



**AQUARIUM OF THE
PACIFIC CORPORATION**

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Aquarium of the Pacific Corporation:

We have audited the accompanying statements of financial position of the Aquarium of the Pacific Corporation as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Aquarium of the Pacific Corporation. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium of the Pacific Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Corporation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 28, 2009

**AQUARIUM OF THE
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Statements of Financial Position

December 31, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 4,661,587	2,942,798
Accounts receivable, net of allowance for doubtful accounts of \$524,092 and \$398,433, respectively (note 2)	2,325,247	1,608,602
Contributions receivable, net (note 7)	6,143,869	6,907,843
Prepaid expenses	265,070	337,254
Gift store inventory	520,629	465,763
Other assets	189,912	231,039
Property and equipment, net (note 3)	11,438,835	8,533,665
Total assets	\$ 25,545,149	21,026,964
Liabilities and Net Assets		
Accounts payable	\$ 2,477,287	2,200,925
Accrued liabilities	1,140,866	940,228
Deferred revenue	946,537	702,904
Total liabilities	4,564,690	3,844,057
Commitments and contingencies (notes 2, 4, and 8)		
Net assets:		
Unrestricted	10,937,494	8,727,743
Temporarily restricted (note 5)	9,774,402	8,455,164
Permanently restricted (note 6)	268,563	—
Total net assets	20,980,459	17,182,907
Total liabilities and net assets	\$ 25,545,149	21,026,964

See accompanying notes to financial statements.

**AQUARIUM OF THE
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Statements of Activities

Years ended December 31, 2008 and 2007

	2008			2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Total
Operating revenues:							
Admissions	\$ 14,980,293	—	—	14,980,293	15,002,700	—	15,002,700
Memberships	3,208,037	—	—	3,208,037	3,182,029	—	3,182,029
Educational programs	1,295,554	—	—	1,295,554	1,333,395	—	1,333,395
Gift store	4,082,538	—	—	4,082,538	4,060,172	—	4,060,172
Contributions	1,225,232	3,544,587	53,755	4,823,574	2,436,651	7,907,179	10,343,830
Ancillary	644,382	—	—	644,382	648,971	—	648,971
Food service	713,567	—	—	713,567	844,383	—	844,383
Fund-raising events	804,062	—	—	804,062	562,345	—	562,345
Donated goods and services	968,543	—	—	968,543	2,030,907	—	2,030,907
Parking garage (note 2)	1,075,190	—	—	1,075,190	405,289	—	405,289
Other	133,769	297,606	—	431,375	130,289	44,493	174,782
Net assets released from restriction for operations (note 5)	2,308,147	(2,522,955)	214,808	—	1,750,638	(1,750,638)	—
Total operating revenues	31,439,314	1,319,238	268,563	33,027,115	32,387,769	6,201,034	38,588,803
Operating expenses:							
Husbandry and facilities	6,927,117	—	—	6,927,117	6,513,501	—	6,513,501
Education, interpretation, and outreach	2,717,558	—	—	2,717,558	2,522,212	—	2,522,212
Guest services	3,911,780	—	—	3,911,780	3,610,214	—	3,610,214
Gift store	2,956,893	—	—	2,956,893	2,845,980	—	2,845,980
Development and membership	2,473,320	—	—	2,473,320	2,045,612	—	2,045,612
Marketing	4,514,563	—	—	4,514,563	5,508,206	—	5,508,206
Human resources	779,995	—	—	779,995	698,853	—	698,853
Finance and administration	2,274,910	—	—	2,274,910	2,179,829	—	2,179,829
Total operating expenses	26,556,136	—	—	26,556,136	25,924,407	—	25,924,407
Earnings from operations before other changes	4,883,178	1,319,238	268,563	6,470,979	6,463,362	6,201,034	12,664,396
Other changes:							
Net rent to the City of Long Beach (note 2)	(2,924,595)	—	—	(2,924,595)	(3,528,000)	—	(3,528,000)
Amounts funded to (received from) bond reserve (note 2)	1,610,464	—	—	1,610,464	(1,738,025)	—	(1,738,025)
Depreciation and amortization	(1,359,296)	—	—	(1,359,296)	(1,289,874)	—	(1,289,874)
Change in net assets	2,209,751	1,319,238	268,563	3,797,552	(92,537)	6,201,034	6,108,497
Net assets at beginning of year	8,727,743	8,455,164	—	17,182,907	8,820,280	2,254,130	11,074,410
Net assets at end of year	10,937,494	9,774,402	268,563	20,980,459	8,727,743	8,455,164	17,182,907

See accompanying notes to financial statements.

