

ALTASEA AT THE PORT OF LOS ANGELES

FINANCIAL STATEMENTS

December 31, 2020 and 2019



ALTA SEA AT THE PORT OF LOS ANGELES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
AltaSea at the Port of Los Angeles
San Pedro, California

Report on the Financial Statements

We have audited the accompanying financial statements of AltaSea at the Port of Los Angeles ("AltaSea"), a nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AltaSea as of December 31, 2020, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of AltaSea at the Port of Los Angeles as of and for the year ended December 31, 2019, were audited by Rossi LLP, which merged with BPM LLP effective as of November 1, 2020. Rossi LLP's report dated May 28, 2020, expressed an unmodified opinion on those statements.



Long Beach, California
June 9, 2021

ALTA SEA AT THE PORT OF LOS ANGELES

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 2,914,346	\$ 1,527,794
Pledges and accounts receivable, net	5,133,460	6,138,480
Prepaid expenses and other assets	52,690	53,145
Property and equipment, net	4,641,796	4,653,519
	<u>4,641,796</u>	<u>4,653,519</u>
Total assets	<u>\$ 12,742,292</u>	<u>\$ 12,372,938</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 8,093	\$ 381,328
Accrued liabilities	57,309	44,729
Refundable advances	10,346	12,200
Deferred rent	40,358	37,358
Paycheck Protection Program Loan	114,480	-
	<u>114,480</u>	<u>-</u>
Total liabilities	<u>230,586</u>	<u>475,615</u>
Commitments (Note 7)		
Net assets:		
Without donor restrictions	6,832,061	5,440,437
Without donor restrictions - board designated	175,000	175,000
With donor restrictions	5,504,645	6,281,886
	<u>5,504,645</u>	<u>6,281,886</u>
Total net assets	<u>12,511,706</u>	<u>11,897,323</u>
Total liabilities and net assets	<u>\$ 12,742,292</u>	<u>\$ 12,372,938</u>

ALTA SEA AT THE PORT OF LOS ANGELES

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Revenues, public support and other income:				
Grants and contributions	\$ 1,375,311	\$ -	\$ 331,743	\$ 1,707,054
Other income	277,672	-	-	277,672
Donated goods, services and use of facilities	165,162	-	-	165,162
Special events revenue, net of cost of direct benefit to donors	64,919	-	-	64,919
Total public support and other income	<u>1,883,064</u>	<u>-</u>	<u>331,743</u>	<u>2,214,807</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	166,484	-	(166,484)	-
Expiration of time restrictions	942,500	-	(942,500)	-
Total net assets released from restrictions	<u>1,108,984</u>	<u>-</u>	<u>(1,108,984)</u>	<u>-</u>
Expenses:				
Program services	1,147,769	-	-	1,147,769
Management and general	199,655	-	-	199,655
Development	253,000	-	-	253,000
Total expenses	<u>1,600,424</u>	<u>-</u>	<u>-</u>	<u>1,600,424</u>
Change in net assets	1,391,624	-	(777,241)	614,383
Net assets, beginning of year	<u>5,440,437</u>	<u>175,000</u>	<u>6,281,886</u>	<u>11,897,323</u>
Net assets, end of year	<u>\$ 6,832,061</u>	<u>\$ 175,000</u>	<u>\$ 5,504,645</u>	<u>\$ 12,511,706</u>

ALTA SEA AT THE PORT OF LOS ANGELES

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2019

	Without Donor Restrictions	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Revenues, public support and other income:				
Grants and contributions	\$ 126,376	\$ 25,000	\$ 4,893,595	\$ 5,044,971
Other income	494,576	-	-	494,576
Donated goods, services and use of facilities	185,502	-	-	185,502
Special events	4,601	-	-	4,601
Total public support and other income	<u>811,055</u>	<u>25,000</u>	<u>4,893,595</u>	<u>5,729,650</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	788,462	-	(788,462)	-
Expiration of time restrictions	905,000	-	(905,000)	-
Appropriation from board designation	-	-	-	-
Total net assets released from restrictions	<u>1,693,462</u>	<u>-</u>	<u>(1,693,462)</u>	<u>-</u>
Expenses:				
Program services	1,122,367	-	-	1,122,367
Management and general	179,801	-	-	179,801
Development	253,915	-	-	253,915
Total expenses	<u>1,556,083</u>	<u>-</u>	<u>-</u>	<u>1,556,083</u>
Change in net assets	948,434	25,000	3,200,133	4,173,567
Net assets, beginning of year	<u>4,492,003</u>	<u>150,000</u>	<u>3,081,753</u>	<u>7,723,756</u>
Net assets, end of year	<u>\$ 5,440,437</u>	<u>\$ 175,000</u>	<u>\$ 6,281,886</u>	<u>\$ 11,897,323</u>

