

SEATTLE AQUARIUM

Financial Statements

For the Year Ended December 31, 2024

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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, 2024, 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, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 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
May 29, 2025

SEATTLE AQUARIUM

Balance Sheet December 31, 2024 (With Comparative Totals for 2023)

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 20,041,119	\$ 14,829,890
Accounts receivable	1,647,211	2,035,254
Current portion of grants and contributions receivable, net	2,045,765	3,612,778
Investments	276,493	448,744
Prepaid expenses	673,384	604,460
Total Current Assets	24,683,972	21,531,126
Long-term portion of grants and contributions receivable	2,548,751	5,580,752
Cash restricted for long-term debt reserve fund	7,326,387	7,088,466
Right-of-use lease assets	4,961,093	5,488,179
Facility expansion project costs	161,813,939	123,087,633
Property and equipment, net	10,066,857	10,372,617
Total Assets	\$ 211,400,999	\$ 173,148,773
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,141,229	\$ 4,682,301
Deferred revenue	2,000,135	781,670
Accrued expenses	10,740,993	6,794,684
Current portion of long-term debt	500,000	-
Current portion of lease liabilities	603,084	588,384
Total Current Liabilities	14,985,441	12,847,039
Long-term construction payables	13,433,578	-
Long-term debt, less current portion	58,490,422	55,127,352
Lease liabilities, less current portion	5,065,751	5,555,597
Total Liabilities	91,975,192	73,529,988
Net Assets:		
Without donor restrictions-		
Undesignated	25,663,682	22,337,185
Reserve for expansion operating costs	-	2,000,000
Total without donor restrictions	25,663,682	24,337,185
With donor restrictions	93,762,125	75,281,600
Total Net Assets	119,425,807	99,618,785
Total Liabilities and Net Assets	\$ 211,400,999	\$ 173,148,773

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating Revenues:				
Admissions	\$ 24,644,371	\$ -	\$ 24,644,371	\$ 19,015,277
Membership	1,998,902	-	1,998,902	1,494,474
Concessions	2,745,752	-	2,745,752	2,464,058
Contributions and grants	2,492,974	412,268	2,905,242	2,985,963
Special events, net of \$204,451 (2023 - \$177,833) of expenses	651,200	-	651,200	435,964
After hours events	127,299	-	127,299	166,677
Interest income	269,189	2,720	271,909	606,940
Other income	200,305	-	200,305	205,995
Restricted net assets released from restrictions	1,259,918	(1,259,918)	-	-
Total Operating Revenues	34,389,910	(844,930)	33,544,980	27,375,348
Operating Expenses:				
Program	26,394,149	-	26,394,149	22,810,992
Management and general	4,543,708	-	4,543,708	4,565,747
Fundraising	2,395,879	-	2,395,879	2,081,180
Total Operating Expenses	33,333,736	-	33,333,736	29,457,919
Change in Net Assets From Operating Activities				
Activities Before Reserve Transfer	1,056,174	(844,930)	211,244	(2,082,571)
Transfer from reserve for expansion operating costs	2,000,000	-	2,000,000	3,000,000
Change in Net Assets From Operating Activities	3,056,174	(844,930)	2,211,244	917,429
Nonoperating Activities:				
Contributions for facility expansion project	-	20,631,830	20,631,830	26,062,244
Restricted net assets released from restrictions	1,306,375	(1,306,375)	-	-
Facility expansion project expenses	(497,981)	-	(497,981)	(714,596)
Facility expansion fundraising expenses	(808,394)	-	(808,394)	(332,322)
Transfer from reserve for expansion operating costs	(2,000,000)	-	(2,000,000)	(3,000,000)
Nonoperating interest income	270,323	-	270,323	95,410
Change in Net Assets From Nonoperating Activities	(1,729,677)	19,325,455	17,595,778	22,110,736
Total Change in Net Assets	1,326,497	18,480,525	19,807,022	23,028,165
Net assets, beginning of year	24,337,185	75,281,600	99,618,785	76,590,620
Net Assets, End of Year	\$ 25,663,682	\$ 93,762,125	\$ 119,425,807	\$ 99,618,785

See accompanying notes.

