



SEATTLE AQUARIUM

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Seattle, Washington 98101-2015

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SeattleAquarium.org

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July 18, 2013

Honorable Sally Bagshaw
Chair, Parks and Neighborhoods Committee
Seattle City Council, City Hall
600 Fourth Avenue
Seattle, WA 98104

RE: Seattle Aquarium Results for 2012 and significant future activities

Dear Councilmember Bagshaw:

I am pleased to be invited, along with Parks Acting Superintendent Christopher Williams, to brief the City Council Parks and Neighborhoods Committee about our 2012 program and financial results. In the *Operations and Management Agreement* negotiated between the City and nonprofit Seattle Aquarium Society, we laid out a series of planning and reporting obligations. Section 16 of the Agreement calls for us to provide a briefing to the City Council on/before July 1 of each year on our Annual Report for the preceding fiscal year. I am enclosing two reports: "Seattle Aquarium Annual Report 2012", and "Seattle Aquarium Financial Statements for the year ended December 31, 2012".

The first three years of the nonprofit agency's operation and management of the Seattle Aquarium have gone smoothly. We finished 2012 as the ninth largest aquarium in the country with 831,776 visitors. Thousands came to see Sekiu, our baby sea otter, born in January, 2012. This birth underlined the fact that the Seattle Aquarium has been a leader in sea otter conservation from its earliest days when we rehabilitated Sekiu's grandmother after her rescue from the Valdez oil spill.

To further deepen our guests' connection with marine mammals, we launched a \$6.5 million capital project to replace structurally unsound components of Pier 60 and to build a wonderful new harbor seal exhibit (which opened on June 1, 2013). This was jointly funded through private fundraising and Parks CIP funds. We would welcome you and all the Councilmembers to view the exhibit and our charismatic harbor seals which are barometers of the health of *Puget Sound*.

In 2012 we reached our millionth hour of volunteer service given by tens of thousands of volunteers. Volunteer hours are just one expression of our donors' passion for our Mission, for the marine environment we champion and for the young people whose curiosity and commitment to the future of the oceans we inspire.

Again this year, we have chosen to direct our primary outreach efforts to those least able to afford the Aquarium by joining with the City of Seattle and human service organizations in the King, Pierce and Snohomish County areas to broaden access to the Aquarium by offering their users over 30,000 complimentary tickets each year.

*Executive Committee
**Ex-Officio

We have strengthened our Community Ticket program by leveraging the connections of our seven partner service agencies (and 124 social service agencies) to increase the number of low income families who can visit the Aquarium. In 2012 we increased our community outreach admissions by 22%.

A highlight of the year was the adoption by the City Council (and concurred in by the Mayor) of an exciting new Waterfront Strategic Plan. Then last November, the Seattle voters passed the bond issue to replace the seawall by a previously-unheard of 77%, signaling their interest in building the first stage in a revitalized new Waterfront. The Aquarium is considered to be a key component of that new Waterfront, and so we have begun our expansion planning for the Aquarium's future growth and development that could double our physical size, increase attendance from 800,000 to as many as 1.2 – 1.5 million visitors per year, and realize our vision to become a true regional landmark and world-class aquarium. We expect to complete the initial expansion design, funded jointly by the City and the Aquarium, in 2014 and bring it to City Council for consideration later next year.

There is another exciting development that we are eagerly following and hope to be an integral part of: the *Parks Legacy Plan* that Christopher Williams' Parks and Recreation Department, with the help of a Citizens Advisory Committee, is developing. Based on many meetings at which passionate citizens affirmed their support for a sustainable parks and recreation system, the second draft of the Plan has been written and released in June, and the Committee is in the process of looking at a variety of funding options with the goal of developing a new source of funding to realize the recommendations of the Plan. As a key partner in the parks system (and, in fact, under City ownership), the Aquarium has proposed furthering the Aquarium's environmental education program by better connecting Seattle's underrepresented communities to our marine natural resources, and continuing the major maintenance funding that has historically been available to the Aquarium. We hope that the Mayor and City Council will include our programs in the Parks Legacy ballot measure in 2014.

As you know, the first phase of the very important Seawall reconstruction work begins this fall directly in front of the Aquarium. Nearly 92% of our annual revenues come via in-person daily visits and evening events which fund the basic operations of the Aquarium as well as the vital educational work we do to achieve our Mission, *Inspiring conservation of our marine environment*. So a significant decline in visitors due to real or perceived disruption in being able to find nearby parking and being able to access the Aquarium could negatively impact us. When we negotiated our Operations and Management Agreement with the City in 2009, the Aquarium Society accepted the challenge of managing the Aquarium without an ordinary operating subsidy, on the condition that this would be reviewed for extraordinary circumstances such as the Seawall/waterfront construction as the impacts became clear. As the owner, the City retains major maintenance and capital investment responsibilities for the Aquarium.

Clearly we do not want to close the Aquarium during construction, as many of our retail business neighbors to the south have chosen to do. However, depending on the impact of construction on our daily visitors, we may have to ask the City for assistance to maintain services to the public and protect our animal collection. We have already begun those conversations. The monetary impacts on the Aquarium over the three-year life of the Seawall construction project are estimated between \$1.5 and \$3.4 million.

I look forward to discussing our program and financial results with the Committee in the context of our Mission and our central role on the City's new Waterfront.