ALTA SEA AT THE PORT OF LOS ANGELES

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Personnel services	\$ 462,597	\$ 63,096	\$ 157,855	\$ 683,548	\$ 529,626	\$ 57,769	\$ 188,783	\$ 776,178
Facility and office expenses	232,979	29,435	27,060	289,474	225,866	30,199	26,417	282,482
Donated goods, services and use of facilities	96,000	24,000	-	120,000	156,117	29,385	-	185,502
Professional services	64,175	61,055	37,491	162,721	42,913	59,460	29,712	132,085
Program and research	35,302	-	-	35,302	110,966	-	-	110,966
Marketing and communication	163,685	-	28,886	192,571	30,394	-	5,371	35,765
Depreciation	13,662	1,707	1,708	17,077	23,900	2,988	2,987	29,875
Special events	79,369	-	-	79,369	2,585	-	645	3,230
Write off uncollectable balances	-	20,362	-	20,362	-	-	-	-
Total functional expenses	<u>\$ 1,147,769</u>	<u>\$ 199,655</u>	<u>\$ 253,000</u>	<u>\$ 1,600,424</u>	<u>\$ 1,122,367</u>	<u>\$ 179,801</u>	<u>\$ 253,915</u>	<u>\$ 1,556,083</u>

ALTASEA AT THE PORT OF LOS ANGELES

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 614,383	\$ 4,173,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,077	29,875
Issuance (amortization) of discounts on multi-year pledges	(85,274)	306,404
Change in operating assets and liabilities:		
Pledges and accounts receivable	1,090,293	(4,135,663)
Prepaid expenses and other assets	455	(21,751)
Accounts payable	(373,235)	54,598
Accrued liabilities	12,580	(52,251)
Refundable advances	(1,853)	3,000
Deferred rent	3,000	-
	<u>1,277,426</u>	<u>357,779</u>
Net cash provided by operating activities		
Cash flows from investing activity:		
Purchase of property and equipment	<u>(5,354)</u>	<u>(510,919)</u>
Net cash used in investing activity	<u>(5,354)</u>	<u>(510,919)</u>
Cash flows from financing activity:		
Proceeds from Paycheck Protection Program loan	<u>114,480</u>	<u>-</u>
Net cash provided by financing activity	<u>114,480</u>	<u>-</u>
Net increase (decrease) in cash	1,386,552	(153,140)
Cash, beginning of year	<u>1,527,794</u>	<u>1,680,934</u>
Cash, end of year	<u>\$ 2,914,346</u>	<u>\$ 1,527,794</u>
Supplemental disclosure of cash flow information:		
Recognition of in-kind contributions and related revenue and expenses	<u>\$ 165,162</u>	<u>\$ 185,502</u>

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Organization

AltaSea at the Port of Los Angeles (“AltaSea” or the “Organization”) was incorporated on August 23, 2013, as a Nonprofit Public Benefit Corporation, and thereafter applied and was granted tax-exempt status under IRC Section 501(c)(3). AltaSea’s mission is to accelerate scientific collaboration, facilitate job creation and inspire the next generation for a more sustainable ocean. Built on a historic pier with access to the deep ocean, AltaSea’s 35-acre campus will bring people together to expand science-based understanding of the ocean, incubate and sustain ocean-related business and pioneer new ocean-related education programs.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) established the FASB Accounting Standards Codification (“ASC”) as the source of authoritative generally accepted accounting principles to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions, and such differences may be material to the financial statements.

Net Assets

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, AltaSea’s net assets, revenues, gains, expenses, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operations and not subject to donor restrictions.
- *Net assets without donor restrictions – board designated* – Net assets designated by the Board of Directors to be used for construction of warehouse doors as part of a capital campaign. As of both December 31, 2020 and 2019, the Board has designated \$175,000 of unrestricted net assets for this purpose.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been accomplished, or both.

See Note 5 for more information on the composition of net assets with donor restrictions and the release of restrictions.

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, receivables and debt. The Organization's investment policy is intended to limit its exposure to credit risk. AltaSea maintains its cash balances in the form of bank demand deposits and money market accounts with major financial institutions that management has determined to be credit worthy. At times, cash balances held in financial institutions exceeded the federally insured limits.

