

Financial Statements



June 30, 2021

Financial Statements and Federal Reporting Contents

Bigelow Laboratory for Ocean Sciences

June 30, 2021

Financial Statements:

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

Federal Reporting:

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.	27
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32

Independent Auditors' Report

**To the Board of Trustees
Bigelow Laboratory for Ocean Sciences
East Boothbay, Maine**

Report on Financial Statements

We have audited the accompanying financial statements of Bigelow Laboratory for Ocean Sciences (a nonprofit organization), which comprise the statement of financial position as of June 30 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 Bigelow Laboratory for Ocean Sciences as of June 30, 2021, and 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.

Report on Summarized Comparative Information

We have previously audited Bigelow Laboratory for Ocean Sciences's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of Bigelow Laboratory for Ocean Sciences' internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bigelow Laboratory for Ocean Sciences' internal control over financial reporting and compliance.

Purdy Poulos & Company
Professional Association

**Portland, Maine
December 15, 2021**

Statement of Financial Position

Bigelow Laboratory for Ocean Sciences

As of June 30, 2021

(with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 2,324,539	\$ 2,954,111
Cash restricted for research	-	4,333,917
Contracts and grants receivable	1,023,541	748,925
Pledges receivable, current	519,080	160,059
Accounts receivable, net	144,762	249,155
Prepaid expenses	45,817	46,177
Total Current Assets	4,057,739	8,492,344
Property and Equipment , net of accumulated depreciation	34,292,596	35,761,704
Other Assets		
Pledges receivable long-term, net	711,592	400,785
Investments	5,479,027	4,815,603
Investments - restricted for research	11,095,739	-
Investments - endowment	5,487,393	4,329,882
	<u>22,773,751</u>	<u>9,546,270</u>
Total Assets	\$ 61,124,086	\$ 53,800,318
Current Liabilities		
Accounts payable	\$ 400,874	\$ 300,567
Accrued payroll and other expenses	658,115	570,781
Current portion of notes payable	319,097	309,511
Promissory note - Paycheck Protection Program	-	1,339,900
Deferred revenue	5,518,552	3,101,239
Total Current Liabilities	6,896,638	5,621,998
Long-Term Liabilities		
Notes payable, net of current portion	12,425,066	12,744,163
Less: unamortized debt issuance costs	(152,098)	(157,482)
Swap contract	1,595,101	2,924,973
	<u>13,868,069</u>	<u>15,511,654</u>
Total Liabilities	20,764,707	21,133,652
Net Assets		
Net assets without donor restrictions	16,888,536	12,855,587
Net assets with donor restrictions	23,470,843	19,811,079
Total Net Assets	40,359,379	32,666,666
Total Liabilities and Net Assets	\$ 61,124,086	\$ 53,800,318

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021
(with comparative totals for June 30, 2020)

	2021			2020
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues and Other Support				
Grants and contracts	\$ 6,666,230	\$ 2,543,967	\$ 9,210,197	\$ 8,434,288
Contributions	4,224,575	2,344,265	6,568,840	3,435,707
Course fees	521,474	50,524	571,998	474,037
Loan forgiveness - Paycheck Protection Program	1,339,900	-	1,339,900	-
Other income	1,117,061	-	1,117,061	1,439,241
Net gain on investments	1,911,292	80,897	1,992,189	98,614
Net assets released from restrictions	1,359,889	(1,359,889)	-	-
Total Revenues and Other Support	17,140,421	3,659,764	20,800,185	13,881,887
Expenses				
Research and education	12,969,588	-	12,969,588	11,632,018
Management and general	439,091	-	439,091	1,133,632
Development	1,028,665	-	1,028,665	1,090,246
Total Expenses	14,437,344	-	14,437,344	13,855,896
Revenues Over (Under) Expenses	2,703,077	3,659,764	6,362,841	25,991
Non-Operating Revenue, Gains, and Losses				
Gain (Loss) on interest rate swap	1,329,872	-	1,329,872	(1,940,295)
Increase (Decrease) in Net Assets	4,032,949	3,659,764	7,692,713	(1,914,304)
Net assets at beginning of year	12,855,587	19,811,079	32,666,666	34,580,970
Net Assets at End of Year	\$ 16,888,536	\$ 23,470,843	\$ 40,359,379	\$ 32,666,666