Sincerely,



Robert W. Davidson
President and Chief Executive Officer

Enclosures: *Seattle Aquarium Annual Report 2012*
Seattle Aquarium Financial Statements for the year ended December 31, 2012

cc: Councilmember Jean Godden, Vice-Chair Parks and Neighborhoods
Committee
Councilmember Tom Rasmussen, Member, Parks and Neighborhoods
Committee
Councilmember Richard Conlin, Alternate, Parks and Neighborhoods
Committee
Christopher Williams, Acting Superintendent, Seattle Parks and Recreation
Kevin Stoops, Director, Finance and Administrative Services, Seattle Parks and
Recreation
James C. Gurke, Chair, Seattle Aquarium Board of Directors
J. Terry McLaughlin, Immediate Past chair, Seattle Aquarium Board of Directors
Randy J. Tinseth, Chair Elect, Seattle Aquarium Board of Directors
Will Einstein, Chair, Seattle Aquarium Board of Director Public Partnerships
Committee



**Seattle Aquarium
Annual Report**

2012

Leadership Directory

As of December 31, 2012

Seattle Aquarium Administration

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C.J. Casson, *Director of Life Sciences*

Ryan Dean, *Director of Finance & Administration*

Tim Kuniholm, *Director of Public Affairs*

Alan Maxey, *Director of Facilities & Operations*

Lori Montoya, *Director of Development*

Marsha Savery, *Director of Marketing, Membership & Guest Impression*

Veronica Smolen, *Director of Human Resources*

Jim Wharton, *Director of Conservation & Education*

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The Professional Basketball Club, LLC

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Dan M. Guy III, *retired*

Chair Elect

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Gini Beck, *Community Volunteer*

Dianne L. Bell, *Verizon Business*

Lesley Canfield, *Community Volunteer*

Bob Donegan, *Ivar's*

William T. Einstein, *Puget Sound Energy, Inc.*

J. Brian Hill, *Sound Leasing Corporation*

Stephanie Kornblum, *retired, Microsoft*

Robert W. Power, *SEA CON LLC*

Randy J. Tinseth, *The Boeing Company*

Inspiring Conservation of Our Marine Environment

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Karen Gates Hildt, *Hildt & Reid, Inc. PS*

Neal Holland, *Union Bank*

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Katherine A. Kroglund, *University of Washington, School of Oceanography*

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Lisa C. Luther, *Nordstrom*

Greg Massey, *Seattle Mariners*

Steve Moore, *Contour, Inc.*

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Amy Sprangers, *Seattle Seahawks & Sounders FC*

Linda Springmann, *Holland America Line*

Eric V. Steinwinder, *Avanade, Inc.*

Scott C. Trethewey, *Callisons, Inc.*

Christopher Williams, *Seattle Parks & Recreation*

* *Ex-Officio*

The Seattle Aquarium is a 501(c)(3) nonprofit institution owned by the City of Seattle. Donations to the Seattle Aquarium are tax deductible under the Internal Revenue Code. Donations can be made by calling (206) 838-3907 or visiting SeattleAquarium.org.

Dear Friend of the Seattle Aquarium,

As a supporter of the Seattle Aquarium, your investment had a real impact in 2012. We finished the year as the ninth largest aquarium in the country with 831,776 visitors. Thousands came to see Sekiu, our baby sea otter, born in January while dozens of staff and volunteers provided her with excellent care. The Aquarium has been a leader in sea otter conservation from its earliest days when we rehabilitated Sekiu's grandmother, Lootas, after her rescue from the Valdez oil spill.

To further deepen our guests' connection with marine mammals, this year we launched a 6.5 million dollar capital campaign to build a wonderful new harbor seal exhibit. The new home for Barney and his pool-mates will open in June. Please plan on a summer visit to see the exhibit and our charismatic harbor seals.

The community endorsed the Aquarium's role through other avenues as well this year. Seattle voters gave 77 percent support to a bond issue to replace the seawall. The City adopted a new Waterfront Strategic Plan and authorized new master planning and design for expansion of the Aquarium. In addition, generous donations from individuals, foundations and corporations supported the full range of Aquarium school and visitor programs. Each paves the way for the Aquarium to be the centerpiece of a *Waterfront for All*, fully connected to the city and ready to meet the needs of a growing population. Our expansion planning will continue in 2013/14, leading to a design for public and private consideration in 2015/16. Watch for your invitation to join the planning effort later this year.

Finally, it was a humbling and inspiring moment when we reached our millionth hour of volunteer service given by tens of thousands of volunteers. Volunteer hours are just one expression of our donors' passion for our mission, for the marine environment we champion and for the young people whose curiosity and commitment to the future of the oceans we inspire.

None of this would be possible without advocates like you. On behalf of the board of directors, staff and volunteers we offer you our deep appreciation for supporting the Seattle Aquarium and its mission, *Inspiring Conservation of Our Marine Environment*.

Sincerely,

J. Terry McLaughlin
Chairman, Board of Directors

Robert W. Davidson
President & CEO





Seattle Aquarium Biologist Sara Perry



“Our birds can weigh themselves!”

Most birds at the Seattle Aquarium fall into one of two categories: they were born in a zoo or aquarium; or they were rescued, rehabilitated and deemed non-releasable. That’s a fact that Biologist Sara Perry takes pride in sharing with our visitors. “I love that all of the birds, just like the rest of the animals at the Aquarium, are part of a bigger picture,” she says. “It sends a strong conservation message, and that’s what we’re all about.”

Feeding and training our birds while engaging with the public is just one element, albeit a very important and rewarding one, of Sara’s busy day. Like the other Aquarium biologists, she also preps food, cleans exhibits, monitors the health of the animals in her care and (in the few moments she has to sit at a computer) writes records, creates reports, and provides information for publications such as this. Sara has an added responsibility as well: she’s the Association of Zoos and Aquariums’ (AZA’s) national

studbook and species survival plan coordinator for tufted puffins, horned puffins and common murres. “I want to be *the* alcid person,” she says, referring to the family of birds that includes auks, murres and puffins. “I’d like to have the organizations that are working with these species to look at me as the go-to person one day.”

Sara’s initial project was training our birds to step onto a scale to be weighed. With training, the birds learned to voluntarily participate in their own health care, allowing biologists to weigh them more frequently. Her latest project has been continuing to train our alcids to be fed by hand, in addition to the scatter feeding method that shows off the birds’ diving abilities. “Scatter feeding provides an opportunity for the birds to dive and forage in the water, while hand feeding ensures that every individual animal gets what it needs,” she says. In an echo of her earlier project, Sara’s also working on training the alcids to step onto

a scale during feeding. “All of this training allows us to take excellent care of the birds,” she notes.

Generous donor support funds our Biologist Intern Program

Sara’s success with our birds started in 2008, when she came to the Seattle Aquarium as an intern—and one of the very first participants in the fledgling program, which completed its fifth year in 2012. After completing her internship, Sara became a Seattle Aquarium volunteer and, in stepping-stone fashion, applied and was hired for a succession of positions before joining us full time as a biologist in 2012.



