



**AQUARIUM OF THE  
PACIFIC CORPORATION**

Financial Statements

December 31, 2007 and 2006

(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, 2007 and 2006, 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, 2007 and 2006, 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**

June 24, 2008

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Statements of Financial Position

December 31, 2007 and 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 2,942,798	2,661,541
Accounts receivable, net of allowance for doubtful accounts of \$398,433 and \$849,175, respectively (note 8)	1,608,602	2,351,039
Contributions receivable, net (note 6)	6,907,843	447,641
Prepaid expenses	337,254	386,848
Gift store inventory	465,763	402,370
Other assets	231,039	272,165
Property and equipment, net (note 3)	8,533,665	7,812,455
Total assets	\$ 21,026,964	14,334,059
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 2,200,925	2,002,907
Accrued liabilities	940,228	787,208
Deferred revenue	702,904	469,534
Total liabilities	3,844,057	3,259,649
Commitments and contingencies (notes 2, 4, and 7)		
Net assets:		
Unrestricted	8,727,743	8,820,280
Temporarily restricted (note 5)	8,455,164	2,254,130
Total net assets	17,182,907	11,074,410
Total liabilities and net assets	\$ 21,026,964	14,334,059

See accompanying notes to financial statements.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Statements of Activities

Years ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Operating revenues:						
Admissions	15,002,700	—	15,002,700	14,347,872	—	14,347,872
Memberships	3,182,029	—	3,182,029	3,478,953	—	3,478,953
Educational programs	1,333,395	—	1,333,395	1,361,817	—	1,361,817
Gift store	4,060,172	—	4,060,172	4,044,715	—	4,044,715
Contributions	2,436,651	7,907,179	10,343,830	1,047,949	1,792,942	2,840,891
Ancillary	648,971	—	648,971	630,854	—	630,854
Food service	844,383	—	844,383	681,494	—	681,494
Fund-raising events	562,345	—	562,345	463,293	—	463,293
Donated goods and services	2,030,907	—	2,030,907	1,274,948	—	1,274,948
Parking garage (note 8)	405,289	—	405,289	1,487,294	—	1,487,294
Other	130,289	44,493	174,782	73,833	9,272	83,105
Net assets released from restriction for operations (note 5)	1,750,638	(1,750,638)	—	826,355	(826,355)	—
Total operating revenues	32,387,769	6,201,034	38,588,803	29,719,377	975,859	30,695,236
Operating expenses:						
Husbandry and facilities	6,513,501	—	6,513,501	6,507,881	—	6,507,881
Education, interpretation, and outreach	2,522,212	—	2,522,212	2,846,347	—	2,846,347
Guest services	3,610,214	—	3,610,214	3,469,804	—	3,469,804
Gift store	2,845,980	—	2,845,980	2,593,067	—	2,593,067
Development and membership	2,045,612	—	2,045,612	1,826,703	—	1,826,703
Marketing	5,508,206	—	5,508,206	4,382,993	—	4,382,993
Human resources	698,853	—	698,853	583,490	—	583,490
Finance and administration	2,179,829	—	2,179,829	2,280,937	—	2,280,937
Total operating expenses	25,924,407	—	25,924,407	24,491,222	—	24,491,222
Earnings from operations before transfers and depreciation and amortization	6,463,362	6,201,034	12,664,396	5,228,155	975,859	6,204,014
Transfers:						
Net rent transfers to the City of Long Beach (note 2)	(3,528,000)	—	(3,528,000)	(3,539,242)	—	(3,539,242)
(Replenishment) use of reserves (note 2)	(1,738,025)	—	(1,738,025)	284,906	—	284,906
Depreciation and amortization	(1,289,874)	—	(1,289,874)	(1,113,147)	—	(1,113,147)
Change in net assets	(92,537)	6,201,034	6,108,497	860,672	975,859	1,836,531
Net assets at beginning of year	8,820,280	2,254,130	11,074,410	7,959,608	1,278,271	9,237,879
Net assets at end of year	8,727,743	8,455,164	17,182,907	8,820,280	2,254,130	11,074,410

See accompanying notes to financial statements.

