

AQUARIUM OF THE PACIFIC
FINANCIAL REPORT
DECEMBER 31, 2020

AQUARIUM OF THE PACIFIC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Aquarium of the Pacific

Report on the Financial Statements

We have audited the accompanying financial statements of the Aquarium of the Pacific (the "Corporation"), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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 of the Pacific as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SingerLewak LLP

April 29, 2021

AQUARIUM OF THE PACIFIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Cash, cash equivalents, and restricted cash equivalents	\$ 5,018,493	\$ 975,147	\$ 5,993,640	\$ 13,426,435	\$ 1,392,221	\$ 14,818,656
Accounts receivable, net of allowance for doubtful accounts of \$48,741 and \$675,048, respectively	50,995	-	50,995	962,700	-	962,700
Contributions receivable	302,397	570,654	873,051	85,000	1,904,950	1,989,950
Gift store inventory	725,178	-	725,178	675,639	-	675,639
Prepaid expenses and other assets	415,174	-	415,174	877,825	-	877,825
Property and equipment, net	58,000,813	-	58,000,813	59,888,493	-	59,888,493
Operating lease right-of-use assets, net	19,855,322	-	19,855,322	22,334,522	-	22,334,522
Finance lease right-of-use asset, net	40,622	-	40,622	64,369	-	64,369
Total assets	<u>\$ 84,408,994</u>	<u>\$ 1,545,801</u>	<u>\$ 85,954,795</u>	<u>\$ 98,314,983</u>	<u>\$ 3,297,171</u>	<u>\$ 101,612,154</u>

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

LIABILITIES AND NET ASSETS

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities						
Accounts payable	\$ 1,538,018	\$ -	\$ 1,538,018	\$ 1,515,300	\$ -	\$ 1,515,300
Accrued expenses	1,581,227	-	1,581,227	1,903,044	-	1,903,044
Deferred revenue	1,701,782	-	1,701,782	3,700,672	-	3,700,672
Note payable	-	-	-	10,000,000	-	10,000,000
PPP loan	3,560,306	-	3,560,306	-	-	-
Operating lease liabilities	19,855,322	-	19,855,322	22,334,522	-	22,334,522
Financing lease liabilities	40,622	-	40,622	64,369	-	64,369
Total liabilities	<u>28,277,277</u>	<u>-</u>	<u>28,277,277</u>	<u>39,517,907</u>	<u>-</u>	<u>39,517,907</u>
Net assets						
Without donor restrictions	56,131,717	-	56,131,717	58,797,076	-	58,797,076
With donor restrictions	-	1,545,801	1,545,801	-	3,297,171	3,297,171
Total net assets	<u>56,131,717</u>	<u>1,545,801</u>	<u>57,677,518</u>	<u>58,797,076</u>	<u>3,297,171</u>	<u>62,094,247</u>
Total liabilities and net assets	<u>\$ 84,408,994</u>	<u>\$ 1,545,801</u>	<u>\$ 85,954,795</u>	<u>\$ 98,314,983</u>	<u>\$ 3,297,171</u>	<u>\$ 101,612,154</u>

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Admissions	\$ 8,705,563	\$ -	\$ 8,705,563	\$ 25,455,298	\$ -	\$ 25,455,298
Memberships	2,876,542	-	2,876,542	4,370,460	-	4,370,460
Educational programs	250,567	-	250,567	963,378	-	963,378
Gift store	2,269,322	-	2,269,322	5,225,214	-	5,225,214
Contributions and grants	9,360,243	576,404	9,936,647	2,220,309	4,872,643	7,092,952
Ancillary revenues	636,489	-	636,489	982,941	-	982,941
Food service	315,955	-	315,955	775,879	-	775,879
Fund-raising events	254,549	-	254,549	600,872	-	600,872
Donated goods & services	164,760	-	164,760	479,277	-	479,277
Other income	76,410	75,085	151,495	146,014	71,646	217,660
Net assets released from restrictions	2,402,859	(2,402,859)	-	41,128,855	(41,128,855)	-
Total revenues and support	27,313,259	(1,751,370)	25,561,889	82,348,497	(36,184,566)	46,163,931
Expenses						
Program services						
Husbandry and facilities	9,925,977	-	9,925,977	11,116,303	-	11,116,303
Education, interpretation, and outreach	3,949,336	-	3,949,336	4,736,982	-	4,736,982
Guest services	6,095,051	-	6,095,051	7,578,956	-	7,578,956
Gift store	2,627,181	-	2,627,181	4,271,204	-	4,271,204
Total program services	22,597,545	-	22,597,545	27,703,445	-	27,703,445
Support services						
Development and membership	1,789,999	-	1,789,999	2,627,409	-	2,627,409
Marketing	2,735,022	-	2,735,022	5,455,160	-	5,455,160
Human resources	1,083,427	-	1,083,427	1,265,983	-	1,265,983
Finance and administration	4,181,332	-	4,181,332	3,414,279	-	3,414,279
Total support services	9,789,780	-	9,789,780	12,762,831	-	12,762,831
Total operating expenses before other changes	32,387,325	-	32,387,325	40,466,276	-	40,466,276
Change in net assets before other changes	(5,074,066)	(1,751,370)	(6,825,436)	41,882,221	(36,184,566)	5,697,655
Other operating expenses						
Net rent to the City of Long Beach	(2,154,000)	-	(2,154,000)	(2,154,000)	-	(2,154,000)
Amounts transferred from (to) reserves	4,562,707	-	4,562,707	(2,290,377)	-	(2,290,377)
Total other operating expenses	2,408,707	-	2,408,707	(4,444,377)	-	(4,444,377)
Change in net assets	(2,665,359)	(1,751,370)	(4,416,729)	37,437,844	(36,184,566)	1,253,278
Net assets, beginning of year	58,797,076	3,297,171	62,094,247	21,359,232	39,481,737	60,840,969
Net assets, end of year	\$ 56,131,717	\$ 1,545,801	\$ 57,677,518	\$ 58,797,076	\$ 3,297,171	\$ 62,094,247