Our own coral “farmer”

“With proper husbandry, there’s really no need to collect coral from the wild,” says Biologist Andy Sim. “Propagation is the best way to ensure we have the diversity and numbers of corals we need for our exhibits.”

Behind the scenes on Pier 59 are tanks filled with a vibrant collection of corals, ranging in size from less than an inch to six inches or more. The specimens are nurtured here until they’re large enough to go on exhibit—or to be shared with another facility. “Our propagation

efforts have been so successful that we share our surplus with facilities around the country, reducing their need to source from the wild,” says Andy.



Seattle Aquarium Biologist Andy Sim

The Aquarium doesn’t source any of its corals from the wild. “Our goal is to create more complicated exhibits, more of a complete snapshot of what you’d see in the wild, without impacting wild coral populations,” says Andy. “Our propagation program is a big contributor to achieving that goal.”



Dwarf cuttlefish breeding program a continuing success

As of the end of 2012, we were on our third generation of captive-bred animals and had produced enough to complete a breeding exchange with Mote Aquarium as well as send surplus to two other AZA institutions.

Harbor seal exhibit construction underway—to open June 1



Imagine, hundreds of school children gathering around the exhibit as they connect nose to nose with Barney through a few inches of acrylic. They learn what seals eat, how they play, and how changes in the ocean can make it harder for harbor seals to find food. The children ask what they can do to help, and learn about simple actions their families can take to make a difference.

Fundraising update: Harbor Seal Capital Project

As of December 31, we had raised over 70% of our \$6.5 million fundraising goal, including \$3.5 million in City funds for piling replacement. Our sincere thanks go out to the donors who have already contributed to the creation of a new home for our harbor seals. For more information and to make a contribution online, visit SeattleAquarium.org/seals.



Harbor seal donor list As of December 31, 2012

\$3,500,000

City of Seattle

\$250,000

Linda & Ted Johnson
M.J. Murdock Charitable Trust

\$100,000-\$249,000

The Ginger and Barry Ackerley Foundation
C. Keith Birkenfeld Memorial Trust
The Norcliffe Foundation

\$50,000-\$99,999

D.V. and Ida J. McEachern Charitable Trust
Carol-Ann O'Mack & John Deininger

\$25,000 - \$49,999

Dan M. Guy III & Wendy Ershig-Guy
John C. & Karyl Kay Hughes Foundation
Jones Family Foundation
Ana Bella Kipman and parents
Aaron & Stephanie Kornblum
Steven & Angie Moore
Stuart & Lee Rolfe
Scott & Sara Trethewey

\$10,000 - \$24,999

Anonymous
Harrell & Gini Beck
John C. Blackman
Robert & Sara Blair
T. Bradford & Lesley Canfield
James & Christina Gurke
Neal & Danielle Holland
Microsoft Matching Gifts Program
Nordstrom
Satterberg Foundation
Randy & Ellen Tinseth
Bill & Sue Vitoe

\$5,000 - \$9,999

Don & Carol Audleman
Mary L. Bass
Dianne L. Bell
Kevin & Katy Blair
The Boeing Company
John Braden & Kristin Johnsen
Robert & Molly Davidson
Craig Davison & Glenn Maarse
Bob & Lisa Donegan
Susan Gates & Jack Paauw
Holland America Line, Inc.
Mark & Kimberly Kramer
Katherine A. Krogslund
Lisa & Ron Luther
Greg Massey & Omid Ighani
J. Terry & Kathleen McLaughlin
Jeff & Phyllis Nomura
Greg & Barbara Owens
Sharon Philpott & Stephen Finn
Robert Power & Michelle Raymond
Douglas & Theiline Scheumann
Seattle Seahawks
Seattle Sounders FC
Gary & Ann Smith
Todd & Amy Sprangers
TEW Foundation
Union Bank
George & Colleen Willoughby
Martha Wyckoff & Jerry Tone
Paul Wyckoff

\$1,000 - \$4,999

Jan Forbes Bender & Robert Bender
William & Brooke Einstein
Jose & Carmen Esparza
J. Brian Hill
James & Leslie Kerr
Erin & Tyler Letey
Puget Sound Energy, Inc.
Frank & Linda Springmann
Seattle Mariners
Gary Smith & Karen Smith Ekblad
Verizon Foundation

Marine Mammal Monitoring

Marine Mammal Monitoring



Work on our new harbor seal exhibit began in late 2012, when the decayed wood pilings on our finger pier were replaced with steel-wrapped cement pilings. During the pile-driving phase of the project, the Aquarium was required to monitor the waters around the construction zone for the presence of marine mammals protected by the Endangered Species Act. If sighted, pile driving would cease until the animals moved out of the area.

The Seattle Aquarium took an innovative approach to the monitoring requirement,

responding with a new volunteer program called Marine Mammal Monitoring. We recruited and trained more than 100 volunteers to serve four-hour shifts at five sites around Puget Sound, engaging many citizens in our mission while protecting marine mammals. Using equipment provided by the Aquarium, volunteers scanned the Sound for the presence of marine mammals, recorded their findings and immediately reported



sightings of species protected by the Endangered Species Act to the Aquarium. "Our volunteers were incredible," says Dave Glenn, staff supervisor of the Marine Mammal Monitoring program. "The fact that they were willing to stand on the beach for hours at a time, often in the cold and wet, says a lot about their commitment."

Our dedicated Marine Mammal Monitoring volunteers conducted more than 1,600 scans of Puget Sound; nearly half the scans included a marine mammal sighting. Construction was halted four times due to sightings of orca whales and Steller sea lions, which are protected by the Endangered Species Act.

California sea lions were the most frequently seen marine mammal; second were harbor seals, the animals for which the new exhibit

is being constructed. Many of the harbor seal sightings took place at the Aquarium's Pier 59. Dave Glenn is pleased by that. "We're creating the new exhibit to inspire conservation of harbor seals in the wild," he comments, "And seeing them off the end of our pier was a great reminder of why we care for them so much."