**AQUARIUM OF THE  
PACIFIC CORPORATION**  
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 telecommunications	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 transfers and depreciation and amortization	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
Transfers:									
Net rent transfers 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
Replenishment of reserves (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.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Statement of Functional Expenses  
Year ended December 31, 2006

	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	
\$	2,655,855	1,602,794	2,395,815	718,278	762,521	796,775	417,828	1,215,734	10,565,600
Salaries, taxes, and benefits (note 7)	—	—	—	1,650,076	—	—	—	—	1,650,076
Cost of goods sold	57,869	78,089	78,007	25,478	880	1,066	555	77,251	319,195
Insurance	316,527	29,867	16,273	3,414	52	269	2,983	33,492	402,877
Permits, maintenance, and construction	—	26,775	187	62,613	42,631	43,855	982	153,884	330,927
Occupancy (note 4)	1,940,801	71	—	3,829	—	—	—	52	1,944,753
Utilities	316,827	—	—	—	—	—	—	—	316,827
Husbandry/animals and collecting	295,956	441,275	291,147	7,119	358,047	358,027	55,202	473,313	2,280,086
Services	831,739	543,144	394,720	47,650	136,189	60,604	41,113	111,823	2,166,982
Supplies and other expendables	14,903	16,290	10,704	2,958	136,625	79,149	2,202	11,148	273,979
Postage, shipping, and courier	12,000	7,309	25,207	1,801	21,675	10,619	2,825	154,665	236,101
Information technology and telecommunications	712	27,734	8,283	51	164,340	408,456	2,788	4,644	617,008
Printing and publishing	50	12,867	981	954	3,376	2,348,308	385	7,045	2,373,966
Advertising, promotions, and public relations	64,474	57,251	29,242	3,178	25,541	23,181	56,624	32,382	291,873
Travel, meals, and training	168	2,881	219,238	65,668	174,826	252,684	3	5,504	720,972
Other	6,507,881	2,846,347	3,469,804	2,593,067	1,826,703	4,382,993	583,490	2,280,937	24,491,222
Operating expenses before transfers and depreciation and amortization	1,289,685	1,033,564	1,096,837	69,382	—	8,427	19,664	21,683	3,539,242
Transfers:	(103,819)	(83,201)	(88,294)	(5,585)	—	(678)	(1,583)	(1,746)	(284,906)
Net rent transfers to the City of Long Beach (note 2)	222,131	134,956	583,829	16,955	14,533	36,332	14,533	89,878	1,113,147
Use of reserves (note 2)	—	—	—	—	—	—	—	—	—
Depreciation and amortization	7,915,878	3,931,666	5,062,176	2,673,819	1,841,236	4,427,074	616,104	2,390,752	28,858,705
Total operating expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$

See accompanying notes to financial statements.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Change in net assets	\$ 6,108,497	1,836,531
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,289,874	1,113,147
(Increase) decrease in assets:		
Accounts receivable, net	742,437	152,024
Contributions receivable	(6,460,202)	416,153
Prepaid expenses	49,594	43,185
Gift store inventory	(63,393)	(51,077)
Other assets	41,126	30,141
Increase (decrease) in liabilities:		
Accounts payable	198,018	(277,134)
Accrued liabilities	153,020	(193,798)
Deferred revenue	233,370	(465,933)
Contributions restricted for long-term purposes	(1,747,539)	(954,384)
Net cash provided by operating activities	544,802	1,648,855
Cash flows from investing activities:		
Capital expenditures	(2,011,084)	(1,259,672)
Net cash used in investing activities	(2,011,084)	(1,259,672)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	1,747,539	954,384
Net cash provided by financing activities	1,747,539	954,384
Net increase in cash and cash equivalents	281,257	1,343,567
Cash and cash equivalents, beginning of year	2,661,541	1,317,974
Cash and cash equivalents, end of year	\$ 2,942,798	2,661,541

See accompanying notes to financial statements.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

**(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 (SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and results of operations into these classes of net assets: unrestricted net assets and temporarily restricted net assets.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- 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 Aquarium of the Pacific 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.