AltaSea has no significant financial instruments with off-balance sheet risk of accounting loss.

Grants, Contributions and Pledges Receivable

Unconditional grants and contributions, including pledges recorded at fair value, are recognized as revenue in the period received. AltaSea reports unconditional grants and contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not reported as revenue until such time as the conditions are substantially met. Management evaluated the collectability of pledges receivable at December 31, 2020 and 2019, and determined that no allowance for doubtful pledges was considered necessary. During the year ended December 31, 2020, AltaSea wrote off \$20,362 of previously recognized pledges determined to be uncollectable.

At December 31, 2020, one donor represented approximately 78% of the Organization's pledges receivable, due to a multi-year pledge from the donor. At December 31, 2019, that same donor represented 71% of the Organization's pledges receivable and 93% of the Organization's grants and contribution revenue for the year then ended.

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2020 and 2019, AltaSea reported in-kind contribution revenue that met the forgoing criteria of \$165,162 and \$185,502, respectively.

Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at the date of donation, if donated. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset as follows:

Leasehold improvements	Lease term
Office equipment	5 years
Vehicles	7 years

Property and equipment are generally capitalized if the cost of an asset is greater than \$5,000 and the useful life of the asset is at least three years. Expenditures for repairs and maintenance are charged to operations when incurred, while renewals and betterments are capitalized.

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Long-Lived Assets

AltaSea reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended December 31, 2020 and 2019.

Income Taxes

AltaSea is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. AltaSea does not believe that during the years ended December 31, 2020 and 2019 that it had unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

AltaSea follows the provisions of FASB ASC 740, *Income Taxes*. Accordingly, AltaSea accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. AltaSea recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. AltaSea does not believe that its income tax returns include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized tax benefits in the accompanying financial statements.

Functional Allocation of Expenses

AltaSea's costs are accumulated into separate groupings as either direct or indirect expenses. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Directly identifiable expenses are charged to program services, management and general, or development as applicable.

New Accounting Pronouncements

In 2019, AltaSea adopted FASB Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides guidance to assist an organization in distinguishing between a contribution and exchange transaction. Once an entity determines that a transaction is a contribution, an organization must then determine if the contribution is conditional, which affects the timing of the revenue recognized. Conditional contributions received are reported as a liability until the Organization overcomes the barrier to entitlement of the funds. After a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted on the basis of the current definition of the term *donor-imposed restriction*, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date. The adoption of ASU 2018-08 did not have a significant impact on the financial statements of AltaSea.

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

New Accounting Pronouncements, continued

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms that exceed twelve months to recognize in the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, and the providing of additional information about the amounts recorded in the financial statements. This ASU will be effective for the fiscal year beginning after December 15, 2021.

Subsequent Events

In preparing these financial statements, management evaluated events and transactions occurring during the period January 1, 2021 through June 9, 2021, the date the financial statements were available to be issued, for subsequent events requiring recognition and/or disclosure in these financial statements. Material events or transactions that occurred subsequent to December 31, 2020 that met the criteria for recognition and/or disclosure in the financial statements are set forth in Note 9 and Note 10.

3. Pledges and Accounts Receivable

Pledges and accounts receivable, net, as of December 31, 2020 and 2019 are due to be received as follows:

	2020	2019
Within one year	\$ 1,610,355	\$ 1,758,148
Within two to five years	2,297,500	2,710,000
More than five years	1,500,000	2,030,000
Subtotal	5,407,855	6,498,148
Less: unamortized discount at 2%	(274,395)	(359,668)
Pledges and accounts receivable, net	<u>\$ 5,133,460</u>	<u>\$ 6,138,480</u>

4. Property and Equipment

Property and equipment, net, consist of the following as of December 31, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 109,904	\$ 109,904
Leasehold improvements	134,904	134,904
Vehicles	20,189	20,189
Construction in progress	4,547,715	4,542,361
Subtotal	4,812,712	4,807,358
Less: accumulated depreciation	(170,916)	(153,839)
Property and equipment, net	<u>\$ 4,641,796</u>	<u>\$ 4,653,519</u>

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. Property and Equipment, continued

Depreciation expense for the years ended December 31, 2020 and 2019 was \$17,077 and \$29,875, respectively.