Photo taken through a spotting scope



Seattle Aquarium education and conservation highlights

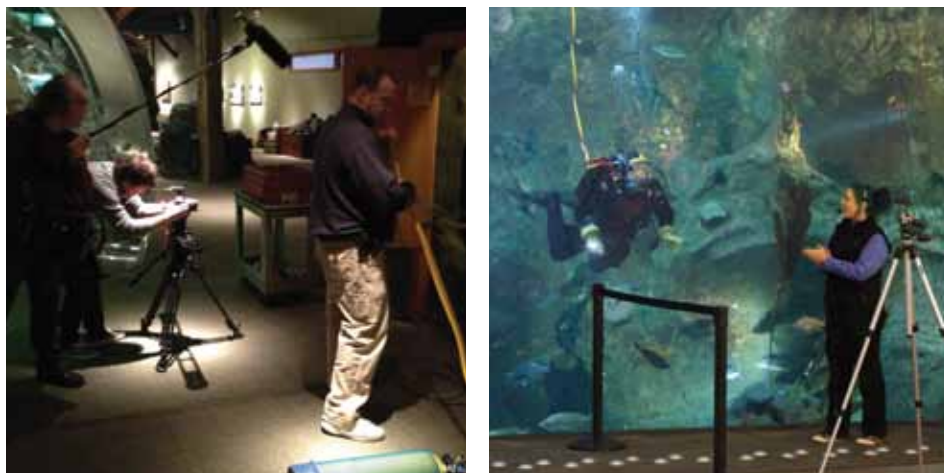
- Served 40,000 students, a five percent increase from 2011.
- Increased our Marine Summer Camp offerings by 50 percent.
- Engaged in 37,566 conversations with beach-goers, providing vital information about our marine environment and how to care for it via our Beach Naturalist program.
- Hosted tribal school students from Chief Leschi School and the Squaxin Island Tribe for an overnight experience.
- Attracted 6,279 visitors on eight weekend days at five sites along the Cedar River through the Cedar River Salmon Journey program. Seattle Aquarium volunteers joined Friends of the Cedar River Watershed and Seattle Public Utilities to share insights about the river habitat and sockeye salmon run.
- Conducted Family Night programming for 900 participants from underserved and underrepresented families in cooperation with the Environmental Science Center.



Taking our Aquarium cross-country

Students in Georgia, Illinois and Texas “virtually” joined us for an interactive underwater exploration of food webs in our Window on Washington Waters exhibit via an exciting pilot program with Google+. Using the “Hangout” platform, the students were able to enjoy an interactive experience, live from the Aquarium. They were excited to ask questions about the exhibit and marine ecosystem, and also got an answer to the perennially popular question: “How many fish are in there?” Answer: About 800. This virtual field trip allowed us to make contact with an audience that may not ever have the chance to visit Puget Sound. Instead, we brought Puget Sound to them.

“Hangout” offers an innovative way to fulfill our mission—allowing our staff divers and biologists to create an emotional connection with a remote audience while increasing awareness of marine conservation issues and using compelling examples to illustrate big ideas. The experiment was deemed a success and another virtual field trip was produced in our octopus exhibit; more are in the works for 2013.



Local seals are sentinels of the Sound’s health

Curator of Mammals and Birds Traci Belting is a key member of the dedicated team of marine biologists and volunteers who partner with the Washington Department of Fish and Wildlife and the National Oceanic



and Atmospheric Administration’s (NOAA’s) National Marine Fisheries Service to conduct an annual survey to weigh, measure, tag and release harbor seals on Gertrude Island, a large harbor seal haul-out area in south Puget Sound.

Because they don’t migrate, harbor seals are looked at as sentinels of the Sound. Toxins accumulate in their blubber, and the level of pollution found in the seals provides a sense of the level of pollution in the Sound overall. The assessments usually take place in the fall, after pups have been weaned. The animals are collected, examined and returned to the water quickly—sometimes in as little as 15 minutes.

Special thank you to our education and research program supporters:

- Amgen
- The Boeing Company
- Foley/Frischkorn Wildlife and Conservation Fund
- John C. & Karyl Kay Hughes Foundation
- Islands Fund
- King Conservation District
- NOAA
- The Russell Family Foundation
- State Farm Insurance Companies
- Tulalip Charitable Fund
- Wells Fargo Foundation
- Wiancko Charitable Foundation
- WRIA 8 & 9
- The Peg & Rick Young Foundation



Seattle Aquarium research highlights

- Hosted Rockfish Conservation Working Group meetings.
- Completed the eighth year of our Washington rockfish surveys.
- Participated in the Washington State sea otter census for the twelfth year in a row.
- Continued development and testing of giant Pacific octopus genetic markers.
- Continued processing of sea otter tissue samples for genetic analysis for the U.S. Geological Survey (USGS) “Coastal ecosystem responses to influences from land and sea” project, under the direction of Jim Bodkin and Tim Tinker, both of the USGS.
- Continued to monitor fecal hormones in sea otters on the contraceptive deslorelin.

Aquarium hosts Governor Christine Gregoire's blue-ribbon panel on ocean acidification



In November the Aquarium had the honor of hosting the governor's panel on ocean acidification as they presented their final recommendations as part of the Washington Shellfish Initiative. Speakers included William Ruckelshaus, panel co-chair and former administrator of the Environmental Protection Agency; Jay Manning, panel co-chair and Governor Gregoire's former chief of staff; Congressman Norm Dicks; Dr. Jane Lubchenco, NOAA administrator; and the governor herself.

The panel, the first of its kind in the nation, developed a report listing 42 separate recommendations for addressing the issue of ocean acidification in Northwest waters. After the co-chairs presented their recommendations, Governor Gregoire signed an executive order urging the state to accept them. She also announced that she would allocate \$3.3 million dollars in her final budget to assist with some of the panel's recommendations.

NOAA ocean acidification partnership

In 2012 the Seattle Aquarium and NOAA created a partnership that allows Dr. Richard Feely, senior scientist at NOAA's Pacific Marine Environmental Laboratory, to field test ocean acidification instrumentation on Pier 59. Researchers from the University of Washington and Oregon Climate Change Research Institute at Oregon State University participated as well. With field testing complete, the equipment will be installed at various sites throughout the Pacific Ocean, providing important data related to this urgent environmental issue.

