

SEATTLE AQUARIUM

Financial Statements

For the Year Ended December 31, 2020

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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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Aquarium's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
April 22, 2021

SEATTLE AQUARIUM

Balance Sheet
 December 31, 2020
 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 17,084,148	\$ 13,035,671
Accounts receivable	1,634,964	2,039,622
Current portion of grants and contributions receivable, net	2,361,662	3,081,224
Investments	520,656	1,266,375
Prepaid expenses	<u>235,955</u>	<u>393,437</u>
Total Current Assets	21,837,385	19,816,329
Long-term portion of grants and contributions receivable	3,384,949	4,485,760
Facility expansion project costs	10,370,886	4,374,828
Property and equipment, net	<u>1,856,871</u>	<u>2,087,238</u>
Total Assets	<u>\$ 37,450,091</u>	<u>\$ 30,764,155</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 2,376,557	\$ 954,015
Lease incentive	167,090	190,960
Deferred revenue from memberships	391,828	613,682
Accrued expenses	<u>1,036,718</u>	<u>1,859,437</u>
Total Current Liabilities	3,972,193	3,618,094
Net Assets:		
Without donor restrictions	5,913,662	7,023,108
With donor restrictions	<u>27,564,236</u>	<u>20,122,953</u>
Total Net Assets	<u>33,477,898</u>	<u>27,146,061</u>
Total Liabilities and Net Assets	<u>\$ 37,450,091</u>	<u>\$ 30,764,155</u>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating Revenues:				
Admissions	\$ 3,664,943	\$ -	\$ 3,664,943	\$ 13,771,682
Membership	813,355	-	813,355	1,360,435
Concessions	356,739	-	356,739	1,437,183
Contributions and grants	3,005,484	1,616,785	4,622,269	1,433,691
Paycheck Protection Program funding	1,739,155	-	1,739,155	-
Special events, net of \$172,745 (2019 - \$678,237) of expenses	711,085	-	711,085	728,271
Metropolitan Parks District funding	1,192,118	-	1,192,118	-
After hours events	29,405	-	29,405	150,560
Other income	72,880	-	72,880	190,517
Restricted net assets released from restrictions	1,899,322	(1,899,322)	-	-
Total Operating Revenues	13,484,486	(282,537)	13,201,949	19,072,339
Operating Expenses:				
Program	11,477,488	-	11,477,488	14,732,975
Management and general	2,123,856	-	2,123,856	2,573,698
Fundraising	992,588	-	992,588	1,419,252
Total Operating Expenses	14,593,932	-	14,593,932	18,725,925
Change in Net Assets From Operating Activities	(1,109,446)	(282,537)	(1,391,983)	346,414
Facility Expansion Project:				
Contributions	-	8,047,116	8,047,116	12,884,603
Restricted net assets released from restrictions	308,926	(308,926)	-	-
Loss on uncollectible pledges	14,370	(14,370)	-	-
Project expenses	(70,613)	-	(70,613)	(60,000)
Fundraising expenses	(252,683)	-	(252,683)	(252,683)
Net Facilities Expansion Project	-	7,723,820	7,723,820	12,571,920
Total Change in Net Assets	(1,109,446)	7,441,283	6,331,837	12,918,334
Net assets, beginning of year	7,023,108	20,122,953	27,146,061	14,227,727
Net Assets, End of Year	\$ 5,913,662	\$ 27,564,236	\$ 33,477,898	\$ 27,146,061

See accompanying notes.

