

AQUARIUM OF THE PACIFIC
FINANCIAL REPORT
DECEMBER 31, 2023

AQUARIUM OF THE PACIFIC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Aquarium of the Pacific

Opinion

We have audited the financial statements of the Aquarium of the Pacific (the "Corporation"), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Aquarium of the Pacific as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Singer Lewak LLP

April 25, 2024

AQUARIUM OF THE PACIFIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Cash, cash equivalents, and restricted cash equivalents	\$ 9,987,161	\$ 1,974,159	\$ 11,961,320	\$ 3,243,238	\$ 1,812,657
Facility funds – restricted cash and cash equivalents	24,602,398	-	24,602,398	22,413,942	-	22,413,942
Accounts receivable, net	428,549	-	428,549	439,245	-	439,245
Contributions receivable	81,795	433,990	515,785	93,904	622,609	716,513
Gift store inventory	689,014	-	689,014	930,786	-	930,786
Prepaid expenses and other assets	762,505	-	762,505	781,070	-	781,070
Restricted cash equivalents for investment in property and equipment	-	-	-	-	5,874	5,874
Property and equipment, net	50,856,763	-	50,856,763	53,289,746	-	53,289,746
Operating lease right-of-use assets, net	431,092	-	431,092	887,355	-	887,355
Finance lease right-of-use asset, net	51,592	-	51,592	72,122	-	72,122
Total assets	<u>\$ 87,890,869</u>	<u>\$ 2,408,149</u>	<u>\$ 90,299,018</u>	<u>\$ 82,151,408</u>	<u>\$ 2,441,140</u>	<u>\$ 84,592,548</u>

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

LIABILITIES AND NET ASSETS

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities						
Accounts payable	\$ 1,298,000	\$ -	\$ 1,298,000	\$ 2,554,232	\$ -	\$ 2,554,232
Accrued expenses	3,240,012	-	3,240,012	2,278,181	-	2,278,181
Deferred revenue	4,303,572	-	4,303,572	4,455,958	-	4,455,958
Operating lease liabilities	431,092	-	431,092	887,355	-	887,355
Financing lease liabilities	51,592	-	51,592	72,122	-	72,122
Total liabilities	<u>9,324,268</u>	<u>-</u>	<u>9,324,268</u>	<u>10,247,848</u>	<u>-</u>	<u>10,247,848</u>
Net assets						
Without donor restrictions	78,566,601	-	78,566,601	71,903,560	-	71,903,560
With donor restrictions	-	2,408,149	2,408,149	-	2,441,140	2,441,140
Total net assets	<u>78,566,601</u>	<u>2,408,149</u>	<u>80,974,750</u>	<u>71,903,560</u>	<u>2,441,140</u>	<u>74,344,700</u>
Total liabilities and net assets	<u>\$ 87,890,869</u>	<u>\$ 2,408,149</u>	<u>\$ 90,299,018</u>	<u>\$ 82,151,408</u>	<u>\$ 2,441,140</u>	<u>\$ 84,592,548</u>