Inspiring marine conservation for each visitor

Every contact our staff and volunteers make with our visitors is an opportunity to share our mission. The Aquarium achieved an increase in attendance in 2012 through a variety of initiatives including new events, such as Shark Week and Mother's Day, that added to our overall 130 days of daytime promotional activities. Our facility was also kept busy after hours, with 140 third-party evening events, an eleven percent increase over 2011.

Web and social media offered another strong opportunity for us to reach our target audiences: 2012 saw a 33 percent increase in unique visitors to our website; a 117 percent increase in followers on Facebook; a 56 percent increase on Twitter; and a 99 percent increase on YouTube. Pinterest and Google+ were also added to our social media marketing mix.



The first steps in the transformation of our waterfront

2012: seawall measure approved

In November, after a campaign with extensive support from the Aquarium, Seattle voters overwhelmingly approved Proposition 1, the \$290 million bond measure to rebuild the deteriorated seawall that runs along the city's central waterfront. This was great news not only for the Seattle Aquarium but for the City of Seattle and the entire Puget Sound region as well.

The seawall holds back the waters of Elliott Bay while supporting the sidewalk outside the Aquarium's front door, the routes that bring us our visitors and deliveries, and the major utilities that we rely on 24 hours a day. Rebuilding the seawall is essential to ensure the safety and stability of our facility and Seattle's central waterfront. The project,

slated to begin in 2013, is also the first crucial step in the planned transformation of the waterfront, of which the Aquarium was affirmed as a key element in the summer of 2012.

2012–2014: Aquarium master planning underway

In part due to the passage of Proposition 1, the City's elected leaders were willing to fund the next steps in waterfront planning, including providing half of the funding to enable us to undertake our master planning process. Begun in 2012, the process will be completed in 2014 with a plan for the Aquarium's future expansion, growth and development that could double our physical size, increase attendance to as much as 1.2 million visitors per year—and realize our vision to become a true regional landmark and world-class aquarium. With our master plan complete,

we will be ready to turn our plans into more concrete actions starting when the viaduct comes down and the real work of the waterfront redevelopment begins.

2016 and beyond: viaduct removed, new tunnel opens

The Aquarium and Seattle's central waterfront are entering an era of tremendously exciting growth and change. The removal of the viaduct and opening of the new SR99 tunnel create the opportunity for a total transformation of the central waterfront as we know it—with the Seattle Aquarium as the literal and figurative centerpiece of this vibrant, vital area.

Donor spotlight

A glimpse into the breadth of our valued support



Dianne Bell

"Growing up in Seattle, I think you develop an appreciation for nature. You may not always be thinking about it, but you learn from an early age to make environmentally conscious decisions like recycling," says Dianne Bell, explaining why she joined the Aquarium's board in 2008.

She continues, "I believe the Seattle Aquarium is one of those institutions that bridges the divide between people of all ages, religions and races." Dianne is most passionate about the Aquarium programs that bring marine science learning opportunities to people where they are, such as the Beach Naturalist program, as well as those that target youth. "Kids put pressure on their parents on issues they care about. So when we educate youth about the environment, they encourage their parents to take environmentally positive steps as well. This means positive action in the short and long term," she notes.

Looking forward, Dianne is excited to continue her involvement with *Splash!*, the Aquarium's annual fundraising gala. "Building relationships with donors in our community is important so that we successfully complete the goals outlined in our strategic plan," she says. She's also excited about continuing to maximize our partnerships to make the Puget Sound something that many generations can continue to enjoy.



Ben Horne

Nine-year-old Ben Horne knows that feeding sea otters is important. "People who visit the Aquarium love the otters and it is really important to me to help feed them," he says. So, Ben brought the money he saved from his allowance and gave it to the Aquarium so he could help feed Aada, Lootas, Aniak and Sekiu.

Ben and his brother Andrew are frequent visitors to the Aquarium. They were here on a wintry day shortly after Sekiu was born, which is when Ben chose to give for the first time. "I think it costs more to feed them in the winter and I wanted to help," he says. (And he's correct: sea otters do eat a bit more in the winter than they do at other times of year).

Ben's parents, Bridget and Bruce, are instilling the value of philanthropy in their sons. Every week Ben puts two dollars of his allowance into his charity savings. He then chooses a nonprofit to receive his donation. And even at age 9, he knows that many donors make a bigger difference—or, as he says, "It takes more than just my donation to feed the otters!"

2012 Financial Information

Balance Sheet (\$s in '000s) 2012

Assets	
Cash and Investments	\$5,431
Receivables and Other	1,979
Long-Term Receivables	502
Property Plant & Equipment, net	892
Total Assets	\$8,804

Liabilities and Net Assets	
Payables and Other	\$2,284
Leasehold Financing	3,600
Total Liabilities	\$5,884

Unrestricted Net Assets	\$1,303
Temporarily Restr. Net Assets	1,617
Total Net Assets	\$2,920
Total Liabilities and Net Assets	\$8,804

Revenue and Expense (\$s in '000s) 2012

Unrestricted Operating Revenue	
Admissions	\$8,604
Membership	1,331
Concessions	1,103
Contributions & Grants	462
Special Events (at net)	501
Miscellaneous	218
Restricted net assets released from restrictions	1,055
Total Unrestricted Operating Revenues	\$13,274

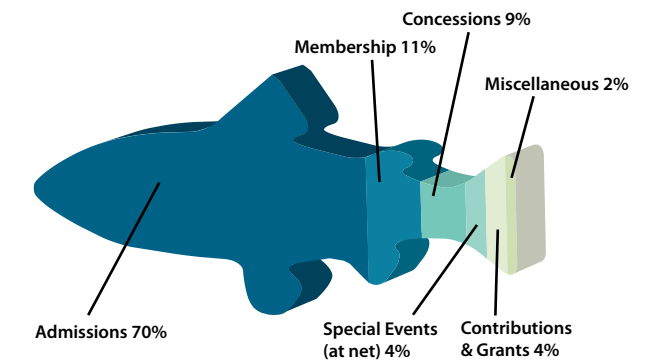
Unrestricted Operating Expense	
Program Expenses	\$11,097
Fundraising	1,220
Management and General	642
Total Unrestricted Operating Expenses	\$12,959
Change in Unrestricted Net Assets	\$315