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services					Support Services					Total
	Husbandry and Facilities	Education, Interpretation, and Outreach	Guest Services	Gift Store	Total Program Services	Development and Membership	Marketing	Human Resources	Finance and Administration	Total Support Services	
Salaries, taxes, and benefits	\$ 4,772,281	\$ 2,582,426	\$ 4,153,422	\$ 1,141,305	\$ 12,649,434	\$ 1,085,452	\$ 1,435,509	\$ 855,621	\$ 1,313,377	\$ 4,689,959	\$ 17,339,393
Cost of goods sold	-	-	-	1,051,620	1,051,620	-	-	-	-	-	1,051,620
Insurance	81,853	103,409	154,245	62,883	402,390	1,821	14,548	2,644	107,504	126,517	528,907
Permits, maintenance, and construction	296,078	3,795	29,405	20,834	350,112	124	-	-	5,451	5,575	355,687
Occupancy	12,090	53,229	42,728	153,858	261,905	98,338	123,001	32,348	120,626	374,313	636,218
Utilities	1,840,779	-	-	57,807	1,898,586	-	-	-	-	-	1,898,586
Husbandry/animals and collecting	362,576	-	-	-	362,576	-	-	-	-	-	362,576
Services	267,974	193,884	198,991	19,696	680,545	245,051	293,497	131,738	336,423	1,006,709	1,687,254
Supplies and other expendables	906,523	86,868	283,598	52,022	1,329,011	57,189	15,675	44,740	118,873	236,477	1,565,488
Postage, shipping, and courier	18,922	1,967	5,995	4,668	31,552	91,985	32,671	817	1,708	127,181	158,733
Information technology and telecommunications	12,254	2,127	118,949	11,247	144,577	2,252	10,972	3,531	327,014	343,769	488,346
Printing and publishing	-	7,396	1,598	-	8,994	147,783	172,668	-	-	320,451	329,445
Advertising, promotions, and public relations	366	8,034	3,707	643	12,750	734	508,331	138	-	509,203	521,953
Travel, meals, and training	23,087	1,581	-	1,350	26,018	700	1,931	4,460	3,023	10,114	36,132
Depreciation and amortization	1,321,172	904,620	938,050	6,166	3,170,008	5,285	13,212	5,285	1,542,578	1,566,360	4,736,368
Other	10,022	-	164,363	43,082	217,467	53,285	113,007	2,105	304,755	473,152	690,619
Total expenses	\$ 9,925,977	\$ 3,949,336	\$ 6,095,051	\$ 2,627,181	\$ 22,597,545	\$ 1,789,999	\$ 2,735,022	\$ 1,083,427	\$ 4,181,332	\$ 9,789,780	\$ 32,387,325

