,666	1,609,895
Animal and operating costs	1,269,733	20,344	2,231	1,292,308	1,155,426
Depreciation and amortization	806,557	107,970	-	914,527	572,811
Equipment	768,667	39,489	4,117	812,273	1,121,197
Computer expense	465,535	260,749	39,149	765,433	818,039
Bank fees	572,808	3,660	39,587	616,055	529,052
Taxes	402,218	-	-	402,218	361,092
Facility expense	295,881	13,217	-	309,098	400,972
Travel	276,001	10,763	2,214	288,978	253,455
Special events expenses	-	-	177,833	177,833	135,745
Gift shop payments to City	168,250	-	-	168,250	170,250
Bad debt expense	1,390	6,153	105,000	112,543	345
Meals and entertainment	73,148	35,964	3,038	112,150	57,157
Advertising	72,343	3,631	6,070	82,044	91,900
Miscellaneous expense	8,696	3,289	120	12,105	20,618
In-kind expense	-	-	-	-	5,000
Total expenses	23,525,588	4,565,747	2,591,335	30,682,670	24,488,300
Less special events expenses	-	-	(177,833)	(177,833)	(135,745)
Less facility expansion expenses	(714,596)	-	(332,322)	(1,046,918)	(1,511,639)
Total Operating Expenses	<u>\$22,810,992</u>	<u>\$ 4,565,747</u>	<u>\$ 2,081,180</u>	<u>\$29,457,919</u>	<u>\$22,840,916</u>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 23,028,165	\$ 20,771,828
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	914,527	572,811
Contributions restricted to endowment and capital projects	-	(14,296)
Change in assets and liabilities:		
Accounts receivable	(1,181,261)	188,940
Grants and contributions receivable	(4,968,309)	1,013,880
Prepaid expenses	(188,982)	(59,267)
Accounts payable	14,620	66,837
Right-of-use lease assets and lease liabilities, net	114,687	107,900
Deferred revenue	54,361	66,033
Accrued expenses	453,122	586,801
Net Cash Provided by Operating Activities	18,240,930	23,301,467
Cash Flows From Investing Activities:		
Purchases of property and equipment	(420,415)	(9,469,150)
Purchases of facility expansion project costs	(66,164,351)	(26,067,435)
Proceeds from sale of investments	1,067,491	346,398
Purchases of investments	(6,201)	(1,334,657)
Net Cash Used in Investing Activities	(65,523,476)	(36,524,844)
Cash Flows From Financing Activities:		
Proceeds from expansion financing	14,242,486	5,218,095
Repayment of expansion financing	(19,460,581)	-
Proceeds from long-term debt	55,941,846	-
Payment of debt issuance costs for long-term debt	(814,494)	-
Principal payments on finance leases	(44,276)	(42,395)
Cash received from endowment and capital projects	-	39,296
Net Cash Provided by Financing Activities	49,864,981	5,214,996
Net Change in Cash, Cash Equivalents and Restricted Cash	2,582,435	(8,008,381)
Cash, cash equivalents and restricted cash balance, beginning of year	19,335,921	27,344,302
Cash, Cash Equivalents and Restricted Cash Balance, End of Year	\$ 21,918,356	\$ 19,335,921
Supplementary Disclosure of Cash Flow Information:		
Facility expansion project costs in accounts payable and accrued expenses	\$ 8,372,474	\$ 4,815,985

See accompanying notes.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sums to the total of the same such amounts shown in the statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 14,829,890	\$ 19,335,921
Cash restricted for long-term debt reserve fund	<u>7,088,466</u>	<u>-</u>
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	<u>\$ 21,918,356</u>	<u>\$ 19,335,921</u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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.

Investments - Investments consisted of cash equivalents and certificates of deposits at December 31, 2023 and 2022. 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.

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.

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 operating 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.

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.

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Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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 expenses totaled \$82,044 and \$91,900 for the years ended December 31, 2023 and 2022, 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, 2022, from which the summarized information was derived.