Restricted Activity	
Temporarily Restricted Revenue	\$1,414
Restricted net assets released from restrictions	(1,055)
Change in Restricted Net Assets	\$359

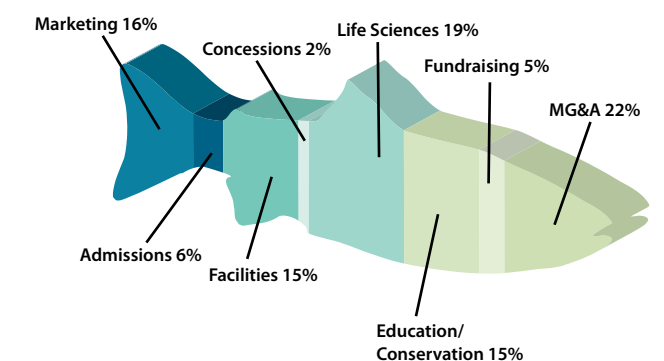
Net Assets, Beginning of Year	\$2,246
Net Assets, End of Year	\$2,920

The statements shown above are condensed versions of our audited financial statements and do not include footnote disclosures. A copy of our audit report containing financial statements and accompanying footnotes is available upon request. Please contact Ryan Dean at (206) 838-3906 or r.dean@seattleaquarium.org to obtain a copy.

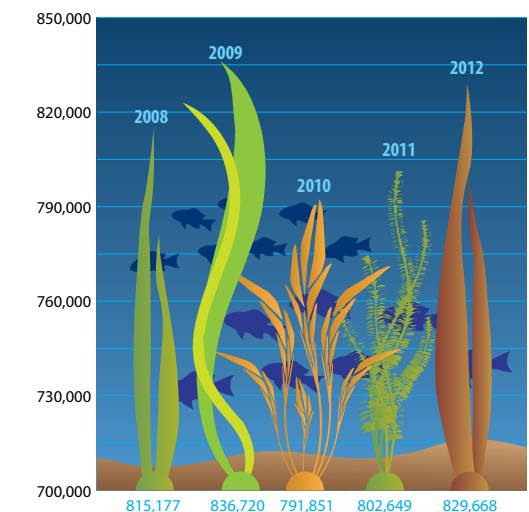
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SEATTLE AQUARIUM

*Inspiring Conservation of Our
Marine Environment*

1483 Alaskan Way, Pier 59

Seattle, WA 98101

(206) 386-4300

SeattleAquarium.org

It's our collective good

fortune to experience the beauty,
rarity and majesty of Puget Sound.

And with that good fortune comes a
responsibility: to care for the Sound so
that future generations can love and
appreciate it as we do. Join us as we
inspire, inform, preserve and protect.

SEATTLE AQUARIUM

Financial Statements

For the Year Ended December 31, 2012

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Independent Auditors' Report***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, 2012, 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.

Auditors' 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditors' 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.

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, 2012, 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.

CLARK NUBER

Report on Summarized Comparative Information

We have previously audited the Aquarium's 2011 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 23, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 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 11, 2013

Certified Public
Accountants
and Consultants

SEATTLE AQUARIUM

Balance Sheet

December 31, 2012

(With Comparative Totals for 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,752,767	\$ 1,490,071
Accounts receivable	1,461,806	289,975
Current portion of grants and contributions receivable (Note 4)	390,070	717,711
Investments (Note 3)	2,678,324	4,219,821
Prepaid expenses	127,313	113,090
Total Current Assets	7,410,280	6,830,668
Long-term portion of grants and contributions receivable (Note 4)	502,061	204,573
Property and equipment, net (Note 5)	891,961	717,800
Total Assets	\$ 8,804,302	\$ 7,753,041
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,622,096	\$ 969,740
Accrued expenses	613,514	311,928
Current portion of term loan (Note 7)	16,049	
Current portion of leasehold financing (Note 6)	900,000	625,000
Total Current Liabilities	3,151,659	1,906,668
Term loan, net of current portion (Note 7)	32,540	
Leasehold financing, net of current portion (Note 6)	2,700,000	3,600,000
Total Liabilities	5,884,199	5,506,668
Net Assets:		
Unrestricted	1,303,018	987,912
Temporarily restricted (Note 11)	1,617,085	1,258,461
Total Net Assets	2,920,103	2,246,373
Total Liabilities and Net Assets	\$ 8,804,302	\$ 7,753,041

See accompanying notes.

SEATTLE AQUARIUM

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenues:				
Admissions	\$ 8,604,224	\$ -	\$ 8,604,224	\$ 7,978,167
Membership	1,330,894		1,330,894	1,223,925
Concessions (Note 12)	1,103,210		1,103,210	943,244
Contributions and grants	461,529	1,413,927	1,875,456	874,951
Special events, net of \$542,464 (2011-\$577,679) of expenses	501,436		501,436	404,795
Investment income	18,357		18,357	26,026
In-kind contributions	15,893		15,893	
Other income	182,788		182,788	144,524
Restricted net assets released from restrictions	1,055,303	(1,055,303)		
Total Revenues	13,273,634	358,624	13,632,258	11,595,632
Expenses:				
Program	11,097,192		11,097,192	10,855,751
Management and general	1,219,580		1,219,580	1,107,244
Fundraising	641,756		641,756	651,408
Total Expenses	12,958,528		12,958,528	12,614,403
Total Change in Net Assets	315,106	358,624	673,730	(1,018,771)
Net assets, beginning of year	987,912	1,258,461	2,246,373	3,265,144
Net Assets, End of Year	\$ 1,303,018	\$ 1,617,085	\$ 2,920,103	\$ 2,246,373

See accompanying notes.