SEATTLE AQUARIUM

Statement of Functional Expenses For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	Program	Management and General	Fundraising	2024 Total	2023 Total
Personnel related expenses	\$ 17,818,364	\$ 3,034,162	\$ 1,994,248	\$ 22,846,774	\$ 19,928,398
Office expense	1,867,537	492,588	391,216	2,751,341	2,705,791
Professional fees	1,459,964	568,629	574,861	2,603,454	1,982,666
Animal and operating costs	1,105,123	22,722	105,233	1,233,078	1,292,308
Depreciation and amortization	849,621	113,842	-	963,463	914,527
Bank fees	831,864	3,654	52,706	888,224	616,055
Equipment	775,926	38,279	2,620	816,825	812,273
Advertising	656,356	34,088	11,818	702,262	82,044
Computer expense	387,429	200,509	40,308	628,246	765,433
Taxes	530,553	-	-	530,553	402,218
Facility expense	227,834	8,951	946	237,731	309,098
Special events expenses	-	-	204,451	204,451	177,833
Gift shop payments to City	171,000	-	-	171,000	168,250
Travel	127,990	5,457	2,557	136,004	288,978
Meals and entertainment	47,687	19,851	6,855	74,393	112,150
Miscellaneous expense	9,558	976	20,905	31,439	12,105
Bad debt expense	25,324	-	-	25,324	112,543
Total expenses	26,892,130	4,543,708	3,408,724	34,844,562	30,682,670
Less special events expenses	-	-	(204,451)	(204,451)	(177,833)
Less facility expansion expenses	(497,981)	-	(808,394)	(1,306,375)	(1,046,918)
Total Operating Expenses	\$ 26,394,149	\$ 4,543,708	\$ 2,395,879	\$ 33,333,736	\$ 29,457,919

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 19,807,022	\$ 23,028,165
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	963,463	914,527
Change in assets and liabilities:		
Accounts receivable	388,043	(1,181,261)
Grants and contributions receivable	4,599,014	(4,968,309)
Prepaid expenses	(68,924)	(188,982)
Accounts payable	(67,154)	14,620
Right-of-use lease assets and lease liabilities, net	94,524	114,687
Deferred revenue	1,218,465	54,361
Accrued expenses	286,958	453,122
Net Cash Provided by Operating Activities	27,221,411	18,240,930
Cash Flows From Investing Activities:		
Purchases of property and equipment	(657,703)	(420,415)
Purchases of facility expansion project costs	(25,107,295)	(66,164,351)
Proceeds from sale of investments	187,525	1,067,491
Purchases of investments	(15,274)	(6,201)
Net Cash Used in Investing Activities	(25,592,747)	(65,523,476)
Cash Flows From Financing Activities:		
Proceeds from long-term debt	9,069,070	55,941,846
Repayment of long-term debt	(5,206,000)	-
Principal payments on finance leases	(42,584)	(44,276)
Payment of debt issuance costs for long-term debt	-	(814,494)
Proceeds from expansion financing	-	14,242,486
Repayment of expansion financing	-	(19,460,581)
Net Cash Provided by Financing Activities	3,820,486	49,864,981
Net Change in Cash, Cash Equivalents, and Restricted Cash	5,449,150	2,582,435
Cash, cash equivalents, and restricted cash balance, beginning of year	21,918,356	19,335,921
Cash, Cash Equivalents, and Restricted Cash Balance, End of Year	\$ 27,367,506	\$ 21,918,356
Supplementary Disclosure of Cash Flow Information:		
Facility expansion project costs in accounts payable, accrued expenses, and long-term construction payables	\$ 21,991,485	\$ 8,372,474

See accompanying notes.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 20,041,119	\$ 14,829,890
Cash restricted for long-term debt reserve fund	<u>7,326,387</u>	<u>7,088,466</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows	<u>\$ 27,367,506</u>	<u>\$ 21,918,356</u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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, 2024 and 2023. 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 right-of-use (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 - Material 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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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 \$701,064 and \$82,044 for the years ended December 31, 2024 and 2023, 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, 2023, from which the summarized information was derived.

Subsequent Events - The Aquarium evaluated its 2024 financial statements for subsequent events through May 29, 2025, which is the date the financial statements were available to be issued.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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, 2024 and 2023, the Aquarium has \$199,298 and \$1,313,773, respectively, in accounts receivable for reimbursements due from the City.