Subsequent Events - The Aquarium evaluated its 2023 financial statements for subsequent events through April 18, 2024, which is the date the financial statements were available to be issued.

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Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

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. The agreement originally extended through June 30, 2030, and in August 2023 an amendment was signed to extend the agreement through December 31, 2040.

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. At December 31, 2023 and 2022, the Aquarium has \$1,313,773 and \$242,460, respectively, in accounts receivable for reimbursements due from the City.

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 2023 and 2022 for this obligation totaled \$168,250 and \$170,250, respectively, and have been reported as program expenses in the statement of activities and changes in net assets.

The City may only terminate the Agreement prior to the end date in certain circumstances. If the Agreement is terminated then the City is required to pay a termination fee, as defined in the Agreement, that is sufficient to pay the remaining amounts due on the long-term debt described in Note 7.

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 temporary 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 \$14,242,485 during the year ended December 31, 2023. These amounts were repaid in full with funding from the long-term debt described in Note 7.

The Aquarium began the Ocean Pavilion project in 2020 and construction is scheduled to be completed in 2024. Expenditures for design and related costs of the facilities expansion are capitalized on the balance sheet and totaled \$123,087,633 and \$53,366,793 at December 31, 2023 and 2022, respectively.

During the year ended December 31, 2021, the Board established a reserve for expansion operating costs totaling \$5 million. During the year ended December 31, 2023, \$3 million of the reserve was utilized. The remaining portion of this reserve is anticipated to be utilized in 2024 for costs associated with increased staffing necessary for the operations of both the animal care facility and the Ocean Pavilion.

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Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 4 - Grants and Contributions Receivable

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

	Ocean Pavilion Project	Other Receivables	2023 Total	2022 Total
Receivables due in less than one year	\$ 4,135,207	\$ 276,782	\$ 4,411,989	\$ 3,263,326
Receivables due in one to five years	<u>5,807,762</u>	<u>-</u>	<u>5,807,762</u>	<u>1,406,627</u>
Total grants and contributions receivable	9,942,969	276,782	10,219,751	4,669,953
Less discount to present value of long-term receivables	(227,010)	-	(227,010)	(27,047)
Less allowance for uncollectible amounts	(799,211)	-	(799,211)	(417,685)
Less current portion	<u>(3,335,996)</u>	<u>(276,782)</u>	<u>(3,612,778)</u>	<u>(2,845,641)</u>
Long-Term Portion of Grants and Contributions Receivable	<u>\$ 5,580,752</u>	<u>\$ -</u>	<u>\$ 5,580,752</u>	<u>\$ 1,379,580</u>

Amounts included under Ocean Pavilion project consist of unconditional promises to give that are restricted by donors for use in this project.

At December 31, 2023, approximately 22% of the balance consisted of grants and contributions from a governmental agency. At December 31, 2022, approximately 29% of the balance consisted of grants and contributions from two individuals.

The Aquarium had conditional grants receivable of \$5.89 million and \$3.30 million as of December 31, 2023 and 2022, respectively, that are primarily for the support of the Ocean Pavilion project described in Note 3. 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.

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Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 540,052	\$ 540,052
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	1,924,894	1,895,449
Vehicles	264,330	209,093
Leasehold improvements	1,044,553	775,319
Animal care center	8,600,879	8,600,879
Exhibits and Aquarium improvements	<u>2,886,653</u>	<u>2,820,153</u>
	15,333,551	14,913,135
Less accumulated depreciation	<u>(4,960,934)</u>	<u>(4,046,406)</u>
Property and Equipment, Net	<u>\$ 10,372,617</u>	<u>\$ 10,866,729</u>

Note 6 - Line of Credit

As of December 31, 2022, the Aquarium had an unsecured line of credit with a bank in the amount of \$2,000,000. As of December 31, 2022, there were no draws on the line by the Aquarium, and the account was closed in 2023.