SEATTLE AQUARIUM

**Statement of Functional Expenses
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2012 Total</u>	<u>2011 Total</u>
Personnel related expenses	\$ 7,130,714	\$ 589,310	\$ 459,899	\$ 8,179,923	\$ 7,764,545
Office expense	1,262,488	199,051	151,130	1,612,669	1,602,431
Professional fees	474,597	96,758		571,355	626,493
Animal and operating costs	512,790	25,505	281	538,576	532,707
Advertising	455,353	50,665		506,018	502,428
Depreciation and amortization	294,812	98,271		393,083	390,377
Interest expense	158,488	52,829		211,317	231,751
Concession payments to City of Seattle	178,656			178,656	183,156
Bank fees	134,407	19,418	10,233	164,058	174,088
Equipment	148,540	12,185		160,725	151,848
Computer expense	95,647	17,439	17,403	130,489	129,238
Travel	99,891	12,102	599	112,592	123,544
Facility expense	78,162	8,762		86,924	148,358
Bad debt expense	38,882	12,961		51,843	25,749
Taxes	15,576	5,233		20,809	8,900
Meals and entertainment	11,469	1,336	852	13,657	14,850
In-kind expense		15,893		15,893	
Miscellaneous expense	6,643	1,836	1,359	9,838	3,240
General and marketing support	77	26		103	700
Total Expenses	<u>\$ 11,097,192</u>	<u>\$ 1,219,580</u>	<u>\$ 641,756</u>	<u>\$ 12,958,528</u>	<u>\$ 12,614,403</u>

See accompanying notes.

SEATTLE AQUARIUM

Statement of Cash Flows For the Year Ended December 31, 2012 (With Comparative Totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 673,730	\$ (1,018,771)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Contributions restricted for investment in exhibits	(846,763)	
Depreciation and amortization	393,083	390,377
Change in assets and liabilities:		
Accounts receivable	(1,171,831)	(160,341)
Grants and contributions receivable	468,247	647,308
Prepaid expenses	(14,223)	(40,273)
Accounts payable	652,356	326,330
Accrued expenses	301,586	30,556
	<u>456,185</u>	<u>175,186</u>
Net Cash Provided by Operating Activities	456,185	175,186
Cash Flows from Investing Activities:		
Purchase of property and equipment	(567,244)	(63,271)
Proceeds from sale of investments	4,119,442	4,550,840
Purchases of investments	(2,577,945)	(4,348,984)
	<u>974,253</u>	<u>138,585</u>
Net Cash Provided by Investing Activities	974,253	138,585
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for investment in exhibits	408,669	
Payments on leasehold financing and term loan	(626,411)	(410,000)
Proceeds from borrowings	50,000	
	<u>(167,742)</u>	<u>(410,000)</u>
Net Cash Used in Financing Activities	(167,742)	(410,000)
Net Change in Cash	1,262,696	(96,229)
Cash balance, beginning of year	<u>1,490,071</u>	<u>1,586,300</u>
Cash Balance, End of Year	<u>\$ 2,752,767</u>	<u>\$ 1,490,071</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 211,331	\$ 231,750

See accompanying notes.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

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").

Basis of Presentation - Net assets and revenues, expenses, and 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - 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.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Aquarium. At December 31, 2012 and 2011, the Aquarium had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 temporarily restricted contributions and released from restriction ratably over the life of the asset.

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 at times exceeds the Federal Deposit Insurance Corporation insurance limits.

Receivables - Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Investments - Investments consist of cash equivalents and certificates of deposits. Investments in certificates of deposit are reported at original cost plus accrued interest.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 1 - Continued

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 three 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 term of the Agreement described in Note 2.

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 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.

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

Animal and Plant Collections - The costs of purchasing or collecting live animals and plants are expensed as incurred. Donated specimens are not valued and, therefore, are not reflected in the financial statements.

Advertising - The Aquarium expenses advertising as incurred. Advertising and marketing expenses totaled \$506,018 and \$502,428 for the years ended December 31, 2012 and 2011, 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, 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 Internal Revenue Code. The Aquarium files income tax returns with the U.S. government. The Aquarium is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

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.

Program expenses are those expenses that directly correlate to maintaining a living collection of marine life representative of Puget Sound as well as our broader ocean environment in which the Aquarium endeavors to inspire all visitors within and without the facility to conserve.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 1 - Continued

Summarized Information for 2011 - The financial statements include certain prior period 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Aquarium's financial statements for the year ended December 31, 2011. Certain reclassifications have been made to the comparative presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

Note 2 - Operations and Management Agreement

The Seattle Aquarium Society entered into the Operations and Management Agreement (the "Agreement") with the City of Seattle's Superintendent of Parks and Recreation to operate and manage the Aquarium effective July 1, 2010 through June 30, 2030. The City of Seattle (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, 2012 were \$710,745. The City's obligations under the Agreement includes funding \$8,000,000 of capital maintenance projects by December 31, 2015, together with such other capital maintenance as may be required to keep the aquarium building open and operating.

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 2012 and 2011 for this obligation totaled \$178,656 and \$183,156, respectively, and has been reported as program expenses in the statement of activities and changes in net assets.

Pursuant to the Operating and Management agreement between the City and the Aquarium, control over the nature and disposition of City maintenance funds is held by the Aquarium and is typically treated on a reimbursement basis with a short-term payable created when the Aquarium bills the City for work completed. As of December 31, 2012, there were \$1,251,153 in charges billed to the City included in accounts receivable in the balance sheet, which were received subsequent to year-end.

Note 3 - Investments

Investments consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Certificates of deposit reported at cost plus accrued interest	\$ 2,663,855	\$ 4,219,821
Cash equivalents	14,469	
Total Investments	<u>\$ 2,678,324</u>	<u>\$ 4,219,821</u>

Investment income totaled \$18,357 and \$26,026 for the years ended December 31, 2012 and 2011, respectively, and consisted primarily of interest income earned on the certificates of deposit.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 4 - Grants and Contributions Receivable

Grants and contributions receivable consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Receivables due in less than one year	\$ 390,070	\$ 717,711
Receivables due in one to five years	502,061	204,573
Total Grants and Contributions Receivable	<u>\$ 892,131</u>	<u>\$ 922,284</u>

Pledges restricted for long-term use are classified as long-term, regardless of when they are due to be collected.