SEATTLE AQUARIUM

Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Program	Management and General	Fundraising	2020 Total	2019 Total
Personnel related expenses	\$ 7,876,121	\$ 1,285,129	\$ 1,026,459	\$ 10,187,709	\$ 12,290,574
Office expense	1,220,797	424,833	41,001	1,686,631	2,294,404
Professional fees	594,435	211,249	136,862	942,546	877,997
Animal and operating costs	437,401	7,038	-	444,439	586,171
Computer expense	291,091	82,436	18,968	392,495	347,460
Advertising	283,527	14,811	-	298,338	570,326
Depreciation and amortization	239,931	57,183	-	297,114	308,899
Equipment	173,050	25,850	200	199,100	236,583
Bank fees	132,180	-	44,675	176,855	481,258
Gift shop payments to City	168,000	-	-	168,000	169,000
Facility expense	69,365	3,651	-	73,016	190,239
Travel	37,283	4,503	3,080	44,866	197,369
Meals and entertainment	13,174	3,992	489	17,655	79,388
Taxes	8,888	-	518	9,406	390,304
Miscellaneous expense	2,795	3,181	-	5,976	10,838
In-kind expense	18	-	433	451	7,798
Bad debt expense	45	-	(27,414)	(27,369)	-
Special events expenses	-	-	172,745	172,745	678,237
Total expenses	11,548,101	2,123,856	1,418,016	15,089,973	19,716,845
Less special events expenses	-	-	(172,745)	(172,745)	(678,237)
Less facility expansion expenses	(70,613)	-	(252,683)	(323,296)	(312,683)
Total Operating Expenses	\$ 11,477,488	\$ 2,123,856	\$ 992,588	\$ 14,593,932	\$ 18,725,925

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 6,331,837	\$ 12,918,334
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Loss on disposal of property and equipment	-	16,877
Depreciation and amortization	297,114	308,899
(Gains) losses on investments	10,342	325
Change in assets and liabilities:		
Accounts receivable	404,658	(1,360,305)
Grants and contributions receivable	1,820,373	(1,374,747)
Prepaid expenses	157,482	18,292
Accounts payable	(52,187)	(133,340)
Lease incentive liability	(23,870)	(23,870)
Deferred revenue	(221,854)	(45,605)
Accrued expenses	(822,719)	249,344
Net Cash Provided by Operating Activities	7,901,176	10,574,204
Cash Flows From Investing Activities:		
Purchases of property and equipment	(74,471)	(150,482)
Purchases of facility expansion project costs	(4,513,605)	(1,658,240)
Proceeds from sale of investments	2,538,594	-
Purchases of investments	(1,803,217)	(503,902)
Net Cash Used in Investing Activities	(3,852,699)	(2,312,624)
Net Change in Cash and Cash Equivalents	4,048,477	8,261,580
Cash and cash equivalents balance, beginning of year	13,035,671	4,774,091
Cash and Cash Equivalents Balance, End of Year	\$ 17,084,148	\$ 13,035,671
Supplementary Disclosure of Noncash Investing Activities:		
Facility expansion project costs in accounts payable	\$ 2,001,364	\$ 518,911
Property and equipment additions in accounts payable	\$ -	\$ 7,724

See accompanying notes.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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*.

Impacts of the COVID-19 Pandemic - In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions and wide-sweeping quarantines and stay-at-home orders. Due to the spread of COVID-19 and at the government's direction, the Aquarium closed to the public effective March 12, 2020 through June 29, 2020, and thereafter has experienced intermittent closures and re-openings while operating at limited capacity. As a result, the Aquarium has experienced negative impacts to its operating revenues. It is not clear when authorities will allow the Aquarium to operate at full capacity. Therefore, the full financial impact and duration of the COVID-19 pandemic cannot be reasonably estimated as of the date of issuance of these financial statements.

The Aquarium has raised increased operating contributions and has reduced expenses by implementing a combination of budget reductions, salary reductions, furloughs and layoffs. The Aquarium continues to monitor and access available relief funds for which it is eligible (Note 12).

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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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. Changes in the valuation allowance have not been material to the financial statements.

Investments - Investments consist of cash equivalents, certificates of deposits, and equity securities. Investments in certificates of deposit are reported at original cost plus accrued interest, which approximates fair value. Investments in equity securities have fair values based on unadjusted quoted market prices for identical instruments in active markets and are reported as level 1 in the fair value hierarchy.

