

***SEATTLE AQUARIUM***

Financial Statements

For the Year Ended December 31, 2013

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***Independent Auditor's 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, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2013, 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 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Certified Public  
Accountants  
and Consultants

*Clark Nuber P.S.*

Certified Public Accountants  
April 17, 2014

## SEATTLE AQUARIUM

### Balance Sheet

December 31, 2013

(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,504,140	\$ 2,752,767
Accounts receivable	1,791,277	1,461,806
Current portion of grants and contributions receivable (Note 4)	319,143	390,070
Investments (Note 3)	1,305,141	2,678,324
Prepaid expenses	148,462	127,313
<b>Total Current Assets</b>	<b>6,068,163</b>	<b>7,410,280</b>
Long-term portion of grants and contributions receivable (Note 4)	736,624	502,061
Property and equipment, net (Note 5)	2,648,323	891,961
<b>Total Assets</b>	<b>\$ 9,453,110</b>	<b>\$ 8,804,302</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,539,981	\$ 1,622,096
Accrued expenses	798,269	613,514
Current portion of term loan (Note 7)	16,720	16,049
Current portion of leasehold financing (Note 6)	1,245,000	900,000
<b>Total Current Liabilities</b>	<b>3,599,970</b>	<b>3,151,659</b>
Term loan, net of current portion (Note 7)	15,821	32,540
Leasehold financing, net of current portion (Note 6)	1,455,000	2,700,000
<b>Total Liabilities</b>	<b>5,070,791</b>	<b>5,884,199</b>
<b>Net Assets:</b>		
Unrestricted	1,596,551	1,303,018
Temporarily restricted (Note 12)	2,785,768	1,617,085
<b>Total Net Assets</b>	<b>4,382,319</b>	<b>2,920,103</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,453,110</b>	<b>\$ 8,804,302</b>

See accompanying notes.

**SEATTLE AQUARIUM**

**Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2013  
(With Comparative Totals for 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenues:</b>				
Admissions	\$ 8,998,156	\$ -	\$ 8,998,156	\$ 8,604,224
Membership	1,416,648		1,416,648	1,330,894
Concessions (Note 14)	1,049,184		1,049,184	1,103,210
Contributions and grants	375,756	2,039,833	2,415,589	1,875,456
Special events, net of \$666,545 (2012-\$542,464) of expenses	516,302		516,302	501,436
Investment income	6,970		6,970	18,357
In-kind contributions	54,614	243,047	297,661	15,893
Other income	169,776		169,776	182,788
Restricted net assets released from restrictions	1,114,197	(1,114,197)		
<b>Total Revenues</b>	<b>13,701,603</b>	<b>1,168,683</b>	<b>14,870,286</b>	<b>13,632,258</b>
<b>Expenses:</b>				
Program	11,447,958		11,447,958	11,097,192
Management and general	1,209,249		1,209,249	1,219,580
Fundraising	750,863		750,863	641,756
<b>Total Expenses</b>	<b>13,408,070</b>		<b>13,408,070</b>	<b>12,958,528</b>
<b>Total Change in Net Assets</b>	<b>293,533</b>	<b>1,168,683</b>	<b>1,462,216</b>	<b>673,730</b>
Net assets, beginning of year	1,303,018	1,617,085	2,920,103	2,246,373
<b>Net Assets, End of Year</b>	<b>\$ 1,596,551</b>	<b>\$ 2,785,768</b>	<b>\$ 4,382,319</b>	<b>\$ 2,920,103</b>

See accompanying notes.

**SEATTLE AQUARIUM**

**Statement of Functional Expenses  
For the Year Ended December 31, 2013  
(With Comparative Totals for 2012)**

	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2013 Total</i>	<i>2012 Total</i>
Personnel related expenses	\$ 7,568,099	\$ 574,115	\$ 512,057	\$ 8,654,271	\$ 8,179,923
Office expense	1,210,674	194,290	200,997	1,605,961	1,612,669
Professional fees	408,084	80,956	2,296	491,336	571,355
Animal and operating costs	542,059	31,822	969	574,850	538,576
Advertising	493,195	54,799		547,994	506,018
Depreciation and amortization	229,684	76,561		306,245	393,083
Interest expense	136,272	45,424		181,696	211,317
Concession payments to City of Seattle	170,407			170,407	178,656
Bank fees	149,323	22,353	12,411	184,087	164,058
Equipment	138,030	12,620		150,650	160,725
Computer expense	72,607	15,846	17,929	106,382	130,489
Travel	114,379	10,813	689	125,881	112,592
Facility expense	95,016	10,946		105,962	86,924
Bad debt expense	52,453	17,484		69,937	51,843
Taxes	24,613	7,827		32,440	20,809
Meals and entertainment	21,812	2,923	838	25,573	13,657
In-kind expense	10,175	44,439		54,614	15,893
Miscellaneous expense	11,076	6,031	2,677	19,784	9,838
General and marketing support					103
Special events expenses			666,545	666,545	542,464
<b>Subtotal</b>	<b>11,447,958</b>	<b>1,209,249</b>	<b>1,417,408</b>	<b>14,074,615</b>	<b>13,500,992</b>
Less special events expenses			(666,545)	(666,545)	(542,464)
<b>Total</b>	<b>\$ 11,447,958</b>	<b>\$ 1,209,249</b>	<b>\$ 750,863</b>	<b>\$ 13,408,070</b>	<b>\$ 12,958,528</b>

See accompanying notes.