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services					Support Services					Total
	Husbandry and Facilities	Education, Interpretation, and Outreach	Guest Services	Gift Store	Total Program Services	Development and Membership	Marketing	Human Resources	Finance and Administration	Total Support Services	
Salaries, taxes, and benefits	\$ 4,936,799	\$ 2,966,446	\$ 5,273,837	\$ 1,461,055	\$ 14,638,137	\$ 1,488,352	\$ 1,504,648	\$ 902,701	\$ 1,274,617	\$ 5,170,318	\$ 19,808,455
Cost of goods sold	-	-	-	2,384,526	2,384,526	-	-	-	-	-	2,384,526
Insurance	77,988	93,377	139,157	57,109	367,631	1,671	13,351	2,426	95,435	112,883	480,514
Permits, maintenance, and construction	618,950	2,077	44,236	5,137	670,400	124	-	622	14,010	14,756	685,156
Occupancy	24,234	47,047	128,987	164,253	364,521	114,925	133,232	73,262	133,529	454,948	819,469
Utilities	1,963,344	-	-	7,933	1,971,277	-	-	-	-	-	1,971,277
Husbandry/animals and collecting	472,570	-	-	-	472,570	-	-	-	-	-	472,570
Services	309,321	596,729	214,516	21,141	1,141,707	407,687	464,410	206,784	316,134	1,395,015	2,536,722
Supplies and other expendables	1,038,460	158,977	534,863	60,524	1,792,824	103,891	50,224	37,531	85,644	277,290	2,070,114
Postage, shipping, and courier	24,760	2,972	11,631	6,717	46,080	129,461	64,265	938	1,511	196,175	242,255
Information technology and telecommunications	20,416	5,687	82,421	2,011	110,535	3,645	11,410	4,105	202,235	221,395	331,930
Printing and publishing	-	23,284	2,984	-	26,268	164,624	369,327	691	2,670	537,312	563,580
Advertising, promotions, and public relations	100	99,347	3,238	125	102,810	15,383	2,460,262	-	7,851	2,483,496	2,586,306
Travel, meals, and training	116,479	51,843	34,589	1,639	204,550	18,668	18,213	33,427	35,332	105,640	310,190
Depreciation and amortization	1,480,314	688,766	722,502	4,079	2,895,661	3,496	8,741	3,496	1,097,680	1,113,413	4,009,074
Other	32,568	430	385,995	94,955	513,948	175,482	357,077	-	147,631	680,190	1,194,138
Total expenses	\$ 11,116,303	\$ 4,736,982	\$ 7,578,956	\$ 4,271,204	\$ 27,703,445	\$ 2,627,409	\$ 5,455,160	\$ 1,265,983	\$ 3,414,279	\$ 12,762,831	\$ 40,466,276

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (4,416,729)	\$ 1,253,278
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization expense	4,736,368	4,009,074
Amortization of finance lease right-of-use asset	23,747	22,236
Noncash lease expense	2,479,200	2,540,112
Provision for bad debts	(626,307)	342,834
Contributions restricted for long-term purposes	(6,511,969)	(2,710,538)
Change in operating assets and liabilities:		
Accounts receivable	1,538,012	(539,113)
Contributions receivable	(183,912)	(107,500)
Gift store inventory	(49,539)	(41,180)
Prepaid expenses and other assets	462,651	(459,654)
Accounts payable	22,718	(2,021,572)
Accrued expenses	(321,817)	145,632
Deferred revenue	(1,998,890)	690,940
	(4,846,467)	3,124,549
Net change in cash from operating activities		
Cash flows from investing activities		
Purchases of equipment	(1,784,770)	(9,268,838)
Contributions restricted for long-term purposes	1,612,780	4,640,914
	(171,990)	(4,627,924)
Net change in cash from investing activities		
Cash flows from financing activities		
Principal payments on operating lease liabilities	(2,479,200)	(2,540,112)
Principal payments on financing lease liabilities	(23,747)	(22,236)
Proceeds from issuance of PPP loan	3,560,306	-
Principal payments on note payable	(4,863,918)	-
	(3,806,559)	(2,562,348)
Net change in cash from financing activities		
Net change in cash, cash equivalents, and restricted cash equivalents	(8,825,016)	(4,065,723)
Cash, cash equivalents, and restricted cash equivalents, beginning of year	14,818,656	18,884,379
Cash, cash equivalents, and restricted cash equivalents, end of year	\$ 5,993,640	\$ 14,818,656

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
(Continued)		
Cash and cash equivalents	\$ 5,927,285	\$ 14,701,249
Restricted cash included in assets restricted to investment in buildings and equipment	66,355	117,407
Cash, cash equivalents, and restricted cash	\$ 5,993,640	\$ 14,818,656
Supplemental disclosure for cash flows information		
Interest expense paid	\$ 1,063,918	\$ 203,580
Supplemental disclosure for cash flows information		
Purchase of equipment with a financing lease	\$ -	\$ 86,605
Repayment of note payable to City of Long Beach through collection of conditional grant	\$ 5,136,082	\$ -
Capitalized interest paid through collection of conditional grant	\$ 1,063,918	\$ -
Conditional grant receivable received from the City of Long Beach offset against the principal balance of the note payable and to pay interest owed on note payable that was capitalized into fixed assets	\$ 6,200,000	\$ -

See notes to financial statements.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The Aquarium of the Pacific (the “Corporation”) is a California not-for-profit benefit corporation, originally formed in October 1992 as the Genesis Long Beach Aquarium Corporation. Under its articles of incorporation, the Corporation was organized for the benefit of the general public to promote educational, scientific, and charitable purposes relative to the design, construction, and subsequent operation of a public aquarium and educational sea life exhibit facility in the City of Long Beach (the “City”). The Corporation’s sole objective is to manage the operations of the Aquarium of the Pacific (the “Aquarium”).

The Aquarium is located at the waterfront of downtown Long Beach, California. The mission of the Aquarium is to instill a sense of wonder, respect, and stewardship for the Pacific Ocean, its inhabitants, and ecosystems. The Aquarium’s vision is to create an aquarium dedicated to conserving and building Natural Capital (Nature and Nature’s services) by building Social Capital (the interactions between and among peoples).