Level 1 equity securities held as of December 31, 2019 totaled \$499,912. The Aquarium's policy is to sell all donated equity securities received as soon as practicable. As the equity security was received on December 31, 2019, this was not executed. The equity securities were subsequently sold on January 2, 2020. There were no equity securities held as of December 31, 2020.

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.

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 2020 and 2019 totaled \$44,634 and \$235,333, respectively, which was used for program activities, special fundraising events and other fundraising activities.

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

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

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Advertising - The Aquarium expenses advertising as incurred. Advertising and marketing expenses totaled \$298,338 and \$570,326 for the years ended December 31, 2020 and 2019, 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, 2019, from which the summarized information was derived.

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, 2020 were \$5,882,270 which includes certain capitalized costs and expenses incurred, fulfilling this commitment.

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 2020 and 2019 for this obligation totaled \$168,000 and \$169,000, respectively, and have been reported as program expenses in the statement of activities and changes in net assets.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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 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 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.

The Aquarium began the first phase of Ocean Pavilion construction during 2020 with in-ground site preparation, utilities and foundation work for the building. Expenditures for design and related costs of the facilities expansion are capitalized on the balance sheet and totaled \$10,370,886 and \$4,374,828 December 31, 2020 and 2019, respectively.

Note 4 - Grants and Contributions Receivable

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

	Facility Expansion Project	Other Receivables	2020 Total	2019 Total
Receivables due in less than one year	\$ 2,380,070	\$ 238,192	\$ 2,618,262	\$ 3,322,505
Receivables due in one to five years	<u>3,408,374</u>	<u>25,000</u>	<u>3,433,374</u>	<u>4,565,341</u>
Total grants and contributions receivable	5,788,444	263,192	6,051,636	7,887,846
Less discount to present value of long-term receivables	(48,425)		(48,425)	(79,581)
Less allowance for uncollectible amounts	(255,000)	(1,600)	(256,600)	(241,281)
Less current portion	<u>(2,125,070)</u>	<u>(236,592)</u>	<u>(2,361,662)</u>	<u>(3,081,224)</u>
Long-Term Portion of Grants and Contributions Receivable	<u>\$ 3,359,949</u>	<u>\$ 25,000</u>	<u>\$ 3,384,949</u>	<u>\$ 4,485,760</u>

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

At December 31, 2020 and 2019, approximately 37% and 41%, respectively, of the balance consisted of grants and contributions from three individual and foundation grantors.

The Aquarium had conditional grants receivable of \$2.485 million and \$4.4 million as of December 31, 2020 and 2019, respectively. Revenue for these conditional grants will be recognized in future periods when the conditions are met. Contributions receivable that contain stipulating conditions are not recognized in the accompanying statement of activities.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 540,052	\$ 530,653
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	1,331,723	1,331,723
Vehicles	181,596	156,720
Leasehold improvements	566,681	566,681
Exhibits and Aquarium improvements	<u>2,375,366</u>	<u>2,342,894</u>
	5,067,608	5,000,861
Less accumulated depreciation	<u>(3,210,737)</u>	<u>(2,913,623)</u>
Property and Equipment, Net	<u>\$ 1,856,871</u>	<u>\$ 2,087,238</u>

Note 6 - Line of Credit

The Aquarium has an unsecured line of credit with a bank in the amount of \$1,000,000. The line will be available to the Aquarium until July 31, 2021. Interest shall accrue on the unpaid outstanding principal balance of the credit at the prime rate set by the bank. As of December 31, 2020 and 2019, there were no draws on any line by the Aquarium.

Note 7 - 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 \$515,123 and \$525,696 for the years ended December 31, 2020 and 2019, 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 \$167,090 and \$190,960 as of December 31, 2020 and 2019, respectively.

Animal Care Center Lease - The Aquarium is obligated under a lease agreement for an animal care facility in Seattle, Washington which will commence on June 1, 2021 and expire on May 30, 2031.