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Admissions	\$ 37,158,209	\$ -	\$ 37,158,209	\$ 33,430,521	\$ -	\$ 33,430,521
Memberships	6,272,307	-	6,272,307	6,193,287	-	6,193,287
Educational programs	544,099	-	544,099	352,480	-	352,480
Gift store	7,839,760	-	7,839,760	7,989,855	-	7,989,855
Contributions and grants	2,656,298	995,133	3,651,431	2,984,698	1,869,236	4,853,934
Auxiliary revenues	714,949	-	714,949	750,809	-	750,809
Food service	857,378	-	857,378	715,537	-	715,537
Fund-raising events	510,689	-	510,689	429,820	-	429,820
Donated goods and services	100,951	-	100,951	74,821	-	74,821
CARES Act income	1,600,622	-	1,600,622	554,295	-	554,295
Other income	1,208,717	25,801	1,234,518	308,260	407	308,667
Net assets released from restrictions	1,053,925	(1,053,925)	-	1,425,258	(1,425,258)	-
Total revenues and support	60,517,904	(32,991)	60,484,913	55,209,641	444,385	55,654,026
Expenses						
Program services						
Husbandry and facilities	15,495,899	-	15,495,899	12,463,134	-	12,463,134
Education, interpretation, and outreach	5,594,509	-	5,594,509	5,396,931	-	5,396,931
Guest services	10,218,153	-	10,218,153	8,796,468	-	8,796,468
Gift store	6,013,860	-	6,013,860	6,298,071	-	6,298,071
Total program services	37,322,421	-	37,322,421	32,954,604	-	32,954,604
Supporting services						
Development and membership	2,888,682	-	2,888,682	2,362,377	-	2,362,377
Marketing	6,069,910	-	6,069,910	4,969,466	-	4,969,466
Human resources	1,959,028	-	1,959,028	1,469,577	-	1,469,577
Finance and administration	5,614,822	-	5,614,822	4,535,420	-	4,535,420
Total support services	16,532,442	-	16,532,442	13,336,840	-	13,336,840
Total operating expenses before other changes	53,854,863	-	53,854,863	46,291,444	-	46,291,444
Change in net assets before other changes	6,663,041	(32,991)	6,630,050	8,918,197	444,385	9,362,582
Other operating expenses						
Amounts transferred from reserves	-	-	-	12,373,634	-	12,373,634
Total other operating expenses	-	-	-	12,373,634	-	12,373,634
Change in net assets	6,663,041	(32,991)	6,630,050	21,291,831	444,385	21,736,216
Net assets, beginning	71,903,560	2,441,140	74,344,700	50,611,729	1,996,755	52,608,484
Net assets, ending	\$ 78,566,601	\$ 2,408,149	\$ 80,974,750	\$ 71,903,560	\$ 2,441,140	\$ 74,344,700

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services					Supporting 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 Supporting Services	
Salaries, taxes, and benefits	\$ 7,067,141	\$ 3,752,823	\$ 6,618,351	\$ 2,078,449	\$ 19,516,764	\$ 1,528,417	\$ 2,161,364	\$ 1,266,845	\$ 2,119,994	\$ 7,076,620	\$ 26,593,384
Cost of goods sold	-	-	-	3,314,010	3,314,010	-	-	-	-	-	3,314,010
Insurance	103,766	169,966	226,761	83,935	584,428	2,039	16,297	2,961	18,534	39,831	624,259
Permits, maintenance, and construction	699,567	834	65,296	6,291	771,988	62	-	-	5,636	5,698	777,686
Occupancy	29,621	71,547	68,613	185,871	355,652	116,221	135,623	57,844	133,891	443,579	799,231
Utilities	3,028,141	-	-	17,365	3,045,506	-	-	-	-	-	3,045,506
Husbandry/animals and collecting	509,973	-	-	-	509,973	-	-	-	10,981	10,981	520,954
Services	1,073,514	295,981	418,910	17,537	1,805,942	410,378	381,716	439,102	722,358	1,953,554	3,759,496
Supplies and other expendables	1,493,108	136,257	614,083	85,107	2,328,555	147,624	82,290	107,843	153,928	491,685	2,820,240
Postage, shipping, and courier	17,892	3,402	5,213	3,809	30,316	113,242	68,139	1,185	4,358	186,924	217,240
Information technology and telecommunications	38,624	3,008	169,320	3,430	214,382	5,193	44,898	2,265	526,918	579,274	793,656
Printing and publishing	120	8,169	2,092	-	10,381	192,637	406,633	-	-	599,270	609,651
Advertising, promotions, and public relations	425	25,150	565	-	26,140	9,618	2,004,963	-	982	2,015,563	2,041,703
Travel, meals, and training	144,157	36,788	25,309	2,514	208,768	13,761	15,559	24,920	48,299	102,539	311,307
Depreciation and amortization	1,138,639	918,917	1,170,331	12,607	3,240,494	10,806	27,015	10,806	1,628,308	1,676,935	4,917,429
Scholarship	-	95,000	-	-	95,000	-	-	-	-	-	95,000
Other	151,211	76,667	833,309	202,935	1,264,122	338,684	725,413	45,257	240,635	1,349,989	2,614,111
Total expenses by function	\$ 15,495,899	\$ 5,594,509	\$ 10,218,153	\$ 6,013,860	\$ 37,322,421	\$ 2,888,682	\$ 6,069,910	\$ 1,959,028	\$ 5,614,822	\$ 16,532,442	\$ 53,854,863