In 2020, the COVID-19 Pandemic caused the Aquarium’s significant decrease in total operating revenue. Restrictions placed by the State of California on social gathering resulted in the Aquarium only be able to offer a fully opened facility for 91 days in 2020. As a result of closed or limited access status during the year, the Aquarium experienced a decline in admission, membership, gift store, fund-raising events and ancillary revenue. The loss in revenue in these areas was offset in part with an increase in contributions revenue, as the organization worked with donors to secure unrestricted donations to support the crisis. The largest gift secured was \$6.2 million from the City of Long Beach. This revenue received was represented an acceleration of payment for a grant secured in 2012, which was formally conditional. The Aquarium also curtailed expenses to offset the facility closure and loss in revenue. Specifically, the corporation reduced salaries, marketing and advertising, services and other variable costs to lower total operating expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The accompanying financial statements include statements of financial position that present the amounts for each of the two classes of net assets: without donor restrictions and with donor restrictions. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

- Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired.
- Net assets with donor restrictions include those assets which have been limited by donors to later periods of time or for specified purposes. When a donor restriction is fulfilled, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from net assets with donor restrictions. Contributions restricted for the acquisition of long-lived assets are reported as donor restricted net assets until such time as the long-lived assets are placed in service by the Corporation.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of Estimates

The preparation of financial statements in conformity with 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue and Support

The Corporation recognizes revenue for admission, merchandise and all other ancillary spending the day the transaction occurs when purchased onsite. Advanced admission sales products (which include offsite, web and third-party sales) and education revenue are carefully analyzed and considered for deferral treatment. Admission and education sales that are initially classified as deferred revenue are recognized once presented for redemption at the facility. Membership revenue is recognized over the related term of the agreement (typically 12 months) resulting in deferred revenue for contracts not completed at year end.

The Corporation provides an allowance, as necessary, for uncollectible receivables, based on management's evaluation of potential uncollectible receivables at year end. If amounts are deemed uncollectible at any point during the year, amounts are written off against the allowance.

The Corporation records as revenue the following types of contributions under FASB ASC 958-605 when they are received unconditionally at their estimated fair value: cash, promises to give (pledges), and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Contributions, including endowment gifts and pledges, as well as any other unconditional promises to give, are recorded in the period pledged as unrestricted or donor restricted support depending on the existence or nature of any donor restrictions. Amounts expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows discounted using credit-adjusted rates.

The Corporation provides an allowance, as necessary, for uncollectible promises, based on management's evaluation of potential uncollectible contributions receivable at year end. No allowance was recorded as of December 31, 2020 and 2019.

(d) Contributed Goods and Services

The Corporation records various types of in-kind support, including donated professional services and supplies. Contributed goods and services are reflected in the accompanying statements at their estimated fair market value in the period received. Contributions of tangible assets are recognized at fair value when received. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of unpaid volunteers have made significant contributions of their time that does not meet the two recognition criteria described above. Accordingly, the value of this donated time is not reflected in the accompanying financial statements.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Contributed Goods and Services (Continued)

During the years ended December 31, 2020 and 2019, contributed services amounted to \$113,599 and \$326,504, respectively. During the years ended December 31, 2020 and 2019, contributions of goods amounted to \$51,161 and \$152,773, respectively.

(e) Cash, Cash Equivalents, and Restricted Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents restricted for long-term purposes consists of amounts in demand deposit accounts.

(f) Gift Store Inventory

Gift store inventory consists of merchandise sold at the Corporation's gift store and are valued at the lower of cost (average cost method) or net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

(g) Live Animal Inventory

The costs of purchasing or collecting live animals are expensed as incurred.

(h) Property and Equipment

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the various classes of property, as follows:

Buildings	27.5 years
Equipment, furniture and fixtures	3 to 7 years
Leasehold improvements	Shorter of estimated useful life or lease term remaining

Contributions received that are restricted for capital projects are classified as net assets with donor restrictions; those restrictions expire when the capital projects are placed in service by the Corporation.

(i) Impairment of Long-lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. Any loss would be recognized in change in net assets in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of December 31, 2020 and 2019.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases

The Corporation's lease obligations include real estate operating leases used in operations. For any lease with an initial term in excess of 12 months, the related lease assets and liabilities are recognized on the statement of financial position as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. Lease and non-lease components, where the payment is based on a fixed amount, index or rate, are separated and allocated based on their stand-alone price for all classes of assets. Non-lease components, where the payment is not based on a fixed amount, index or rate are excluded from the calculation of the lease liability and right of use asset, and are accounted for based on the underlying principles of the incurred charges. Leases with an initial term of 12 months or less are not recorded on the statement of financial position; lease expense for these leases are recognized on a straight-line basis over the lease term.