Due to the project's size and scope, AltaSea's campus at the Port of Los Angeles is being constructed in three phases over the next approximately 20 years. Phase 1 is scheduled to be completed in 2026 and is comprised of three parts: Phase 1A, 1B and 1C. Phase 1A will include restoration of warehouses 58 – 60. Warehouses 58 – 60 will contain the sustainable aquaculture, ocean energy technology, and blue tech clusters. The sustainable aquaculture cluster will be at the forefront of developing ocean related solutions and environmental sustainability. The blue tech cluster's emphasis is developing technology for remote monitoring, sensing and ocean exploration. Phase 1B is a full restoration of warehouse 57 (science center) and the realignment of Leonard Aube Way. Phase 1C is the construction of the Engagement Center which will feature an auditorium and strengthen STEM education. As phases 1A, 1B and 1C milestones are met and the facility becomes operational, plans for later phases will be completed.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted by time:		
Multi-year pledges	\$ 4,560,604	\$ 5,317,832
Restricted by purpose:		
Berths 58 - 60	723,627	794,800
Education	<u>220,414</u>	<u>169,254</u>
Total net assets with donor restrictions	<u>\$ 5,504,645</u>	<u>\$ 6,281,886</u>

Net assets released from restrictions are as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted by time:		
Collection of multi-year pledges	\$ 922,500	\$ 905,000
Write-off of uncollectible pledge	<u>20,000</u>	<u>-</u>
Subtotal	<u>942,500</u>	<u>905,000</u>
Restricted by purpose:		
Berths 58 - 60	71,174	298,552
Education	<u>95,310</u>	<u>489,910</u>
Subtotal	<u>166,484</u>	<u>788,462</u>
Total net assets released from restrictions	<u>\$ 1,108,984</u>	<u>\$ 1,693,462</u>

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

6. Liquidity and Availability

AltaSea's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,914,346	\$ 1,527,794
Pledges receivable due within one year	1,037,500	937,500
Less: contractual or donor-imposed restrictions making financial assets unavailable for general expenditures	<u>(401,615)</u>	<u>(455,050)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 3,550,231</u>	<u>\$ 2,010,244</u>

The Organization believes that it has sufficient liquidity to perform its program services for the following twelve months. Further, the Organization is forecasting that it will receive significant additional funds during the next twelve months to maintain its planned capital expenditures.

7. Commitments

Obligations under the Lease with the City of Los Angeles

In October 2014, Rockefeller Philanthropy Advisors, Inc. assigned its interest in a lease with the City of Los Angeles to AltaSea. The lease was entered into with respect to premises at the Port of Los Angeles for the purpose of developing and operating an urban marine center known as AltaSea at the Port of Los Angeles. The original maximum term of the lease was 50 years, expiring on December 22, 2063.

The total acreage of the premises is 34.75 acres, consisting of 23.73 acres of land/wharf/warehouse and 11.02 acres of water. The premises subject to the lease agreement comprise various parcels that AltaSea is entitled to take possession of over a period of time, upon the satisfaction of various obligations, conditions and timelines outlined in the lease agreement.

The lease was amended and restated on August 10, 2017, and again on September 15, 2020. The restated lease amends the term of the Master Lease from 50 years to 66 years, expiring on December 22, 2079, conditioned upon the presentation of a proposed, binding sublease with a major research university and sufficient funding for the renovation and/or reconstruction of the academic research and development center at Berth 57 to the requirements of the Agreement. It also maintains AltaSea's relationship with Southern California Marine Institute ("SCMI") and the requirement to establish a new SCMI headquarters facility. During the first ten years of the restated lease, AltaSea is expected to invest approximately \$105 million in capital projects that will create 180,000 square feet of water dependent subtenant space, the Wharf Plaza and Educational Pavilion, a new headquarters for SCMI, and an Engagement Center that will provide a new publicly accessible attraction on the LA Waterfront. In the same time frame, the Harbor Department is expected to invest approximately \$37 million in the street improvement projects, sea wall repair, and site remediation.

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. Commitments, continued

Obligations under the Lease with the City of Los Angeles, continued

Furthermore, AltaSea has until December 31, 2023 to submit a conceptual project proposal, including a Business Plan, for Parcels B70 and B71, or Parcel B71 separately. AltaSea's proposals for the Parcels shall include a project with an estimated cost of \$98 million for Parcel B71 or \$196 million for the entirety of Parcels B70 and B71 and shall include the Public Promenade improvements design concept for the entire north to south length of the Parcels, B57, B58, B59, B60, B61, B70, and B71.