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services					Supporting 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 Supporting Services	
Salaries, taxes, and benefits	\$ 5,529,341	\$ 3,257,762	\$ 5,968,840	\$ 1,914,214	\$ 16,670,157	\$ 1,288,605	\$ 1,888,412	\$ 990,850	\$ 1,543,786	\$ 5,711,653	\$ 22,381,810
Cost of goods sold	-	-	-	3,720,633	3,720,633	-	-	-	-	-	3,720,633
Insurance	87,337	109,639	173,166	73,962	444,104	2,296	18,346	3,334	106,835	130,811	574,915
Permits, maintenance, and construction	476,759	2,086	40,604	13,713	533,162	124	-	-	6,962	7,086	540,248
Occupancy	18,886	68,532	57,241	175,748	320,407	110,516	130,292	46,085	129,162	416,055	736,462
Utilities	2,981,685	-	-	12,522	2,994,207	-	-	-	-	-	2,994,207
Husbandry/animals and collecting	541,805	-	-	-	541,805	-	-	-	-	-	541,805
Services	316,057	745,577	267,556	9,708	1,338,898	420,684	266,417	285,838	361,546	1,334,485	2,673,383
Supplies and other expendables	1,168,317	114,744	542,255	95,842	1,921,158	81,746	64,669	113,716	92,831	352,962	2,274,120
Postage, shipping, and courier	14,720	3,436	6,570	6,359	31,085	100,592	43,109	944	1,556	146,201	177,286
Information technology and telecommunications	16,625	2,534	11,602	108,527	139,288	5,438	12,614	1,772	414,149	433,973	573,261
Printing and publishing	61	13,763	1,489	268	15,581	187,878	362,024	411	-	550,313	565,894
Advertising, promotions, and public relations	5,350	103,477	5,248	839	114,914	2,050	1,737,678	-	-	1,739,728	1,854,642
Travel, meals, and training	69,049	54,836	20,382	2,980	147,247	5,104	14,580	15,260	41,815	76,759	224,006
Depreciation and amortization	1,236,604	919,858	1,139,878	11,341	3,307,681	9,722	24,304	9,721	1,581,026	1,624,773	4,932,454
Other	538	687	561,637	151,415	714,277	147,622	407,021	1,646	255,752	812,041	1,526,318
Total expenses by function	\$ 12,463,134	\$ 5,396,931	\$ 8,796,468	\$ 6,298,071	\$ 32,954,604	\$ 2,362,377	\$ 4,969,466	\$ 1,469,577	\$ 4,535,420	\$ 13,336,840	\$ 46,291,444

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 6,630,050	\$ 21,736,216
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization expense	4,917,429	4,932,454
Amortization of finance lease right-of-use asset	20,530	19,224
Loss on disposal of equipment	760,418	-
Noncash lease expense	456,263	456,263
Provision for bad debts	(2,244)	4,676
Contributions restricted for long-term purposes	188,619	(450,846)
Change in operating assets and liabilities:		
Accounts receivable	12,940	(54,436)
Contributions receivable	12,109	101,203
Other receivable	-	1,226,590
Gift store inventory	241,772	(283,212)
Prepaid expenses and other assets	18,565	(220,448)
Accounts payable	(1,256,232)	656,831
Accrued expenses	961,831	227,341
Deferred revenue	(152,386)	(329,425)
Operating lease liabilities	(456,263)	(456,263)
Refundable advance	-	(554,243)
	12,353,401	27,468,188
Net change in cash from operating activities		
Cash flows from investing activities		
Purchases of equipment	(3,244,864)	(3,292,205)
Net change in cash from investing activities	(3,244,864)	(3,292,205)
Cash flows from financing activities		
Principal payments on financing lease liabilities	(20,530)	(19,223)
Net change in cash from financing activities	(20,530)	(475,486)
Net change in cash, cash equivalents, and restricted cash equivalents	9,088,007	23,700,497
Cash, cash equivalents, and restricted cash equivalents, beginning	27,475,711	3,775,214
Cash, cash equivalents, and restricted cash equivalents, ending	\$ 36,563,718	\$ 27,475,711

