

SEATTLE AQUARIUM

Financial Statements

For the Year Ended December 31, 2021

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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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 14, 2022

SEATTLE AQUARIUM

Balance Sheet

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 27,344,302	\$ 17,084,148
Accounts receivable	1,042,933	1,634,964
Current portion of grants and contributions receivable, net	2,107,635	2,361,662
Investments	521,775	520,656
Prepaid expenses	356,211	235,955
Total Current Assets	31,372,856	21,837,385
Long-term portion of grants and contributions receivable	3,156,466	3,384,949
Facility expansion project costs	26,092,118	10,370,886
Property and equipment, net	1,970,390	1,856,871
Total Assets	\$ 62,591,830	\$ 37,450,091
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,775,919	\$ 2,376,557
Lease incentive	519,886	167,090
Deferred revenue	661,276	391,828
Accrued expenses	1,815,957	1,036,718
Total Current Liabilities	6,773,038	3,972,193
Net Assets:		
Without donor restrictions-		
Undesignated	10,582,143	5,913,662
Reserve for expansion operating costs	5,000,000	-
Total without donor restrictions	15,582,143	5,913,662
With donor restrictions	40,236,649	27,564,236
Total Net Assets	55,818,792	33,477,898
Total Liabilities and Net Assets	\$ 62,591,830	\$ 37,450,091

See accompanying notes.

SEATTLE AQUARIUM

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating Revenues:				
Admissions	\$ 12,266,961	\$ -	\$ 12,266,961	\$ 3,664,943
Membership	1,017,321	-	1,017,321	813,355
Concessions	1,138,050	-	1,138,050	356,739
Contributions and grants	1,787,448	1,009,165	2,796,613	4,622,269
Federal COVID-19 relief funding	9,175,682	-	9,175,682	1,739,155
Special events, net of \$123,924 (2020 - \$172,745) of expenses	329,570	-	329,570	711,085
Metropolitan Parks District funding	-	-	-	1,192,118
After hours events	-	-	-	29,405
Other income	112,396	-	112,396	72,880
Restricted net assets released from restrictions	1,154,760	(1,154,760)	-	-
Total Operating Revenues	26,982,188	(145,595)	26,836,593	13,201,949
Operating Expenses:				
Program	13,390,889	-	13,390,889	11,477,488
Management and general	2,816,117	-	2,816,117	2,123,856
Fundraising	1,130,035	-	1,130,035	992,588
Total Operating Expenses	17,337,041	-	17,337,041	14,593,932
Change in Net Assets From Operating Activities	9,645,147	(145,595)	9,499,552	(1,391,983)
Facility Expansion Project:				
Contributions	-	13,442,581	13,442,581	8,047,116
Restricted net assets released from restrictions	624,573	(624,573)	-	-
Project expenses	(309,372)	-	(309,372)	(70,613)
Fundraising expenses	(291,867)	-	(291,867)	(252,683)
Net Facilities Expansion Project	23,334	12,818,008	12,841,342	7,723,820
Total Change in Net Assets	9,668,481	12,672,413	22,340,894	6,331,837
Net assets, beginning of year	5,913,662	27,564,236	33,477,898	27,146,061
Net Assets, End of Year	\$ 15,582,143	\$ 40,236,649	\$ 55,818,792	\$ 33,477,898

See accompanying notes.

SEATTLE AQUARIUM

Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Program	Management and General	Fundraising	2021 Total	2020 Total
Personnel related expenses	\$ 9,284,887	\$ 1,680,673	\$ 1,109,635	\$ 12,075,195	\$ 10,187,709
Office expense	1,320,007	491,119	72,644	1,883,770	1,686,631
Professional fees	729,010	355,615	164,054	1,248,679	942,546
Computer expense	433,182	179,588	19,681	632,451	392,495
Animal and operating costs	560,705	9,330	115	570,150	444,439
Bank fees	376,260	-	18,581	394,841	176,855
Depreciation and amortization	212,660	50,197	-	262,857	297,114
Equipment	223,615	32,134	-	255,749	199,100
Taxes	248,806	-	-	248,806	9,406
Gift shop payments to City	166,750	-	-	166,750	168,000
Advertising	70,702	3,635	-	74,337	298,338
Facility expense	30,705	1,616	-	32,321	73,016
In-kind expense	5,419	-	25,243	30,662	451
Travel	21,720	1,449	591	23,760	44,866
Miscellaneous expense	9,532	7,125	-	16,657	5,976
Meals and entertainment	6,676	3,656	858	11,190	17,655
Bad debt expense	(375)	(20)	10,500	10,105	(27,369)
Special events expenses	-	-	123,924	123,924	172,745
Total expenses	13,700,261	2,816,117	1,545,826	18,062,204	15,089,973
Less special events expenses	-	-	(123,924)	(123,924)	(172,745)
Less facility expansion expenses	(309,372)	-	(291,867)	(601,239)	(323,296)
Total Operating Expenses	\$ 13,390,889	\$ 2,816,117	\$ 1,130,035	\$ 17,337,041	\$ 14,593,932

