

Limited Contract Compliance
Sun's, Inc.

January 2024 – December 2024

Issue Date: December 4, 2025
Report No. 2025-19

Executive Summary

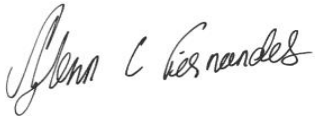
Internal Audit (IA) completed limited procedures related to the Lease and Concession Agreement (Agreement) between Sun's, Inc. and the Port of Seattle (Port).

The period reviewed was January 1, 2024, through December 31, 2024.

The review was performed to determine whether concession fees remitted to the Port were complete and properly calculated.

No exceptions were identified.

We extend our appreciation to the management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting

Khalia Moore, Assistant Director, Aviation Commercial Management

Jeff Wolf, Director, Aviation Commercial Management

Background

On June 29, 2016, the Port entered into a lease agreement with Sun's, Inc. Under this agreement, Sun's Inc. operates Manchu Wok. The agreement was amended in 2018, which removed the Minimum Annual Guarantee, and only required percentage fees, according to the following schedule:

12% of annual gross receipts less than or equal to \$2,000,000
13% of annual gross receipts between \$2,000,000 and less than or equal to \$4,000,000
15% of annual gross receipts greater than \$4,000,000

The table below reflects Sun's, Inc. Gross Sales:

| Period | Gross Sales |
|----------------------|-------------|
| 2024 January - June | \$1,286,496 |
| 2024 July - December | 1,361,828 |
| | \$2,648,324 |

Approach

The period assessed was January 2024, through December 2024 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds
- Agreed transactional daily cash detail to monthly sales reports for March and November 2024
- Obtained the Annual Gross Sales Report and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Reviewed a random sample of invoices to determine if they were paid on time, and for the full amount charged