See notes to financial statements.

AQUARIUM OF THE PACIFIC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental disclosure of breakdown of cash, cash equivalents and restricted cash equivalents		
Cash and cash equivalents	\$ 11,961,320	\$ 5,055,895
Facility funds – restricted cash and cash equivalents	24,602,398	22,413,942
Restricted cash equivalents included in assets restricted to investment in buildings and equipment	-	5,874
Cash, cash equivalents, and restricted cash equivalents	\$ 36,563,718	\$ 27,475,711
Supplemental non-cash disclosure for cash flows information		
Non cash change in operating lease right of use asset and operating lease liabilities from defeasement of lease agreement with the City of Long Beach	\$ -	\$ 16,814,865

See notes to financial statements.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The Aquarium of the Pacific (“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 (“City”). The Corporation’s sole objective is to manage the operations of the Aquarium of the Pacific (“Aquarium”). In July 14, 1995 the corporation changed its name to Long Beach Aquarium of the Pacific, with a subsequent change to its current name of Aquarium of the Pacific in April 11, 2001.

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.

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.

(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.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue and Support

The Corporation recognizes revenue for admission, merchandise and all other ancillary spending the day the transaction occurs when purchased on-site. Advanced admission sales products (which include off-site, 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.

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. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Conditional contributions with purpose restrictions are recorded as revenue without donor restrictions if the condition met and the purpose restriction is accomplished in the reporting period in which the revenue is recognized.

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, 2023 and 2022.

(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, facilities and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value in the period received, and 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.

No significant contributions of such goods or services were received during the years ended December 31, 2023 and 2022, respectively.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Employee Retention Credit (ERC)

The Employee Retention Credit (ERC) is a refundable payroll tax credit for wages paid and health coverage provided by an employer whose operations were either fully or partially suspended due to a COVID-19-related governmental order or that experienced a significant reduction in gross receipts. The ERC allows employers that received PPP loans to qualify for the ERC with respect to wages that are not paid with proceeds from a forgiven PPP loan. For the years ended December 31, 2023 and 2022, the total ERC income amounted to \$1,600,622 and \$0, respectively.

(f) 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.

(g) Facility Funds - Restricted Cash and 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. Facility funds are balances the City requires the Corporation to maintain balances in five facility funds related to the operations, maintenance, and enhancement of the Aquarium. Refer to Note 3 for more information.

(h) Investments

The Corporation reports investments at market value. Realized and unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities and changes in net assets as nonoperating activities. Dividends and interest payments are recognized as they are earned. Investments received through gifts are recorded at liquidation value on the date of donation. To avoid credit risk, the Corporation invest cash balances in U.S. Treasury securities only. As these investments are in U.S. Treasury securities with maturity less than 12 months, they are classified as cash equivalents.

(i) Retail 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.

(j) Live Animal Inventory

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

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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. Expenditures less than \$15,000 are expensed in the period. Depreciation, for items greater than \$15,000, is calculated from the in-use date 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.

(l) 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, 2023 and 2022.

(m) 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. The Corporation has elected the practical expedient that permits an entity not to recognize short term leases on the statement of financial position. As this practical expedient has been elected, 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.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leases (Continued)

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 the new lease accounting standard (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.