**SEATTLE AQUARIUM**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2013**  
**(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,462,216	\$ 673,730
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Contributions restricted for investment in exhibits	(592,603)	(846,763)
In-kind donations of property and equipment	(243,047)	
Depreciation and amortization	306,245	393,083
Change in assets and liabilities:		
Accounts receivable	(329,471)	(1,171,831)
Grants and contributions receivable	(50,580)	468,247
Prepaid expenses	(21,149)	(14,223)
Accounts payable	(82,115)	652,356
Accrued expenses	184,755	301,586
	<u>634,251</u>	<u>456,185</u>
<b>Net Cash Provided by Operating Activities</b>	<b>634,251</b>	<b>456,185</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(1,819,560)	(567,244)
Proceeds from sale of investments	2,083,187	4,119,442
Purchases of investments	(710,004)	(2,577,945)
	<u>(446,377)</u>	<u>974,253</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(446,377)</b>	<b>974,253</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from contributions restricted for investment in exhibits	479,547	408,669
Payments on leasehold financing and term loan	(916,048)	(626,411)
Proceeds from borrowings		50,000
	<u>(436,501)</u>	<u>(167,742)</u>
<b>Net Cash Used in Financing Activities</b>	<b>(436,501)</b>	<b>(167,742)</b>
<b>Net Change in Cash</b>	<b>(248,627)</b>	<b>1,262,696</b>
Cash balance, beginning of year	<u>2,752,767</u>	<u>1,490,071</u>
<b>Cash Balance, End of Year</b>	<b><u>\$ 2,504,140</u></b>	<b><u>\$ 2,752,767</u></b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 181,696	\$ 211,331

See accompanying notes.

## *SEATTLE AQUARIUM*

### *Notes to Financial Statements For the Year Ended December 31, 2013*

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#### *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, 2013 and 2012, 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. 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, which approximates fair value.

## *SEATTLE AQUARIUM*

### *Notes to Financial Statements For the Year Ended December 31, 2013*

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#### *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 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 2013 totaled \$613,199, which included \$315,538 used for special fundraising events, \$243,047 capitalized as additions to property and equipment, \$10,175 used in program activities, and \$44,439 used in management and general activities. Donated services and materials received during 2012 totaled \$286,125, which included \$270,232 used for special fundraising events and \$15,893 used in management and general activities.

**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 \$547,994 and \$506,018 for the years ended December 31, 2013 and 2012, 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. 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 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.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2013

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#### Note 1 - Continued

**Subsequent Events** - The Aquarium has evaluated subsequent events through April 17, 2014, the date on which the financial statements were available to be issued.

#### Note 2 - Operations and Management Agreement

The Aquarium entered into the Operations and Management Agreement (the "Agreement") with the City's Superintendent of Parks and Recreation to operate and manage the Aquarium effective July 1, 2010 through June 30, 2030. The City will continue to own the aquarium building and will remain responsible for insurance and capital maintenance of the buildings and piers for the duration of the agreement. Under the Agreement, the Aquarium is responsible for funding a minimum of \$10,000,000 of new or refurbished exhibits or visitor amenities by June 30, 2030, with at least \$5,000,000 of expenditures occurring on or before June 30, 2020. Total expenditures incurred toward this commitment as of December 31, 2013 were \$2,664,912, which includes certain capitalized costs and expenses incurred. 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 2013 and 2012 for this obligation totaled \$170,407 and \$178,656, respectively, and has been reported as program expenses in the statement of activities and changes in net assets.

Pursuant to the Agreement, 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 receivable created when the Aquarium bills the City for work completed. As of December 31, 2013 and 2012, there were \$1,597,022 and \$1,251,153 in charges billed to the City included in accounts receivable in the balance sheet.

#### Note 3 - Investments

Investments consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Certificates of deposit reported at cost plus accrued interest	\$ 1,305,141	\$ 2,663,855
Cash equivalents		14,469
<b>Total Investments</b>	<b><u>\$ 1,305,141</u></b>	<b><u>\$ 2,678,324</u></b>

Investment income totaled \$6,970 and \$18,357 for the years ended December 31, 2013 and 2012, 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, 2013

#### Note 4 - Grants and Contributions Receivable

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

	<u>2013</u>	<u>2012</u>
Receivables due in less than one year	\$ 718,395	\$ 390,070
Receivables due in one to five years	<u>337,372</u>	<u>502,061</u>
<b>Total Grants and Contributions Receivable</b>	<b><u>\$ 1,055,767</u></b>	<b><u>\$ 892,131</u></b>

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

During the year ended December 31, 2013, the Aquarium received a conditional matching grant from one donor for a total commitment of \$250,000. Payment is contingent on the Aquarium obtaining the balance of funds required to complete the construction portion of the Harbor Seals exhibit by December 31, 2014. This condition was satisfied in January 2014.

#### Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 255,227	\$ 217,956
Point-of-sale equipment	72,190	72,190
Furniture, fixtures and other equipment	963,750	963,750
Vehicles	124,200	124,200
Exhibits and Aquarium improvements	2,450,265	57,536
Facilities master planning	121,161	
Construction in progress		<u>488,554</u>
	3,986,793	1,924,186
Less accumulated depreciation	<u>(1,338,470)</u>	<u>(1,032,225)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 2,648,323</u></b>	<b><u>\$ 891,961</u></b>

#### Note 6 - Leasehold Financing

In March 2005, the Aquarium and 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, which was 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, 2013

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#### Note 6 - Continued

This liability will be repaid with interest (annual rate of 3.80% at December 31, 2013 and 2012) in accordance with the repayment schedule summarized below:

*For the Year Ending December 31,*

2014	\$ 1,245,000
2015	<u>1,455,000</u>
<b>Total Leasehold Financing Liability</b>	<b><u><u>\$ 2,700,000</u></u></b>

#### Note 7 - Term Loan

During 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,*

2014	\$ 16,720
2015	<u>15,821</u>
<b>Total Term Loan Liability</b>	<b><u><u>\$ 32,541</u></u></b>

#### Note 8 - Line of Credit

The Aquarium has an unsecured revolving line of credit with a bank in the amount of \$1,000,000. The line will be available to the Aquarium until July 5, 2014. 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, 2013 and 2012, 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 \$219,717 and \$207,435 for the years ended December 31, 2013 and 2012, respectively, which includes base monthly rents plus common area maintenance charges.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2013

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#### Note 9 - Continued

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

For the Year Ending December 31,

2014	\$	197,519
2015		203,442
2016		209,555
2017		215,840
		<hr/>
	\$	<b>826,356</b>

#### Note 10 - Employee Related Commitments

**Nonprofit Employees Retirement Plan** - 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 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. Vesting of the employer match occurs over 4 years, at the rate of 25% per year. The Aquarium contributed a total of \$147,637 and \$118,015 to the plan for the years ended December 31, 2013 and 2012, respectively.

**City of Seattle Employees** - In accordance with the Agreement (described in Note 2) approximately 30% and 40% of the Aquarium's employees were employed by the City as of December 31, 2013 and 2012, 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, 2013, three different labor unions represent thirteen of these employees. As of December 31, 2013, 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").

#### Note 11 - Seawall Construction

In the fall of 2012, the City passed a bond issue related to replacing the aging seawall that runs underneath Alaskan Way and directly in front of the Aquarium. Work on this major construction project began in November 2013 and is expected to be completed in late 2016. While the Aquarium is planning for various contingencies, the full impact of this work is not yet known. The Aquarium has entered into negotiations with the City to mitigate potential negative attendance related to the seawall.

## SEATTLE AQUARIUM

### Notes to Financial Statements For the Year Ended December 31, 2013

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#### Note 12 - Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Exhibits	\$ 1,455,557	\$ 862,954
Education	501,191	431,673
Contributed property and equipment	127,992	235,153
Other programs	29,670	60,140
Life sciences	29,609	27,165
Facilities master planning	<u>641,749</u>	<u></u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 2,785,768</u></b>	<b><u>\$ 1,617,085</u></b>

#### Note 13 - Master Planning for Expansion

In 2013, the Aquarium and the City executed a Memorandum of Agreement (the "2013 MOA") regarding master planning efforts for the organization. This includes an evaluation of how a potential aquarium expansion could positively integrate into the City's larger central waterfront redevelopment plan. The 2013 MOA stipulates partial City funding for the Aquarium's planning efforts provided that equal private matching funds are raised and deployed in the creation of a final draft for adoption by City Council in 2014. As of December 31, 2013, the Aquarium has expended \$101,050 towards the development of the plan and subsequently, in early 2014, the Aquarium retained an architecture firm to lead the completion of the plan.

#### Note 14 - 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 \$488,193 and \$552,847 for the years ended December 31, 2013 and 2012, 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 \$262,115 and \$337,005 at December 31, 2013 and 2012, 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 \$560,991 and \$550,363 for the years ended December 31, 2013 and 2012, respectively.

#### Note 15 - Taxes

The State of Washington Department of Revenue initiated a routine excise tax audit of the Aquarium for a period of 18 months ended December 31, 2011, which is currently in dispute. As the outcome is not known at this point, U.S. GAAP provides that the potential range for this "contingent loss" be disclosed. The range of loss could be any amount between \$25,000 and \$683,000.