Operating lease right-of-use assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. Since the leases generally do not provide an implicit rate, the Corporation estimated its incremental borrowing rate based on the Corporation's borrowing rate of 3.0% when ASC Topic 842 was adopted. Lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Fixed payments may contain predetermined fixed rent escalations. The Corporation recognizes the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

(k) Functional Allocation of Expenses

The costs of providing the Corporation's various programs and the Corporation's administration have been summarized on a functional basis in the statement of activities. Accordingly, the financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, amortization, and property insurance which are allocated on a square footage basis, as well as general office expenses, information technology, interest, insurance, and other expenses, are allocated on the basis of estimates of time and effort. Additionally, the development and membership expenses included as supporting services in the accompanying statements of functional expenses include the Corporation's fund-raising expenses that amount to \$65,151 and \$392,597 for the years ended December 31, 2020 and 2019, respectively. These fund-raising activities consist of ongoing annual campaigns and, as such, related revenues are not presented net of direct benefits to donors.

(l) Advertising

Advertising expenses are charged to expense as incurred. For the years ended December 31, 2020 and 2019, advertising expenses totaled \$521,953 and \$2,586,306, respectively.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Taxes

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Corporation is subject to income taxes on any net income that is derived from a trade or business regularly carried on, and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business and, in the opinion of management, is not material to the financial statements taken as a whole. The Corporation has not recorded any uncertain tax positions. The Corporation recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2020 and 2019, the Corporation did not recognize any amount in potential interest and penalties associated with uncertain tax positions and did not note any matters which may have an effect on its tax-exempt status.

(n) Estimated Fair Value of Financial Instruments

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses the market or income approach. Based on this approach, the Corporation utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, U.S. GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs which are supported by little or no market activity.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Estimated Fair Value of Financial Instruments (Continued)

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the years ended December 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

(o) Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Corporation beginning on January 1, 2022. The Corporation's management is currently evaluating the impact of this new guidance on the Corporation's financial statements.

Other accounting standards updates not effective until after December 31, 2020 are not expected to have a material effect on the Corporation's financial position or results of operations.

(p) Concentration of Credit and Market Risk

Certain financial instruments held by the Corporation potentially subject the Corporation to concentrations of credit risk. Financial instruments which potentially subject the Corporation to concentrations of credit and market risk consist primarily of cash and cash equivalents, contribution receivables, and contribution revenues.

Cash and Cash Equivalents

The Corporation maintains its cash and cash equivalents in one financial institution that, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to \$250,000. As of December 31, 2020 and 2019, the Corporation's deposits exceeded insured amounts by \$806,558 and \$809,450, respectively. The remainder of cash and cash equivalents held at December 31, 2020 and 2019 is uninsured and amounts to \$4,833,793 and \$13,967,244, respectively. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contribution Receivables

For the year ended December 31, 2020, there were three donors that accounted for 64% of contribution receivables. For the year ended December 31, 2019, there were three donors that accounted for 73% of contribution receivables.

Contribution Revenues

For the year ended December 31, 2020, there was one donor that accounted for 63% of contribution revenues. For the year ended December 31, 2019, there were one donor that accounted for 14% of contribution revenues.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – BUSINESS ACTIVITY AND NOTE PAYABLE

In October 1995, the Corporation sold \$117,545,000 in tax-exempt long-term bonds to the general public, guaranteed by specific funds (Tidelands and Hotel tax) of the City, to finance the construction of a 156,000-square-foot world-class aquarium. In October 1995, the Corporation also entered into a ground lease with the City. In May 1997, the City and the Corporation terminated a portion of the October 1995 ground lease between the Corporation and the City described as the “Parking Parcel.” The City agreed to construct, operate, and maintain a public parking facility. The Corporation transferred the sum of \$1,500,000 to be applied toward the construction of such public parking facility. The City further agreed during the term of the lease to pay to the Corporation an annual amount of any net revenues not to exceed \$1,500,000. The Aquarium opened to the general public in June 1998.

In April 2001, the parking agreement between the City and Corporation was included in a new lease between the City and the Corporation extending the term of the agreement to fiscal year 2031 (2001 Parking Agreement). In May 2001, the City finalized an agreement whereby the Corporation’s outstanding tax-exempt debt would be defeased from funds generated by the sale of \$129,520,000 of Lease Revenue Refunding Bonds (“Aquarium of the Pacific Project”), Series 2001 (Series 2001 Refunding Bonds), issued by the Long Beach Bond Finance Authority (the “Authority”). In March 2012, the Long Beach Bond Finance Authority 2013 Refunding Revenue Bonds (Aquarium of the Pacific Project) (the Series 2012 Bonds) were issued by the Authority to (a) refund all of the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001, (b) fund a reserve fund for the Series 2012 Bonds and (c) pay for costs of issuance of the Series 2012 Bonds. The purchase price of the Bonds was \$113,730,033 (representing the principal amount of the Bonds of \$102,580,000, plus an original issue premium of \$11,595,462 and less an underwriters’ discount of \$445,429).