(n) 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. On an ongoing basis, the Corporation makes every attempt to specifically allocate expenses to the activity garnering the benefit. Certain items benefit more than one program or supporting function; therefore, these 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, insurance, and other expenses, are allocated on the using the staff time during the year. Additionally, the development and membership expenses included as supporting services in the accompanying statements of functional expenses include the Corporation's fundraising expenses that amount to \$288,008 and \$287,272 for the years ended December 31, 2023 and 2022, respectively. These fundraising activities consist of ongoing annual campaigns and, as such, related revenues are not presented net of direct benefits to donors.

(o) Advertising

Advertising expenses are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising expenses totaled \$2,041,703 and \$1,854,642, respectively.

(p) 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, 2023 and 2022, 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.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

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, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

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. 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.

NOTE 3 – BUSINESS ACTIVITY

Effective August 1, 2022, the agreement between the Corporation and the Long Beach Bond Finance Authority was terminated, relieving the Corporation of all Bond related debt liabilities. On the same day, the Corporation executed a new agreement with the City with an annual lease payment of \$1.00 and a new term ending on November 1, 2060. Until the new agreement with the City was signed on August 1, 2022, unrestricted funds relating to the Aquarium's operations were held by the City's designated trustee. Formal procedures were in place to deposit operating receipts and withdraw reimbursements for operating expenses, including operating capital, from these trustee maintained accounts. The cash held by the trustee on behalf of the Facility Funds was distributed to the Corporation and the City. The Corporation received \$22,556,436 from the trustee during the year-ended December 31, 2022.

The agreement with the City requires the Corporation to maintain balances in five facility funds related to the operations, maintenance, and enhancement of the Aquarium. The funds are Operating & Maintenance Fund, Operating Reserve Fund, Renewal & Replacement Fund, Capital Improvement Fund, and Education Fund. The Corporation is required to have one-sixth of the preceding fiscal year's operating and maintenance expenses deposited in the Operating Reserve Fund. On a quarterly basis, per the budget, excess operating cash excluding all contributed revenue, is allocated across the five funds. The Corporation is entitled to use the fund balances as needed per the budget and to smooth out seasonal operating cashflow.

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.

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CONTRIBUTIONS RECEIVABLE

At December 31, 2023 and 2022, contributions receivable are estimated to be collected as follows:

	2023	2022
Due within one year	\$ 260,532	\$ 335,958
Due between one to five years	299,999	465,000
Total	560,531	800,958
Present value discount	(44,746)	(84,445)
Total contributions receivable, net	\$ 515,785	\$ 716,513

As of December 31, 2023 and 2022, the Corporation used a credit-adjusted discount rate of 10.5% and 10% to calculate the present value discount for contributions receivable, respectively.

As of December 31, 2023 and 2022, contributions receivable due from Board Members totaled \$0 and \$10,000, respectively. During the years ended December 31, 2023 and 2022, contribution revenues from Board Members totaled \$535,812 and \$528,987, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Building	\$ 55,086,404	\$ 55,434,342
Equipment	26,402,476	28,554,937
Furniture and fixtures	19,700,140	16,136,351
Leasehold improvements	24,712	24,712
Construction in progress	486,852	2,627,884
	101,700,584	102,778,226
Less accumulated depreciation and amortization	(50,843,821)	(49,488,480)
Property and equipment, net	\$ 50,856,763	\$ 53,289,746

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CARES ACT INCOME

CARES Act income for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Shuttered venue operators grant	\$ -	\$ 554,295
Employee retention credit (ERC)	1,600,622	-
Total	\$ 1,600,622	\$ 554,295

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

	2023	2022
Subject to expenditure for specified purposes:		
Education and conservation	\$ 1,805,078	\$ 1,850,095
Equipment and construction	-	10,875
Scholarship	-	2,900
Total	1,805,078	1,863,870
Gifts subject to restrictions in perpetuity:		
Education and conservation	546,882	546,882
Unappropriated endowment earnings	56,189	30,388
Total assets with donor restrictions	\$ 2,408,149	\$ 2,441,140

During the years ended December 31, 2023 and 2022, net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2023	2022
Education and conservation	\$ 1,040,150	\$ 904,003
Equipment and construction	10,875	520,005
Scholarship	2,900	1,250
Total	\$ 1,053,925	\$ 1,425,258