As part of the Agreement, the Aquarium is committed to pay approximately \$170,000 annually to the City from the Aquarium's café and gift shop commission revenue through 2025. Payments to the City during 2024 and 2023 for this obligation totaled \$171,000 and \$168,250, 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 6.

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. In 2023, these amounts were repaid in full with funding from the long-term debt described in Note 6.

The Aquarium began the Ocean Pavilion project in 2020 and construction was substantially completed in 2024. Expenditures for design and related costs of the facilities expansion are capitalized on the balance sheet and totaled \$161,813,939 and \$123,087,633 at December 31, 2024 and 2023, respectively.

Long-term construction payables on the balance sheet at December 31, 2024 represent amounts that are scheduled to be paid 2026 through 2029.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 3 - Continued

During the year ended December 31, 2021, the Board established a reserve for expansion operating costs totaling \$5 million. The reserve was utilized during the years ended December 31, 2024 and 2023, in the amounts of \$2 million and \$3 million, respectively. The reserve was utilized for costs associated with increased staffing necessary for the operations of both the animal care facility and the Ocean Pavilion.

Note 4 - Grants and Contributions Receivable

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

	Ocean Pavilion Project	Other Receivables	2024 Total	2023 Total
Receivables due in less than one year	\$ 2,497,197	\$ 305,611	\$ 2,802,808	\$ 4,411,989
Receivables due in one to five years	2,504,872	150,000	2,654,872	5,807,762
Total grants and contributions receivable	5,002,069	455,611	5,457,680	10,219,751
Less discount to present value of long-term receivables	(106,121)	-	(106,121)	(227,010)
Less allowance for uncollectible amounts	(757,043)	-	(757,043)	(799,211)
Less current portion	(1,740,154)	(305,611)	(2,045,765)	(3,612,778)
Long-Term Portion of Grants and Contributions Receivable	\$ 2,398,751	\$ 150,000	\$ 2,548,751	\$ 5,580,752

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, 2024, approximately 33% of the balance consisted of grants and contributions from two individuals. At December 31, 2023, approximately 22% of the balance consisted of grants and contributions from a government agency.

The Aquarium had conditional grants receivable of \$5.1 million and \$2 million as of December 31, 2024 and 2023, respectively, that are primarily for the support of the Ocean Pavilion project described in Note 3 and for general operating support. 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, 2024 (With Comparative Totals for 2023)

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2024	2023
Computer equipment	\$ 540,052	\$ 540,052
Point-of-sale equipment	72,190	72,190
Furniture, fixtures, and other equipment	2,582,597	1,924,894
Vehicles	264,330	264,330
Leasehold improvements	1,044,553	1,044,553
Animal care center	8,600,879	8,600,879
Exhibits and Aquarium improvements	2,886,653	2,886,653
	15,991,254	15,333,551
Less accumulated depreciation	(5,924,397)	(4,960,934)
Property and Equipment, Net	<u>\$ 10,066,857</u>	<u>\$ 10,372,617</u>

Note 6 - 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:

	2024	2023
Series 2023A bonds	\$ 59,804,916	\$ 53,235,846
Series 2023B bonds	-	2,706,000
Unamortized debt issuance costs	(814,494)	(814,494)
	58,990,422	55,127,352
Total long-term debt	58,990,422	55,127,352
Less current portion of long-term debt	(500,000)	-
Noncurrent Portion of Long-Term Debt	<u>\$ 58,490,422</u>	<u>\$ 55,127,352</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 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, 2024 (With Comparative Totals for 2023)

Note 6 - 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 accrued interest at a variable rate equal to the Daily SOFR, plus 3.85%. Quarterly payments of interest commenced in December 2023. Interest accrued on the bonds during the year ended December 31, 2024 totaled \$4,940,271 and was capitalized as part of the costs of the Ocean Pavilion project (Note 3). 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).

The Series 2023B bonds were repaid in full during the year ended December 31, 2024.

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, 2024 are as follows:

For the Year Ending December 31,

2025	\$ 500,000
2026	4,625,783
2027	4,625,783
2028	4,625,783
2029	4,625,783
Thereafter	<u>40,801,784</u>
Total principal	59,804,916
Less unamortized debt issuance costs	<u>(814,494)</u>
Total Long-Term Debt	<u>\$ 58,990,422</u>

Subsequent to year end, in March of 2025, in addition to the minimum principal payment of \$500,000, the Aquarium made payments of \$13,837,000, reducing loan balance to \$45,467,916.