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 217,956	\$ 289,810
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	963,750	813,206
Vehicles	124,200	124,200
Exhibits and Aquarium improvements	57,536	57,536
Construction in progress	488,554	
	1,924,186	1,356,942
Less accumulated depreciation	<u>(1,032,225)</u>	<u>(639,142)</u>
Property and Equipment, Net	<u>\$ 891,961</u>	<u>\$ 717,800</u>

Note 6 - Leasehold Financing

In March 2005, the Aquarium and the City of Seattle (the "City") signed a Memorandum of Agreement (the "2005 MOA") in which both parties agreed to take a phased approach to renovating the existing Aquarium. The first phase under the 2005 MOA was named the New Currents Capital Campaign and consisted of significant improvements to the east end of the existing Aquarium building and overall Pier 59 support structure completed in June 2007. The Aquarium completed a capital fundraising campaign to fund part of the lease improvements but required a long-term liability to finance the work by the necessary completion date.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 6 - Continued

This liability will be repaid with interest (annual rate of 3.80% at December 31, 2012 and 2011) in accordance with the repayment schedule summarized below:

For the Year Ending December 31,

2013	\$ 900,000
2014	1,245,000
2015	<u>1,455,000</u>
Total Leasehold Financing Liability	<u><u>\$ 3,600,000</u></u>

Note 7 - Term Loan

As of November 2012, the Aquarium opened an unsecured term loan with a bank in the amount of \$50,000 for the purposes of procuring a backup power generator for the facility. The loan matures on November 10, 2015 and bears interest at a rate of 4.05%. This liability will be repaid with interest in accordance with the repayment schedule summarized below:

For the Year Ending December 31,

2013	\$ 16,049
2014	16,720
2015	<u>15,820</u>
Total Term Loan Liability	<u><u>\$ 48,589</u></u>

Note 8 - Line of Credit

The Aquarium has an unsecured revolving line of credit with a bank in the amount of \$500,000. The line will be available to the Aquarium until September 5, 2013. Interest shall accrue on the unpaid outstanding principal balance of the credit at the greater of a floating rate equal to an index rate set by the bank plus 1% or the floor rate of 5%. As of December 31, 2012 and 2011, there were no draws on this line by the Aquarium.

Note 9 - Lease Commitments

Office Space Lease - The Aquarium is obligated under a lease agreement for office space in Seattle, Washington, which expires on December 31, 2017. Base monthly payments range from \$15,515 to \$17,987. Total rental expense was \$207,435 and \$186,148 for the years ended December 31, 2012 and 2011, respectively, which includes base monthly rents plus common area maintenance charges.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 9 - Continued

The minimum future rental commitment under the above operating lease is as follows:

For the Year Ending December 31,

2013	\$ 191,771
2014	197,519
2015	203,442
2016	209,555
2017	<u>215,840</u>
	<u><u>\$ 1,018,127</u></u>

Note 10 - Employee Related Commitments

Nonprofit Employees Retirement Plan - The Aquarium has established a defined contribution benefit plan under Internal Revenue Code Section 403(b) that covers all employees who are 21 years of age or older. Qualifying employees are immediately 100% vested in both the salary reduction amounts and any employer contributions or matching. The plan provides for an employer match of nonprofit employees' voluntary contributions. The match is equal to 100% of the first 3% of compensation contributed and 50% of the next 3% contributed for a maximum match of 4.5% of the first 6% contributed. The Aquarium contributed a total of \$118,015 and \$100,630 to the plan for the years ended December 31, 2012 and 2011, respectively.

City of Seattle Employees - In accordance with the Agreement (described in Note 2) approximately 40% and 50% of the Aquarium's employees were employed by the City as of December 31, 2012 and 2011, respectively. These employees may remain City employees at the Aquarium under nonprofit supervision until December 31, 2014, after which all employees at the Aquarium will be nonprofit employees. As of December 31, 2012, four different labor unions represent nineteen of these employees. As of December 31, 2012, the Aquarium has not executed any collective bargaining agreements with any union. The City employees continue to receive all rights, benefits, and compensation afforded them by virtue of their employment with the City. The Aquarium reimburses the Parks Department of the City each month for the actual costs incurred in providing the above overall compensation to each City employee including the required employer contribution to the Seattle City Employees Retirement System ("SCERS").

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 11 - Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following program purposes at December 31:

	<u>2012</u>	<u>2011</u>
Harbor Seal	\$ 862,954	\$ 16,191
Education	431,673	476,517
City of Seattle property	235,153	598,251
Other programs	60,140	71,280
Life sciences	27,165	27,091
Aquarium general		<u>69,131</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,617,085</u>	<u>\$ 1,258,461</u>

The Harbor Seal project is a privately-funded exhibit improvement being made concurrent with the required maintenance project of replacing the aged, finger-pier structure. While the Aquarium manages both projects, the finger-pier work is funded by the City, whereas the Harbor Seal improvements are funded via private contributions from the community. Other than design work and a down payment on long lead-time items, there was not material construction work performed on the Harbor Seal project in 2012 and it is expected to be completed by June 1, 2013.

Note 12 - 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 \$552,847 and \$415,314 for the years ended December 31, 2012 and 2011, respectively. Sodexo has the right to terminate the agreement for convenience provided they issue the Aquarium 180 days' written notice which would trigger the requirement for the Aquarium to repay Sodexo for the unamortized portion of their capital investment. This estimated remaining balance totals \$337,005 and \$427,711 at December 31, 2012 and 2011, respectively.

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. Commissions are based on a percentage of gross receipts, as defined in the agreement and totaled \$550,363 and \$527,930 for the years ended December 31, 2012 and 2011, respectively.

Note 13 - Taxes

The State of Washington Department of Revenue has initiated a routine excise tax audit of the Aquarium for a period of 18 months ended December 31, 2011, which is not yet complete. As the outcome is not known at this point, generally accepted accounting principles provide that the potential range for this "contingent loss" be disclosed. The range of loss could be any amount between \$0 and \$455,000.

SEATTLE AQUARIUM

Notes to Financial Statements For the Year Ended December 31, 2012

Note 14 - Subsequent Event

The Aquarium has evaluated subsequent events through April 11, 2013, the date on which the financial statements were available to be issued.

In the fall of 2012, the City of Seattle passed a bond issue related to replacing the aging seawall that runs underneath Alaskan Way and directly in front of the Seattle Aquarium. Work on this major construction project is expected to begin in September of 2013 and be completed by May of 2016. While the Aquarium is planning for various contingencies, the full impact of this work is not yet known.