Future minimum rental commitments under long-term leases are as follows:

For the Year Ending December 31,

2021	\$ 510,902
2022	615,168
2023	614,026
2024	632,171
2025	650,679
Thereafter	<u>2,237,731</u>
	<u>\$ 5,260,677</u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 8 - Employee Related Commitments

The Aquarium has established a defined contribution benefit plan under IRC Section 403(b) that covers all employees who are 21 years of age or older. Qualifying employees are immediately 100% vested in the salary reduction amounts. The plan provides for an employer match of employees' voluntary contributions subject to certain terms and conditions. Vesting of the employer match occurs over 4 years, at the rate of 25% per year. The Aquarium contributed a total of \$304,175 and \$338,462 to the plan for the years ended December 31, 2020 and 2019, respectively.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions-		
Education	\$ 1,398,036	\$ 786,780
Life sciences	61,200	88,115
Other programs	244,418	69,514
Conservation	216,787	15,000
Endowment	99,102	99,205
Facility expansion project	<u>25,544,693</u>	<u>19,064,339</u>
Total Net Assets With Donor Restrictions	<u>\$ 27,564,236</u>	<u>\$ 20,122,953</u>

Note 10 - 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 \$108,675 and \$591,255 for the years ended December 31, 2020 and 2019, respectively. This agreement was renewed in 2016 for an extended five-year term through November 2021. As part of the extension Sodexo 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.

In January 2021, a modification to this agreement was signed to extend the maturity date through September 30, 2022, and provide for reduced commissions due during a mutually-agreed upon time period representing the recovery phase from COVID-19 disruptions.

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 \$188,211 and \$814,928 for the years ended December 31, 2020 and 2019, respectively.

In May 2020, a modification to this agreement was signed that provided for reduced commissions during 2020 due to COVID-19 disruptions.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 11 - Liquidity and Availability of Financial Assets

The Aquarium's primary sources of liquidity are cash, investments, accounts receivable and the current portion of operating grants and contributions receivable. Adjustments are made to exclude any assets with restrictions, such as donor and/or purpose restrictions, that are not available for operations. In addition, the Aquarium maintains an unsecured revolving line of credit in the amount of \$1,000,000. See Note 6 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>2020</u>	<u>2019</u>
Cash and equivalents	\$ 17,084,148	\$ 13,035,671
Investments	520,656	1,266,375
Accounts receivable	1,634,964	2,039,622
Current portion of grants and contributions receivable	2,361,662	3,081,224
Adjustments for amounts not available for operations or not available within one year	<u>(13,808,401)</u>	<u>(11,262,365)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,793,029</u>	<u>\$ 8,160,527</u>

Note 12 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. The PPP is administered by the Small Business Administration (SBA). On April 15, 2020, the Aquarium obtained a loan under the PPP with a principal balance of \$1,739,155, an annual interest rate of 1% and a maturity date of April 15, 2022.

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The Aquarium follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the Aquarium recognizes revenue when the barriers to entitlement to loan forgiveness are met. Management of the Aquarium has determined that the barriers to entitlement consist of the incurrence of qualifying expenses and submission of a loan forgiveness application to the lender. Management has also determined that those barriers to entitlement were met prior to December 31, 2020 and so revenue in the amount of \$1,739,155 has been recognized in the 2020 statement of activities and no liability for the PPP loan is presented on the balance sheet as of December 31, 2020. Subsequent to December 31, 2020, on January 21, 2021, the PPP loan was forgiven in full by the lender and the SBA.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 13 - Subsequent Event

The Aquarium evaluated its 2020 financial statements for subsequent events through April 22, 2021, which is the date the financial statements were available to be issued.

In response to the ongoing COVID-19 pandemic, the U.S. Congress passed the Consolidated Appropriations Act, 2021, in December 2020. Included in this act was the Second Draw Program for Paycheck Protection Program loans. On February 9, 2021, the Aquarium obtained a second PPP loan under the Second Draw Program with a principal balance of approximately \$2,000,000 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning after the payment deferral period through maturity on February 9, 2026. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met.