**(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 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.



**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

**(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 risk free interest rate, 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) Temporarily Restricted Contributions**

The Corporation records contributions as temporarily restricted if they are received with donor restrictions that limit their use either through purpose or time restrictions. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, rather than when the assets are received. The gifts are reported as temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends,

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**(k) *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 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 market 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.

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.

**(l) *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 \$1,599,798 and \$1,440,729 for the years ended December 31, 2007 and 2006, respectively.

**(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.

**(n) *Reclassifications***

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation. Such reclassifications had no effect on the previously reported total change in net assets.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

**(o) *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, 2007 and 2006, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

**(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. The Aquarium opened to the general public in June 1998. 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 legal 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. Included in the agreement is a stabilized rent payment to the City of \$3,528,000, a revenues sharing arrangement for operating funds available after operating expenses, including operating capital and rent. Further, operating capital expenditure levels and parking garage revenue assumptions were predefined through 2031, and certain other review and control mechanisms were codified.

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 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 CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

**(3) Property and Equipment**

A summary of the Corporation's property and equipment at December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Building	\$ 6,187,375	6,048,647
Leasehold improvements	20,678	20,678
Furniture and fixtures	460,520	450,461
Equipment	4,842,952	3,838,749
Construction in progress	1,251,698	393,606
Total	<u>12,763,223</u>	<u>10,752,141</u>
Less accumulated depreciation	<u>(4,229,558)</u>	<u>(2,939,686)</u>
Property and equipment, net	<u>\$ 8,533,665</u>	<u>7,812,455</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:

2008	\$ 370,803
2009	398,123
2010	404,115
2011	337,540
2012	78,910
	<u>\$ 1,589,491</u>

Rents aggregating \$261,117 and \$253,838 were paid during the years ended December 31, 2007 and 2006, 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.

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

(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, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Marketing	\$ 5,991	25,588
Scholarships	147,707	180,383
Equipment and construction	7,876,890	1,574,256
Education and conservation projects	424,576	473,903
	<u>\$ 8,455,164</u>	<u>2,254,130</u>

During the years ended December 31, 2007 and 2006, net assets in the amount of \$1,750,638 and \$826,355, respectively, were released either by passage of time or from donor restrictions by incurring expenses as follows:

	<u>2007</u>	<u>2006</u>
Marketing	\$ 24,997	24,412
Scholarships	242,400	240,502
Equipment and construction	1,109,717	264,161
Education and conservation projects	373,524	297,280
	<u>\$ 1,750,638</u>	<u>826,355</u>

(6) **Contributions Receivable**

As of December 31, 2007 and 2006, contributions receivable are expected to be received as follows:

	<u>2007</u>	<u>2006</u>
Within one year	\$ 2,073,144	320,694
Within two to five years	5,368,800	155,000
	7,441,944	475,694
Less discount to reflect contributions receivable at present value	<u>(534,101)</u>	<u>(28,053)</u>
Contributions receivable, net	<u>\$ 6,907,843</u>	<u>447,641</u>

**AQUARIUM OF THE  
PACIFIC CORPORATION**

Notes to Financial Statements

December 31, 2007 and 2006

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, 2007 and 2006 was approximately 3.45% and approximately 8.25%, respectively.

**(7) Retirement Plan**

The Corporation offers a 457 plan covering substantially all employees. For the years ended December 31, 2007 and 2006, participants in the plan could make contributions of 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, may not exceed \$15,500 for fiscal year 2007 and \$15,000 for fiscal year 2006 per participant. Participants are 100% vested in all plan contributions plus actual earnings thereon. The Corporation's contribution was \$48,588 and \$43,298 for the years ended December 31, 2007 and 2006, respectively.

**(8) Related Parties**

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 parking agreement was included in the new lease between the City and the Corporation dated April 1, 2001, extending the term of the agreement to fiscal year 2031.

The annual revenue due to the Corporation for the years ended December 31, 2007 and 2006 was \$405,289 and \$1,487,294, respectively, and is included in accounts receivable for each respective year in the accompanying statements of financial position. As parking revenues received are included in rents paid to the City in the year after they are earned, the Implementation Agreement contains provisions to receive a rent credit in the event that parking revenues do not meet the amounts scheduled in the agreement. The Aquarium will receive a rent credit in 2008 for the parking garage performance in 2007.