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 2026, 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. The Aquarium was not in compliance with the financial ratios and certain other covenants during 2024. Subsequent to December 31, 2024, the Aquarium and the lender signed an amendment to the loan agreement that provided a waiver of the noncompliance.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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 August 2029. 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, 2024 and 2023:

	Finance	Operating	2024 Total
Current portion of lease liabilities	\$ 31,027	\$ 572,057	\$ 603,084
Noncurrent portion of lease liabilities	123,949	4,941,802	5,065,751
Total Lease Liabilities	\$ 154,976	\$ 5,513,859	\$ 5,668,835
Right-of-Use Lease Asset	\$ 154,064	\$ 4,807,029	\$ 4,961,093
	Finance	Operating	2023 Total
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	\$ 86,675	\$ 6,057,306	\$ 6,143,981
Right-of-Use Lease Asset	\$ 84,781	\$ 5,403,398	\$ 5,488,179

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 7 - Continued

Future minimum payments required under leases at December 31, 2024 were as follows:

For the Year Ending December 31,	Finance	Operating	Total
2025	\$ 36,168	\$ 671,864	\$ 708,032
2026	36,168	696,552	732,720
2027	36,168	721,660	757,828
2028	36,168	234,268	270,436
2029	24,112	245,123	269,235
Thereafter	-	3,804,832	3,804,832
Total undiscounted cash flows	168,784	6,374,299	6,543,083
Less present value discount	(13,808)	(860,440)	(874,248)
Total Lease Liabilities	\$ 154,976	\$ 5,513,859	\$ 5,668,835

The components of lease expense for the years ended December 31 were as follows:

	2024	2023
Finance lease cost-		
Amortization of right-of-use assets	\$ 40,494	\$ 44,140
Interest on lease liabilities	2,600	1,465
Operating lease cost	705,037	705,713
Variable, short-term and other lease cost	167,773	155,048
Total Leasing Expense	\$ 915,904	\$ 906,366

Supplemental cash flow information related to leases as of December 31 was as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from operating leases	\$ 652,113	\$ 632,901
Operating cash flows from financing leases	\$ 2,699	\$ 1,515
Financing cash flows from finance leases	\$ 39,885	\$ 44,276
Right-of-use asset obtained in exchange for new finance lease liability	\$ 165,069	\$ -
Weighted-average remaining lease term - operating leases	13.0 years	13.3 years
Weighted-average remaining lease term - finance lease	4.7 years	1.9 years
Weighted-average discount rate - operating leases	3.65%	1.90%
Weighted-average discount rate - finance lease	1.92%	1.37%

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 8 - 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 \$590,811 and \$542,433 to the plan for the years ended December 31, 2024 and 2023, respectively.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Purpose restrictions-		
Facility expansion project (Note 3)	\$ 92,645,550	\$ 73,320,095
Education	737,238	1,399,698
Conservation	158,948	219,048
Endowment	117,124	101,488
Other programs	25,361	53,699
Life sciences	17,904	18,560
Time restricted for future periods	<u>60,000</u>	<u>169,012</u>
Total Net Assets With Donor Restrictions	<u>\$ 93,762,125</u>	<u>\$ 75,281,600</u>

Note 10 - Concessions Agreements

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, and totaled \$910,402 for the year ended December 31, 2024. The agreement has an initial term that will expire on December 31, 2028, with one option to renew for an additional five year period.

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 for the year ended December 31, 2023. The agreement with Sodexo expired December 31, 2023.

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 \$1,390,231 and \$1,174,965 for the years ended December 31, 2024 and 2023, respectively, and are included in concessions on the statement of activities.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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. 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 as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and equivalents	\$ 20,041,119	\$ 14,829,890
Investments	276,493	448,744
Accounts receivable	1,647,211	2,035,254
Current portion of grants and contributions receivable	2,045,765	3,612,778
Adjustments for amounts not available for operations or not available within one year-		
Donor restrictions	(1,116,575)	(1,961,505)
Reserve for expansion operating costs	-	(2,000,000)
	<u> </u>	<u> </u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 22,894,013</u></u>	<u><u>\$ 16,965,161</u></u>