Pursuant to the May 2001 agreement, a public/private partnership between the City and the Corporation was formed under a formal operating arrangement approved by the City Council of the City and the Corporation’s board of directors, whereby the Aquarium’s operations are carried out by the Corporation. Under the terms of this agreement, the City assumed ownership of all physical plant assets at that time and also assumed responsibility for the Corporation’s then-outstanding long-term indebtedness. Assets comprising investments held by trustee, capital assets, certain other assets, and net bonds payable were transferred to the City to be accounted for in the City’s Tidelands Operating Fund, a nonexpendable trust fund of the City. The remaining net assets, including asset acquisitions subsequent to May 2001, remain with the Corporation. The Corporation operates as a separate 501(c)(3) not-for-profit organization with a separate independent board of directors.

On March 1, 2006, an “Implementation Agreement” was entered into between the Corporation and the Authority, which clarified costs of operations within the definitions, included in the Series 2001 Refunding Bonds Indenture and certain operating policies and procedures between the entities and also incorporated the 2001 Parking Agreement. Included in the agreement is a stabilized rent payment to the City of \$3,528,000, net of revenue-sharing arrangements for operating funds available after operating expenses including operating capital, rent, and parking operations. Further, operating capital expenditure levels and parking garage revenue assumptions were predefined through 2031, and certain other review and control mechanisms were codified. Depending on the net revenues generated by the Corporation as defined in the 2001 Series Bond Indenture, amounts are due either to or from the City’s bond-related reserves at the end of each year.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – BUSINESS ACTIVITY AND NOTE PAYABLE (Continued)

On January 24, 2015, an Amendment to Implementation Agreement was made and entered by and between the Corporation and the Authority. In the amendment, the City's obligation under the Implementation Agreement and any other document (including but not limited to, the Parking Agreement, the Indenture, and Lease Agreement) to pay to the Corporation any parking garage revenue was fully extinguished and canceled. The stabilized rent payment to the City in each fiscal year was reduced from \$3,528,000 to \$2,154,000. See Note 11 for the Corporation's recording of the remaining payments on this lease as an operating lease right-of-use asset with the adoption of ASC 842. Further, operating capital expenditure levels, and certain other review and control mechanisms were restated.

Unrestricted funds relating to the Aquarium's operations are held by the City's designated trustee. Formal procedures are in place to deposit operating receipts and withdraw reimbursements for operating expenses, including operating capital, from these trustee-maintained accounts. Donor-restricted funds generated by the Corporation's fund-raising activities, including grants and donations from private and public sources, remain the property of, and are held separately by, the Corporation.

On November 15, 2017, an Amended and Restated Implementation Agreement was made and entered by and between the Corporation and the Authority. In the amendment, the City agreed to make a loan to the Corporation in an amount equal to \$10,190,000 (the "2017 Loan") for the purposes of bridging capital campaign expansion pledges due (to the Corporation in future years) with construction payments due to complete facility expansion. As the pledges are collected, these funds are to be restricted for the purpose of repaying the debt and are included in cash, cash equivalents, and restricted cash equivalents on the statement of financial position. In order to provide funds for the note payable, the City issued Tideland Revenue Bonds, Series 2017A (Aquarium of the Pacific Project). Of the \$10,190,000, \$10,000,000 is available to be drawn on. Additional reporting of the construction costs and pledged and collection of funds due to the Corporation are requirements to the Authority under the Amended and Restated Implementation Agreement. As of December 31, 2018, the Corporation had drawn all funds from the City of Long Beach and expended them on the expansion project under the agreement resulting in \$10,000,000 outstanding on the note payable under the agreement. The agreement required interest payments ranging from 2.5% to 3.0% due annually through the maturity date of October 15, 2027. As of December 31, 2019, accrued interest was \$53,027, which is included in accrued expenses in the accompanying statements of financial position.

On May 15, 2020, a Second Amendment and Restated Implementation Agreement was made and entered by and between the Corporation and the Authority. In the amendment, the City agreed to make available a loan to the Corporation in up to \$2,154,000, which was not utilized by the Corporation during the year ended December 31, 2020. Also, as part of the Second Amendment and Restated Implementation Agreement, the City was conditionally obligated to deliver \$6,200,000 in grant funds, and the outstanding balance owed under the 2017 Loan was \$10,000,000 and the Corporation also owed the required interest payments totaling \$1,063,918. As a condition to the effectiveness of the second amendment, the Corporation paid \$4,863,918 to the City in which the Authority and the City released their obligation for payment on the 2017 Loan as the loan was now paid in full.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PPP LOAN

On April 14, 2020, the Corporation was informed by a bank that the U.S. Small Business Administration (SBA) approved the Corporation’s request for a loan under the SBA’s Paychex Protection Program (PPP) as authorized under the CARES Act. The Corporation signed a promissory note in the amount of \$3,560,306 for a PPP loan. In accordance with the CARES Act, the Corporation used the PPP loan proceeds for eligible costs that should result in full or partial forgiveness from repayment of the PPP loan. There is some uncertainty regarding the forgiveness of the loan, therefore the Corporation has classified the funds as debt and will record forgiveness upon being legally released from the loan repayment obligation. Any unforgiven portion of the PPP Loan would be payable over 2 years (matures April 14, 2022) at an interest rate of 1.0%, with a deferral of payments for 10 months at the end of the covered period. As of the report date of April 29, 2021, the Corporation has not submitted its application for forgiveness of the entirety of the loan proceeds. Accordingly, no forgiveness income has been recorded for the year ended December 31, 2020.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