Note 7 - Long-Term Debt

Long-term debt was obtained as financing for the Ocean Pavilion project described in Note 3 and consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Series 2023A bonds	\$ 53,235,846	\$ -
Series 2023B bonds	2,706,000	-
Unamortized debt issuance costs	<u>(814,494)</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 55,127,352</u>	<u>\$ -</u>

In August 2023, the Washington State Housing Finance Commission (WSHFC), PNC Bank N.A., and the Aquarium entered into a financing agreement whereby WSHFC issued revenue bonds Series 2023A (tax-exempt) and Series 2023B (taxable). The Aquarium may draw additional funds on the bonds up through December 2024 up to combined maximum amount of \$67 million. The bonds were purchased by PNC Bank N.A.. The bonds have a mandatory redemption date in March 2030, when the bonds may be remarketed by the Aquarium, and if successfully remarketed then the bonds will have a final maturity in March 2039.

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Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 7 - Continued

The Series 2023A bonds accrue interest at a variable rate equal to the Daily SOFR multiplied times 79%, plus 3.18%. The Series 2023B bonds accrue interest at a variable rate equal to the Daily SOFR, plus 3.85%. Quarterly payments of interest are required commencing in December 2023. Interest accrued on the bonds during the year ended December 31, 2023 totaled \$1,085,705 and was capitalized as part of the costs of the Ocean Pavilion project (Note 3).

Annual payments of principal are required beginning in March 2025. The amount of principal paid in March 2025 is to be \$500,000; the annual amount of principal paid in 2026 through 2030 is to be equal to 7.8% of the outstanding amount of the bonds as of December 31, 2025; and the annual amount of principal to be paid in 2031 through 2039 is equal to 6.8% of the outstanding amount of the bonds as of December 31, 2025. In addition to these scheduled principal payments, beginning in May 2025 the Aquarium is required to make annual payments toward principal in an amount equal to 50% of Excess Cash Flow, as defined, from the previous calendar year.

Future minimum principal payments based on the outstanding amount of the bonds at December 31, 2023 are as follows:

For the Year Ending December 31,

2024	\$	-
2025		500,000
2026		4,363,464
2027		4,363,464
2028		4,363,464
Thereafter		<u>42,351,454</u>
Total principal		55,941,846
Less unamortized debt issuance costs		<u>(814,494)</u>
Total Long-Term Debt		<u>\$ 55,127,352</u>

The bonds are secured by assets of the Aquarium. Additionally, the Aquarium is required to maintain a reserve fund in a segregated account. The reserve fund is to maintain at a balance of at least \$7 million through March 2025, and thereafter through maturity of the bonds at a balance that is the greater of \$7 million or the annual debt service for the bonds, as defined. The bonds include certain restrictive covenants, including financial ratios, with which the Aquarium must comply.

Note 8 - 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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 8 - Continued

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.

Lease liabilities and right-of-use assets consisted of the following at December 31, 2023 and 2022:

	<u>Finance</u>	<u>Operating</u>	<u>2023 Total</u>
Current portion of lease liabilities	\$ 44,938	\$ 543,446	\$ 588,384
Noncurrent portion of lease liabilities	41,737	5,513,860	5,555,597
Total Lease Liabilities	<u>\$ 86,675</u>	<u>\$ 6,057,306</u>	<u>\$ 6,143,981</u>
Right-of-Use Lease Asset	<u>\$ 84,781</u>	<u>\$ 5,403,398</u>	<u>\$ 5,488,179</u>
	<u>Finance</u>	<u>Operating</u>	<u>2022 Total</u>
Current portion of lease liabilities	\$ 44,327	\$ 501,073	\$ 545,400
Noncurrent portion of lease liabilities	86,675	5,981,557	6,068,232
Total Lease Liabilities	<u>\$ 131,002</u>	<u>\$ 6,482,630</u>	<u>\$ 6,613,632</u>
Right-of-Use Lease Asset	<u>\$ 129,014</u>	<u>\$ 5,899,227</u>	<u>\$ 6,028,241</u>