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 22,340,894	\$ 6,331,837
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	262,857	297,114
Losses on investments	-	10,342
Change in assets and liabilities:		
Accounts receivable	592,031	404,658
Grants and contributions receivable	482,510	1,820,373
Prepaid expenses	(120,256)	157,482
Accounts payable	1,575,080	(52,187)
Lease incentive	352,796	(23,870)
Deferred revenue	269,448	(221,854)
Accrued expenses	779,239	(822,719)
Net Cash Provided by Operating Activities	26,534,599	7,901,176
Cash Flows From Investing Activities:		
Purchases of property and equipment	30,620	(74,471)
Purchases of facility expansion project costs	(16,303,946)	(4,513,605)
Proceeds from sale of investments	1,616,002	2,538,594
Purchases of investments	(1,617,121)	(1,803,217)
Net Cash Used in Investing Activities	(16,274,445)	(3,852,699)
Net Change in Cash and Cash Equivalents	10,260,154	4,048,477
Cash and cash equivalents balance, beginning of year	17,084,148	13,035,671
Cash and Cash Equivalents Balance, End of Year	\$ 27,344,302	\$ 17,084,148
Supplementary Disclosure of Noncash Investing Activities:		
Facility expansion project costs in accounts payable	\$ 1,418,650	\$ 2,001,364
Property and equipment additions in accounts payable	\$ 406,996	\$ -

See accompanying notes.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

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 again from November 17, 2020 through February 8, 2021. As a result, the Aquarium has experienced negative impacts to its operating revenues. 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.

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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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. The Aquarium's policy is to sell all donated equity 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 \$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 2021 and 2020 totaled \$30,912 and \$44,634, 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.

Advertising - The Aquarium expenses advertising as incurred. Advertising and marketing expenses totaled \$74,337 and \$298,338 for the years ended December 31, 2021 and 2020, 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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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, 2020, from which the summarized information was derived.

Subsequent Events - The Aquarium evaluated its 2021 financial statements for subsequent events through April 14, 2022, which is the date the financial statements were available to be issued.

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. This obligation was fully met in 2020.

As part of the Agreement, the Aquarium is committed to pay approximately \$180,000 annually to the City from the Aquarium's café and gift shop commission revenue through 2025. Payments to the City during 2021 and 2020 for this obligation totaled \$166,750 and \$168,000, 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, 2021 (With Comparative Totals for 2020)

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.

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 \$26,092,118 and \$10,370,886 at December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, the Board established a reserve for expansion operating costs totaling \$5 million. This reserve is anticipated to be utilized between 2022 and 2024 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:

	Facility Expansion Project	Other Receivables	2021 Total	2020 Total
Receivables due in less than one year	\$ 2,245,173	\$ 227,462	\$ 2,472,635	\$ 2,618,262
Receivables due in one to five years	<u>3,129,952</u>	<u>66,200</u>	<u>3,196,152</u>	<u>3,433,374</u>
Total grants and contributions receivable	5,375,125	293,662	5,668,787	6,051,636
Less discount to present value of long-term receivables	(39,031)	(655)	(39,686)	(48,425)
Less allowance for uncollectible amounts	(355,000)	(10,000)	(365,000)	(256,600)
Less current portion	<u>(1,890,173)</u>	<u>(217,462)</u>	<u>(2,107,635)</u>	<u>(2,361,662)</u>
Long-Term Portion of Grants and Contributions Receivable	<u>\$ 3,090,921</u>	<u>\$ 65,545</u>	<u>\$ 3,156,466</u>	<u>\$ 3,384,949</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, 2021, approximately 29% of the balance consisted of grants and contributions from two individuals. At December 31, 2020, approximately 37% of the balance consisted of grants and contributions from three individuals.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

The Aquarium had conditional grants receivable of \$3.96 million and \$2.49 million as of December 31, 2021 and 2020, 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.