At December 31, 2020 and 2019, the Corporation had the following contributions receivable:

	2020	2019
Due within one year	\$ 644,549	\$ 1,760,965
Due between one to five years	245,000	260,000
Total	889,549	2,020,965
Present value discount	(16,498)	(31,015)
Total contributions receivable, net	\$ 873,051	\$ 1,989,950

As of December 31, 2020 and 2019, the Corporation used a credit-adjusted discount rate of 5.75% and 7.25% to calculate the present value discount for contributions receivable, respectively.

As of December 31, 2020 and 2019, contributions receivable due from Board Members totaled to \$100,000 and \$17,500, respectively. During the years ended December 31, 2020 and 2019, contribution revenues from Board Members totaled to \$509,490 and \$283,830, respectively.

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Building	\$ 55,009,555	\$ 54,897,119
Equipment	26,454,556	23,899,834
Furniture and fixtures	15,663,469	14,789,385
Leasehold improvements	24,712	24,712
Construction in progress	292,556	985,111
	97,444,848	94,596,161
Less accumulated depreciation and amortization	(39,444,035)	(34,707,668)
Property and equipment, net	\$ 58,000,813	\$ 59,888,493

The Corporation capitalizes interest as a component of the cost of property and equipment constructed for its own use. During the year ended December 31, 2020 and 2019, total interest incurred and capitalized was \$1,063,918 and \$254,530, respectively.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Payroll, bonus and payroll-related benefits	\$ 1,448,845	\$ 1,660,852
Other liabilities	132,382	242,192
Total	\$ 1,581,227	\$ 1,903,044

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes:

	2020	2019
Subject to expenditure for specified purposes:		
Marketing	\$ -	\$ 242
Scholarship	18,050	164,488
Education and conservation	458,959	643,735
Equipment and construction	540,868	1,961,996
Total	1,017,877	2,770,461
Gifts subject to restrictions in perpetuity:		
Education and conservation	498,432	498,432
Unappropriated endowment earnings	29,492	28,278
Total assets with donor restrictions	\$ 1,545,801	\$ 3,297,171

During the years ended December 31, 2020 and 2019, net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Education and Conservation	\$ 581,657	\$ 282,267
Equipment and Construction	1,663,832	40,559,505
Marketing	242	-
Scholarship	157,128	287,083
Total	\$ 2,402,859	\$ 41,128,855

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – ENDOWMENT FUNDS

The Corporation’s endowment consists of five donor-restricted funds primarily established to support education and conservation programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As of December 31, 2020 and 2019, the Corporation had the following endowment net asset composition by type of fund:

	2020	2019
Original donor-restricted gift amount and Amounts required to be maintained in Perpetuity by donor	\$ 498,432	\$ 498,432
Accumulated investment gains	29,492	28,278
Balance, end of the year	\$ 527,924	\$ 526,710

During the years ended December 31, 2020 and 2019, the donor-restricted endowment funds had the following activity:

	2020	2019
Balance, beginning of the year	\$ 526,710	\$ 525,701
Total gains, net of change in valuation allowance	1,214	1,009
Balance, end of the year	\$ 527,924	\$ 526,710

(a) Return Objectives and Risk Parameters

The Corporation is required to follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Corporation has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowed assets. This policy shall provide for safety of principal when taking into consideration the current and expected market conditions. The overall rate of return objective for the endowment is a risk-free rate of return, or less than 1%. This objective was determined given the recent volatility in the equity and debt markets. Once the board of directors or its finance committee determines that a higher rate of return is worth the risk, the investments will be held in money market accounts.

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2020 and 2019, there were no deficiencies of this nature.

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – ENDOWMENT FUNDS (Continued)

(b) Investment Strategy

Consistent with the investment and prudent spending policies, the investment strategy is as follows:

1. Preservation of capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.
2. Long-term growth of capital: to seek long-term growth of principal.
3. Preservation of purchasing power: to seek returns in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

(c) Spending Policy

The Corporation has a policy of appropriating for distribution each year 80% of the net returns generated over the previous 12 months from its investments and endowment. In establishing this policy, the board of directors considered the size of the investment and endowment balance so that it could grow through new gifts and investment return.

NOTE 10 – AVAILABLE RESOURCES AND LIQUIDITY

The following table reflects the Corporation’s financial assets as of December 31, 2020 and 2019 that are without donor or other contractual restrictions limiting their use and are available to meet general expenditures within one year of the date of the statement of financial position.