Future minimum payments required under leases at December 31, 2023 were as follows:

For the Year Ending December 31,	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
2024	\$ 45,792	\$ 652,113	\$ 697,905
2025	41,975	671,864	713,839
2026	-	696,552	696,552
2027	-	721,660	721,660
2028	-	234,268	234,268
Thereafter	-	4,049,955	4,049,955
Total undiscounted cash flows	87,767	7,026,412	7,114,179
Less present value discount	<u>(1,092)</u>	<u>(969,106)</u>	<u>(970,198)</u>
Total Lease Liabilities	<u>\$ 86,675</u>	<u>\$ 6,057,306</u>	<u>\$ 6,143,981</u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 8 - Continued

The components of lease expense for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Finance lease cost-		
Amortization of right-of-use assets	\$ 44,140	\$ 44,233
Interest on lease liabilities	1,465	2,065
Operating lease cost	705,713	684,757
Variable, short-term and other lease cost	<u>155,048</u>	<u>92,213</u>
Total Leasing Expense	<u>\$ 906,366</u>	<u>\$ 823,268</u>

Supplemental cash flow information related to leases as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 632,901	\$ 596,240
Operating cash flows from financing leases	1,515	1,916
Financing cash flows from finance leases	44,276	42,395
Weighted-average remaining lease term - operating leases	1.9 years	2.9 years
Weighted-average remaining lease term - finance lease	13.3 years	13.9 years
Weighted-average discount rate - operating leases	1.90%	1.85%
Weighted-average discount rate - finance lease	1.37%	1.37%

Note 9 - Employee Related Commitments

The Aquarium has established a defined contribution benefit plan under IRC Section 403(b) for qualifying employees. 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 \$542,433 and \$403,112 to the plan for the years ended December 31, 2023 and 2022, respectively.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 10 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions-		
Facility expansion project	\$ 73,320,095	\$ 48,304,767
Education	1,399,698	1,521,281
Conservation	219,048	237,988
Endowment	101,488	98,921
Other programs	53,699	32,370
Life sciences	18,560	48,369
Time restricted for future periods	<u>169,012</u>	<u>205,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 75,281,600</u>	<u>\$ 50,448,696</u>

Note 11 - Concessions Agreements

Sodexo Agreement - The Aquarium had an agreement with Sodexo for the operation of the café and catering business for the Aquarium. Sodexo remitted commission revenue monthly to the Aquarium. Commissions are based on a percentage of gross receipts, as defined in the agreement, and totaled \$981,508 and \$808,111 for the years ended December 31, 2023 and 2022, respectively. The agreement with Sodexo expired December 31, 2023.

Ovations Food Services of Washington (OVG) Agreement - An agreement was executed between OVG and the Aquarium on December 19, 2023, whereby OVG will operate the café and catering business for the Aquarium beginning January 1, 2024. OVG will remit commission revenue monthly to the Aquarium. Commissions are based on a percentage of gross receipts, as defined in the agreement. The agreement has an initial term that will expire on December 31, 2028, with one option to renew for an additional five year period.

Event Network Agreement - The Aquarium has an agreement with Event Network for operation of the Aquarium gift store. Event Network remits commission revenue monthly to the Aquarium. The agreement has a term that extends through 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 \$1,174,965 and \$993,953 for the years ended December 31, 2023 and 2022, respectively.

Note 12 - 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 a financing agreement that provides for draws up to \$67 million for the Ocean Pavilion 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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 12 - Continued

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 as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 14,829,890	\$ 19,335,921
Investments	448,744	1,510,034
Accounts receivable	2,035,254	853,993
Current portion of grants and contributions receivable	3,612,778	2,845,641
Adjustments for amounts not available for operations or not available within one year-		
Donor restrictions	(1,961,505)	(920,418)
Reserve for expansion operating costs	(2,000,000)	(5,000,000)
	<u> </u>	<u> </u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 16,965,161</u>	<u>\$ 18,625,171</u>