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 540,052	\$ 540,052
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	1,480,308	1,331,723
Vehicles	209,093	181,596
Leasehold improvements	566,681	566,681
Exhibits and Aquarium improvements	<u>2,575,661</u>	<u>2,375,366</u>
	5,443,985	5,067,608
Less accumulated depreciation	<u>(3,473,595)</u>	<u>(3,210,737)</u>
Property and Equipment, Net	<u>\$ 1,970,390</u>	<u>\$ 1,856,871</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, 2022. Interest shall accrue on the unpaid outstanding principal balance of the credit at the prime rate set by the bank. As of December 31, 2021 and 2020, there were no draws on the 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.

Animal Care Center Lease - On June 1, 2021, the Aquarium commenced a lease agreement for its animal care facility in Seattle, Washington, which expires on May 30, 2031.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 7 - Continued

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

For the Year Ending December 31,

2022	\$	615,168
2023		614,026
2024		632,171
2025		650,679
2026		675,030
Thereafter		<u>1,562,701</u>
	\$	<u><u>4,749,775</u></u>

Total rental expense was \$657,063 and \$515,123 for the years ended December 31, 2021 and 2020, respectively, which includes base monthly rents plus common area maintenance charges. The office space and animal care facility leases provided incentives to the Aquarium. Those incentives are amortized to expense over the terms of the respective leases. The unamortized balances are reported on the balance sheet and totaled \$519,886 and \$167,090 at December 31, 2021 and 2020, respectively.

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 \$180,579 and \$304,175 to the plan for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions-		
Education	\$ 1,506,822	\$ 1,398,036
Life sciences	60,653	61,200
Other programs	64,546	244,418
Conservation	142,958	216,787
Endowment	98,969	99,102
Facility expansion project	<u>38,362,701</u>	<u>25,544,693</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 40,236,649</u></u>	<u><u>\$ 27,564,236</u></u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

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 \$162,977 and \$108,675 for the years ended December 31, 2021 and 2020, respectively. This agreement was renewed in 2016 for an extended five-year term through November 2021. 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 \$763,148 and \$188,211 for the years ended December 31, 2021 and 2020, respectively.

Note 11 - Liquidity and Availability of Financial Assets

The Aquarium's primary sources of liquidity are cash, investments, accounts receivable and the current portion of operating grants and contributions receivable. Adjustments are made to exclude any assets with restrictions, such as donor and/or purpose restrictions, that are not available for operations. In addition, the Aquarium maintains an unsecured revolving line of credit in the amount of \$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>2021</u>	<u>2020</u>
Cash and equivalents	\$ 27,344,302	\$ 17,084,148
Investments	521,775	520,656
Accounts receivable	1,042,933	1,634,964
Current portion of grants and contributions receivable	2,107,635	2,361,662
Adjustments for amounts not available for operations or not available within one year-		
Donor restrictions	(10,988,065)	(13,808,401)
Reserve for expansion operating costs	(5,000,000)	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 15,028,580</u>	<u>\$ 7,793,029</u>

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 12 - Federal COVID-19 Relief Funding

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

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program loan forgiveness	\$ 2,000,000	\$ 1,739,155
Shuttered Venue Operators Grant	5,499,308	-
Employee Retention Tax Credits	<u>1,676,374</u>	<u>-</u>
Total Federal COVID-Relief Funding	<u>\$ 9,175,682</u>	<u>\$ 1,739,155</u>

Paycheck Protection Program - 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 and an annual interest rate of 1%. Subject to the terms and conditions of the loan, the Aquarium received forgiveness of the loan from the SBA on January 21, 2021.

In December 2020, the U.S. Congress passed the Consolidated Appropriations Act, 2021. Included in this act was the Second Draw Program for Paycheck Protection Program loans. On February 9, 2021, the Aquarium obtained a second PPP loan under the Second Draw Program with a principal balance of \$2,000,000 and an annual interest rate of 1%. Subject to the terms and conditions of the loan, the Aquarium received forgiveness of the loan from the SBA on February 9, 2022.

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

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

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

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