**AQUARIUM OF THE
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Statement of Functional Expenses
Year ended December 31, 2008

	Program services				Support services				Total
	Husbandry and facilities	Education, interpretation, and outreach	Guest services	Gift store	Development and membership	Marketing	Human resources	Finance and administration	
\$	3,074,242	1,644,541	2,769,114	908,443	824,386	916,682	483,824	1,315,523	11,936,755
Salaries, taxes, and benefits (note 7)	—	—	—	1,750,787	—	—	—	—	1,750,787
Cost of goods sold	48,004	74,826	70,279	22,612	743	900	469	71,216	289,049
Insurance	379,180	2,297	34,179	4,244	30	—	—	10,821	430,751
Permits, maintenance, and construction	10,668	60,538	47,087	96,182	44,755	42,396	33,161	146,214	481,001
Occupancy (note 4)	1,830,787	121	—	5,134	—	—	—	—	1,836,042
Utilities	296,408	—	—	—	—	—	—	—	296,408
Husbandry/animals and collecting	244,470	494,438	221,008	13,448	609,462	323,161	115,409	321,678	2,343,074
Services	958,957	227,477	391,465	76,890	316,444	48,513	57,112	94,654	2,171,512
Supplies and other expendables	12,685	15,716	17,896	5,715	108,502	80,227	4,997	19,083	264,821
Postage, shipping, and courier	10,077	3,464	52,425	3,517	24,616	9,694	3,001	225,594	332,388
Information technology and telecommunication	1,074	65,891	2,036	—	220,526	380,858	3,788	1,681	675,854
Printing and publishing	77	80,734	802	548	3,650	2,389,329	2,249	10,806	2,488,195
Advertising, promotions, and public relations	60,488	45,936	23,767	1,731	31,449	17,207	75,985	22,516	279,079
Travel, meals, and training	—	1,579	281,722	67,642	288,757	305,596	—	35,124	980,420
Other	6,927,117	2,717,558	3,911,780	2,956,893	2,473,320	4,514,563	779,995	2,274,910	26,556,136
Operating expenses before other changes	1,065,710	854,069	906,354	57,333	—	6,964	16,249	17,916	2,924,595
Other changes:	(586,846)	(470,303)	(499,095)	(31,571)	—	(3,835)	(8,948)	(9,866)	(1,610,464)
Net rent to the City of Long Beach (note 2)	486,888	144,916	490,392	23,020	19,731	49,328	19,731	125,290	1,359,296
Amounts funded to bond reserve (note 2)	—	—	—	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—	—	—	—
Total operating expenses	\$ 7,892,869	\$ 3,246,240	\$ 4,809,431	\$ 3,005,675	\$ 2,493,051	\$ 4,567,020	\$ 807,027	\$ 2,408,250	\$ 29,229,563

See accompanying notes to financial statements.

**AQUARIUM OF THE
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Statement of Functional Expenses
Year ended December 31, 2007