Additionally, no later than December 2023, AltaSea is required to establish and maintain a reserve fund to provide funding for the revitalization, renovation and upgrading of the publicly accessible and viewable areas and structures at various intervals over the term of the lease. Annual deposits into the renovation fund will be required, initially at the lesser of 2% of gross receipts (as defined in the lease agreement) or \$100,000, with the maximum annual deposit increasing to \$150,000 and then \$200,000 as various parcels are acquired.

The terms of the amended and restated lease with the Port of Los Angeles require AltaSea to invest the following minimum amounts to develop, construct and improve the premises:

	<u>Required Minimum Investment</u>
Premises:	
Interpretive center, public promenade and other public spaces	\$ 50,300,000
Redevelopment of certain transit shed warehouses, development of a public promenade, a public viewing area and other public spaces	54,600,000
Future project development and public sidewalks (B71)	<u>98,000,000</u>
Total	<u>\$ 202,900,000</u>

The minimum annual rent pursuant to the lease is dependent on AltaSea taking possession of parcels in accordance with the amended and restated lease agreement and on AltaSea's provision of certain non-monetary services and public benefits, as outlined in the lease agreement.

Obligations under the Office Lease

In February 2015, AltaSea consented to the assignment by Rockefeller Philanthropy Advisors, Inc. of a long-term non-cancellable operating lease for office space that expires in August 2021. The lease contains provisions for a base rent, subject to a fixed escalation, plus reimbursement for certain operating expenses. Rent expense for the years ended December 31, 2020 and 2019 was \$193,177 and \$182,401, respectively.

ALTASEA AT THE PORT OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. Commitments, continued

Obligations under the Office Lease, continued

Minimum future rental payments on the lease are as follows:

	<u>Amount</u>
For the year ended December 31:	
2021	\$ 124,872
Total	<u>\$ 124,872</u>

Operating Subleases

AltaSea entered into sublease agreements with various unrelated parties to sublease its office space and business hub. The subleases have expiration dates that extend through April 30, 2024. Income from long-term office subleases and business hub subleases was \$2,653 and \$172,489, respectively, for the year ended December 31, 2020. Income from long-term office subleases and business hub subleases was \$52,443 and \$165,974, respectively, for the year ended December 31, 2019. The total sublease income for 2020 and 2019 of \$175,142 and \$218,417 is included in other income in the statement of activities.

The following is a schedule by year of the approximate future minimum rental receipts under the noncancelable sublease agreements at December 31, 2020:

	<u>Amount</u>
For the year ended December 31:	
2021	\$ 17,451
2022	18,062
2023	18,695
2024	6,303
Total	<u>\$ 60,510</u>

8. Related Party Transactions

In February 2018, AltaSea contracted with a project management services firm co-owned by one of its board members for oversight of its capital projects. During the year ended December 31, 2019, AltaSea capitalized \$212,526 for services provided by the project management firm as construction in progress. During the year ended December 31, 2020, payments of \$162,526 were remitted to the related party for costs incurred and capitalized in the prior year. There were no costs incurred or capitalized by AltaSea during the year ended December 31, 2020 for project management services. AltaSea management believes that the services received were consummated on terms equivalent to those that prevail in arm's-length transactions.

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December 31, 2020 and 2019

9. Subsequent Events

AltaSea vacated its current office space effective April 30, 2021, prior to its lease expiration in August 2021. The early termination of its lease obligation did not result in any financial cost to AltaSea. Commencing May 1, 2021, AltaSea's corporate facility is located at its campus site located at the Port of Los Angeles. AltaSea implemented a hybrid office-sharing model, where most staff will work remotely; however, shared offices are available, in addition to a conference room, classroom, file storage, supply room, and podcast room for staff.

10. Paycheck Protection Program Loan

In April 2020, the Organization received loan proceeds of \$114,480 under the SBA Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses. The loans and accrued interest at 1.0% per annum, are forgivable after an eight or twenty-four week period, as long as the borrower uses the loan proceeds for eligible purposes, as defined in the CARES Act.

The Organization's use of the loan proceeds met the conditions for forgiveness of the loan, and it was fully forgiven in March 2021.

11. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic, which remains a global concern. Governments, both locally and nationally, have instituted varying levels of actions to contain the virus's spread. Because of the pandemic, AltaSea closed its offices in March 2020 and implemented a work from home policy for all employees. While the ultimate continued impact of COVID-19 on AltaSea's revenue and grants is unknown, AltaSea continues to review its program activities and make necessary modifications of its operating plan based on current economic and market conditions.