	2020	2019
Cash and cash equivalents	\$ 5,018,493	\$ 13,426,436
Accounts receivable, net	50,995	962,700
Contributions receivable	289,401	84,999
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,358,889	\$ 14,474,135

In addition, the Corporation has access to a cash balance which exceeds \$3.7 million that is held with US Bank (the trust which manages the City/Corporation relationship as disclosed through the implementation agreement in Note 3). This account is titled operating reserve and is specifically designated to facilitate meeting any cash obligations that the Corporation may need in the short term. Since inception of this operating reserve account in 2006, the Corporation has never needed to utilize these funds and carefully manages cash flow in accordance with the annual budget approved by the Board of Directors.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – AVAILABLE RESOURCES AND LIQUIDITY (Continued)

When establishing the business plan and annual budget each year, the Corporation's management and directors evaluate financial assets available to meet general expenditures over the year and predictable sources of earned revenue. When determining available resources for a year, the Corporation supplements the financial assets available in the next year with revenues from certain earned income sources:

- Admission sales – expected ticket sales are estimated based on assumptions of seasonality and attendance.
- Membership and ancillary sales – expected annual membership sales and other components of revenue such as retail sales, food and beverage commissions, and special encounters/behind the scene tour income are estimated based on historical capture rates on attendance.
- Contributions – expected gifts and contributions are reasonably predicted based on invitations for proposals, annual giving programs and history and on site giving (based on attendance per capita budgeted).

Comparing these cash inflow sources to budgeted expenses reveals funding that may or may not be required to be raised to meet the budget year to achieve a balance budget.

NOTE 11 – RETIREMENT PLAN

The Corporation offers a 457-plan covering substantially all employees. For the years ended December 31, 2020 and 2019, participants in the plan could make contributions up to Internal Revenue Service maximums. For the years ended December 31, 2020 and 2019, the Corporation contributed an additional amount equal to 50% of the first 4% of each participant's plan contribution, once the participant has reached 500 hours of service. Total contributions to the plan, including employer match, may not exceed \$19,500 and \$19,000, respectively, for the years ended December 31, 2020 and 2019. Participants are 100% vested in all plan contributions plus actual earnings thereon. The Corporation's contribution was \$170,284 and \$188,879 for the years ended December 31, 2020 and 2019, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

Lease term and discount rate for operating leases were as follows:

Weighted-average remaining lease term	10.66 years
Weighted-average discount rate	3%

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

(a) Operating Leases (Continued)

The Corporation leases certain office space and warehouse space under cancellable and non-cancellable operating leases that expire at varying dates through March 2024 and require minimum monthly payments of \$52,533. Total rent expense under these lease agreements for the years ended December 31, 2020 and 2019 was \$636,218 and \$819,469, respectively. The Corporation also leases the space for the aquarium under a non-cancellable operating lease that expires December 2031 and requires minimum annual payments of \$2,154,000, as discussed in Note 3. Operating lease expense is recognized on a straight-line basis over the lease term.

At December 31, 2020, the Corporation has \$19,855,322 of non-cancelable operating lease commitments. The following is a schedule by years of undiscounted future minimum lease payments as of December 31, 2020:

Year Ending December 31,	Total
2021	\$ 2,556,376
2022	2,505,523
2023	2,516,069
2024	2,245,181
2025	2,154,000
Thereafter	12,924,000
Total lease payments	24,901,149
Less: interest	(5,045,827)
Present value of lease liabilities	\$ 19,855,322

(b) Purchase Commitments

The Corporation has a commitment to purchase salt water from a third party for monthly payments of \$12,500 maturing December 2021. Total purchases under this commitment were \$150,000 for the years ended December 31, 2020 and 2019, respectively.

(c) Legal Matters

In the normal course of business, the Corporation may become a party to litigation. Management believes they are adequately insured for potential losses that may arise related to such litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Corporation as of December 31, 2020 and 2019.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – SUBSEQUENT EVENTS

On March 9, 2021, the City of Long Beach City Council approved a loan that allows the Corporation to borrow up to \$5,000,000 to help the Corporation manage through the pandemic. The approved loan has two purposes 1) to be drawn on monthly for cash as needed to pay for operating and maintenance costs and 2) to allow the Corporation the ability to pay the annual rent due to the City in October 2021 in order to avoid default should there not be enough cash accumulated from operations. The May 15, 2020 loan for \$2,154,000 (Note 3) granted by the City of Long Beach which authorized the Corporation the ability to borrow money as a result of low revenues was never utilized and therefore has been terminated to avoid duplication. The key terms of the new loan include a) maximum loan amount of \$5 million b) to be used for liquidity, operating and rent c) can be drawn on in increments on a monthly basis to cover operating needs with interest only applicable on used amount d) loan term is 13 years (maturing March 1, 2034) with no prepayment penalty and e) loan interest rate equal to ten-year treasury yield-fixed rate. As of April 29, 2021, the Corporation has not exercised the option to use these funds to support operations.

On April 5, 2021 the Corporation signed an amendment to their warehouse space lease, extending the expiration date to May 31, 2026. Minimum monthly payments of \$13,268 start in June 2021, with annual rent increases of 3%.

Management evaluated all activity through April 29, 2021 (the issue date of the financial statements) and concluded that no subsequent events other than that noted above have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.