	Program services				Support services				Total
	Husbandry and facilities	Education, interpretation, and outreach	Guest services	Gift store	Development and membership	Marketing	Human resources	Finance and administration	
\$	2,903,991	1,471,853	2,485,216	892,845	747,067	883,994	504,772	1,243,169	11,132,907
Salaries, taxes, and benefits (note 7)	—	—	—	1,658,912	—	—	—	—	1,658,912
Cost of goods sold	57,594	78,247	76,425	24,982	865	1,048	546	75,327	315,034
Insurance	380,183	9,084	16,603	2,428	30	—	414	18,935	427,677
Permits, maintenance, and construction	2,179	33,247	9,874	74,882	47,083	42,876	1,048	152,258	363,447
Occupancy (note 4)	1,628,868	—	—	3,340	—	—	—	—	1,632,208
Utilities	338,548	—	—	—	—	—	—	—	338,548
Husbandry/animals and collecting	248,458	569,903	269,496	16,705	519,497	309,734	89,792	252,778	2,276,363
Services	858,419	186,765	401,283	95,035	103,817	46,852	41,372	131,576	1,865,119
Supplies and other expendables	13,237	11,475	18,456	3,704	160,003	83,038	3,749	14,069	307,731
Postage, shipping, and courier	10,009	3,588	33,902	3,016	22,749	9,225	3,709	215,386	301,584
Information technology and telecommunication	1,149	34,797	2,812	216	171,125	368,698	4,285	2,277	585,359
Printing and publishing	—	16,414	3,329	—	8,259	3,141,040	263	5,418	3,174,723
Advertising, promotions, and public relations	70,866	50,932	30,192	1,688	26,258	22,266	48,903	47,249	298,354
Travel, meals, and training	—	55,907	262,626	68,227	238,859	599,435	—	21,387	1,246,441
Other	—	—	—	—	—	—	—	—	—
Operating expenses before other changes	6,513,501	2,522,212	3,610,214	2,845,980	2,045,612	5,508,206	698,853	2,179,829	25,924,407
Other changes:									
Net rent to the City of Long Beach (note 2)	1,285,588	1,030,281	1,093,353	69,162	—	8,401	19,601	21,614	3,528,000
Amounts received from bond reserve (note 2)	633,329	507,555	538,627	34,072	—	4,138	9,656	10,648	1,738,025
Depreciation and amortization	298,242	138,474	629,149	21,309	18,265	45,661	18,265	120,509	1,289,874
Total operating expenses	\$ 8,730,660	4,198,522	5,871,343	2,970,523	2,063,877	5,566,406	746,375	2,332,600	32,480,306

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 3,797,552	6,108,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,359,296	1,289,874
Contributions restricted for long-term purposes	(2,971,527)	(1,747,539)
(Increase) decrease in assets:		
Accounts receivable, net	(716,645)	742,437
Contributions receivable	763,974	(6,460,202)
Prepaid expenses	72,184	49,594
Gift store inventory	(54,866)	(63,393)
Other assets	41,127	41,126
Increase in liabilities:		
Accounts payable	276,362	198,018
Accrued liabilities	200,638	153,020
Deferred revenue	243,633	233,370
Net cash provided by operating activities	3,011,728	544,802
Cash flows used in investing activities – capital expenditures	(4,264,466)	(2,011,084)
Cash flows provided by financing activities – contributions restricted for long-term purposes	2,971,527	1,747,539
Net increase in cash and cash equivalents	1,718,789	281,257
Cash and cash equivalents, beginning of year	2,942,798	2,661,541
Cash and cash equivalents, end of year	\$ 4,661,587	2,942,798

See accompanying notes to financial statements.

**AQUARIUM OF THE
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2008 and 2007

(1) Summary of Significant Accounting Policies

(a) Organization

The Aquarium of the Pacific Corporation (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.

(b) Basis of Presentation

The accompanying financial statements depict the financial condition, results of operations, and cash flows of the Corporation and do not include any accounts maintained by the City that may be related to the operations of the Corporation (note 2).

The Corporation follows the requirements of Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. This standard requires the Corporation to report information regarding its financial position and change in net assets into the following classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that require the Corporation to use or expend the assets as specified. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted. The Corporation's policy is to record temporarily restricted contributions received and expended in the same accounting period as temporarily restricted contributions and net assets released from restrictions. For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.
- Permanently restricted net assets include gifts subject to donor-imposed stipulations that the Corporation maintain them permanently. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on these assets.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts

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December 31, 2008 and 2007

of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(d) Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

(e) Gift Store Inventory

Inventory is valued at the lower of cost or market.

(f) Live Animal Inventory

The costs of purchasing or collecting live animals are expensed as incurred. No ongoing value is placed on purchased or donated specimens. Therefore, no resulting values are reflected in the accompanying financial statements.

(g) Contributions Receivable

Unconditional promises to give are recorded as contributions receivable, less an appropriate allowance for uncollectible amounts, at their estimated net realizable value. The Aquarium discounts contributions that are expected to be collected after one year using a rate commensurate with the risks involved, and amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support revenue until the conditions are substantially met.

(h) Property and Equipment

Building and equipment are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives: buildings – 27.5 years, and equipment, furniture, and fixtures – 3 to 7 years. Leasehold improvements are amortized over the shorter of the period of the lease or the estimated useful life. Expenditures for repairs and maintenance are charged to expense as incurred.

(i) Revenue Recognition

The Corporation records earned revenues on an accrual basis. In addition, the Corporation records as revenue the following types of contributions 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.

The Corporation records the sale of its consignment tickets as deferred revenue. Revenue is recognized in the period in which the tickets are redeemed for admission.