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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, 2023 and 2022, the Corporation had the following endowment net asset composition by type of fund:

	2023	2022
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 546,882	\$ 546,882
Accumulated investment gains	56,189	30,388
Total	\$ 603,071	\$ 577,270

During the years ended December 31, 2023 and 2022, the donor-restricted endowment funds had the following activity:

	2023	2022
Balance, beginning	\$ 577,270	\$ 576,863
Net investment return	25,801	407
Balance, ending	\$ 603,071	\$ 577,270

(a) Return Objectives and Risk Parameters

The Corporation is required to follow the California state enacted 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, 2023 and 2022, there were no deficiencies of this nature.

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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 9 – AVAILABLE RESOURCES AND LIQUIDITY

The following table reflects the Corporation’s financial assets as of December 31, 2023 and 2022 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.

	2023	2022
Cash and cash equivalents	\$ 9,987,161	\$ 3,243,238
Accounts receivable, net	428,549	439,245
Contributions receivable	81,795	93,904
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,497,505	\$ 3,776,387

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – AVAILABLE RESOURCES AND LIQUIDITY (Continued)

When establishing the business plan and annual budget each year, the Corporation's management and board of directors evaluate financial assets and predictable sources of earned revenue available to meet general expenditures over the year. 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 auxiliary sales – expected annual membership sales and other components of revenue such as retail sales, food and beverage commissions, and special encounters/behind the scenes 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 10 – RETIREMENT PLANS

In September 2022, the Corporation froze the 457-plan covering substantially all employees. Participant's are 100% vested in all plan contributions plus actual earnings thereon. The Corporation's contribution into the 457 plan was \$0 and \$131,287 for the years ended December 31, 2023 and 2022, respectively.

On December 2, 2022, the Corporation adopted a 401(k) plan covering substantially all employees. The Corporation will match 100% of the first 4% of each participants contribution. Both the contribution and the match are immediately vested on behalf of the employee, which allows us to have safe harbor protection. For the years ended December 31, 2023 and 2022, the Corporation's matching contribution was \$1,003,735 and \$191,277, respectively.

AQUARIUM OF THE PACIFIC
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

Effective August 1, 2022 the Corporation executed a lease agreement with the City with an annual lease payment of \$1.00 and a new term ending on November 1, 2060.

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

Weighted-average remaining lease term	2.05 years
Weighted-average discount rate	3%

The Corporation leases certain office space and warehouse space under cancellable and non-cancellable operating leases that expire at varying dates through May 2026 and require minimum monthly payments of \$44,470. Operating lease expense is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease cost	\$ 528,934	\$ 513,528
Short-term lease cost	203,175	174,278
Variable lease cost	67,123	48,656
Total lease cost	\$ 799,232	\$ 736,462

The following is a schedule by years of undiscounted future minimum lease payments as of December 31, 2023:

Year Ending December 31,	Total
2024	\$ 263,052
2025	177,027
2026	74,667
Total lease payments	514,746
Less: interest	(83,654)
Present value of lease liabilities	\$ 431,092

On October 24, 2023, the Aquarium signed a lease agreement with a third party which will commence on the later of April 1, 2024 or when the office is ready for occupancy. The Aquarium has not gained access to the lease location as of the date of issuance. The minimum monthly payments for this lease are \$37,476 with escalated annual rent increases. The lease term is for 8 years and 8 months.

(b) Purchase Commitments

The commitment to purchase salt water from a third party for monthly payments of \$17,244 with maturity date of December 2026. As of December 31, 2023, total commitment remaining is \$645,960.

AQUARIUM OF THE PACIFIC

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

(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, 2023 and 2022.

(d) Other

The Aquarium, from time to time, enters into long term arrangements with return clauses, arising in the ordinary course of business. Exposure related to these arrangements decline annually and would be eliminated by 2031.

NOTE 12 – SUBSEQUENT EVENTS

Management evaluated all activity through April 25, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.