(j) Donated Goods and Services

The Corporation records various types of in-kind support, including donated professional services and supplies. Contributed professional services are recognized if the services received: (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing

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those skills that would typically need to be purchased if not provided by donation or receipt of operating goods or services that would otherwise require additional cash expenditures. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as donated goods and services are offset by like amounts included in expenses or property, plant, and equipment as appropriate. The Corporation recognized \$726,790 and \$1,829,929 of contributed services in the accompanying financial statements for the years ended December 31, 2008 and 2007, respectively.

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.

(k) *Functional Allocation of Expenses*

The costs of providing the Aquarium's programs and administration have been summarized on a functional basis in the statements of functional expenses. Accordingly, costs have been allocated among the programs and supporting services benefited. 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 \$1,887,391 and \$1,599,798 for the years ended December 31, 2008 and 2007, respectively.

(l) *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.

(m) *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*

The Aquarium reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds fair value of the asset. During the years ended December 31, 2008 and 2007, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

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December 31, 2008 and 2007

(2) Business Activity

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).

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 2001 Series Bond 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 reserves at the end of each year.

As of December 31, 2008 and 2007, \$1,362,660 and \$777,864, respectively, is due from the City and is included in accounts receivable in the accompanying statements of financial position.

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. Restricted funds generated by the

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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.

(3) Property and Equipment

A summary of the Corporation's property and equipment at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Building	\$ 7,718,948	6,187,375
Leasehold improvements	20,678	20,678
Furniture and fixtures	767,981	460,520
Equipment	7,164,012	4,842,952
Construction in progress	<u>1,356,070</u>	<u>1,251,698</u>
Total	17,027,689	12,763,223
Less accumulated depreciation	<u>5,588,854</u>	<u>4,229,558</u>
Property and equipment, net	<u>\$ 11,438,835</u>	<u>8,533,665</u>

(4) Commitments and Contingencies

(a) Operating Leases

The Corporation leases various office space and equipment under noncancelable operating leases.

Future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year are as follows:

2009	\$ 305,356
2010	309,068
2011	239,642
2012	221,906
2013	<u>228,564</u>
	<u>\$ 1,304,536</u>

Rents aggregating \$270,965 and \$261,117 were paid during the years ended December 31, 2008 and 2007, respectively.

(b) Professional Liability Coverage

The Corporation is insured for professional and general liability claims on a claim-made basis to \$20,000,000, with certain sublimits, through the Special Liability Insurance Program, a California public entity sponsored insurance pool. The deductible amount is \$1,000 per claim, except \$5,000 for auto liability, and is expensed as incurred. Management believes the deductibles to be immaterial and insurance adequate to cover losses incurred.

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(c) *Litigation*

The Corporation is involved in litigation arising in the normal course of business. Management believes they are adequately insured for potential losses that may arise related to such litigation.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Marketing	\$ 418	5,991
Scholarships	143,261	147,707
Equipment and construction	8,957,062	7,876,890
Education and conservation projects	673,661	424,576
	<u>\$ 9,774,402</u>	<u>8,455,164</u>

(6) Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2008 consist of \$268,563 related to endowment activities.

(7) Contributions Receivable

As of December 31, 2008 and 2007, contributions receivable are expected to be received as follows:

	<u>2008</u>	<u>2007</u>
Within one year	\$ 1,983,659	2,073,144
Within two to five years	4,518,350	5,368,800
	6,502,009	7,441,944
Less discount to reflect contributions receivable at present value	358,140	534,101
Contributions receivable, net	<u>\$ 6,143,869</u>	<u>6,907,843</u>

The Corporation discounts contributions that are expected to be collected after one year using a risk-free interest rate. The discount rate used during the years ended December 31, 2008 and 2007 was approximately 1.55% and approximately 3.45%, respectively.

(8) Retirement Plan

The Corporation offers a 457 plan covering substantially all employees. For the years ended December 31, 2008 and 2007, participants in the plan could make contributions up to IRS maximums. The Corporation contributes an additional amount equal to 25% 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,

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Notes to Financial Statements

December 31, 2008 and 2007

may not exceed \$15,500 and \$15,500 for the years ended December 31, 2008 and 2007, respectively. Participants are 100% vested in all plan contributions plus actual earnings thereon. The Corporation's contribution was \$50,214 and \$48,588 for the years ended December 31, 2008 and 2007, respectively.