See accompanying independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021

(with comparative totals for June 30, 2020)

	2021				2020
	Research & Education	Management & General	Development	Total	Total
Personnel					
Salaries and wages	\$ 3,218,285	\$ 1,932,621	\$ 369,688	\$ 5,520,594	\$ 5,082,987
Fringe benefits	1,537,139	505,899	178,831	2,221,869	2,387,830
Total Personnel	<u>4,755,424</u>	<u>2,438,520</u>	<u>548,519</u>	<u>7,742,463</u>	<u>7,470,817</u>
Other Expenses					
Subcontracts	1,048,341	5,053	-	1,053,394	666,748
Supplies and leases	865,393	81,026	13,979	960,398	873,035
Participant support	202,865	2,505	990	206,360	271,936
Publications, books and periodicals	30,649	639	630	31,918	38,133
Dues and licenses	9,965	97,243	7,727	114,935	118,700
Travel	21,252	6,671	3,090	31,013	190,718
Shipment costs	65,741	-	-	65,741	59,344
Telephone	723	27,773	4,138	32,634	45,674
Utilities	21,641	271,790	-	293,431	323,021
Equipment - federal	13,316	-	-	13,316	17,412
Equipment - non-federal	32,228	34,605	169,00	67,002	52,729
Repairs and maintenance	46,086	76,396	-	122,482	60,496
Shipping and postage	110,389	2,630	9,124	122,143	86,874
Consulting and contracted services	244,186	251,771	986	496,943	513,197
Professional fees	159,963	149,727	1,692	311,382	114,259
Insurance	-	135,054	-	135,054	121,568
Depreciation and amortization	1,264,448	648,393	145,849	2,058,690	2,142,604
Interest	6,000	441,809	-	447,809	535,085
Technical services	481	7,819	9,588	17,888	13,421
Bad debt	-	16	-	16	-
Training	10,296	6,792	418	17,506	19,008
Other	18,965	39,732	36,129	94,826	121,117
Total Other Expenses	<u>4,172,928</u>	<u>2,287,444</u>	<u>234,509</u>	<u>6,694,881</u>	<u>6,385,079</u>
Total Expenses Before Overhead Charge	<u>8,928,352</u>	<u>4,725,964</u>	<u>783,028</u>	<u>14,437,344</u>	<u>13,855,896</u>
Overhead Charged to Direct Research					
Costs and Development	<u>4,041,236</u>	<u>(4,286,873)</u>	<u>245,637</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,969,588</u>	<u>\$ 439,091</u>	<u>\$ 1,028,665</u>	<u>\$ 14,437,344</u>	<u>\$ 13,855,896</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Cash Flows

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021 (with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating Activities		
Increase (Decrease) in net assets	\$ 7,692,713	\$ (1,914,304)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,058,690	2,142,604
Change in allowance for doubtful accounts	-	(49,507)
Debt issuance costs	5,384	4,038
Pledges receivable restricted to endowment	4,000	36,000
Net gain on investments	(1,992,189)	(98,614)
Loss on disposal of property and equipment	194,324	-
Restricted contributions	(50,000)	(1,066,340)
(Gain) Loss on interest rate swap	(1,329,872)	1,940,295
Loan forgiveness	(1,339,900)	-
Bad debt	16	-
(Increase) Decrease in operating assets:		
Contracts and grants receivable	(274,616)	926,912
Pledges receivable	(673,828)	16,647
Accounts receivable	104,377	7,260
Inventory	-	-
Prepaid expenses	360	29,992
Increase (Decrease) in operating liabilities:		
Accounts payable	100,307	(89,072)
Accrued payroll and other expenses	48,530	114,336
Deferred revenue	2,417,313	1,378,861
Net Cash Provided by Operating Activities	<u>6,965,609</u>	<u>3,379,108</u>
Investing Activities		
Purchase of buildings and equipment	(783,906)	(1,013,222)
Proceeds from sale of investments	1,507,158	1,802,739
Purchase of investments	(12,543,643)	(1,431,549)
Net Cash Used by Investing Activities	<u>(11,820,391)</u>	<u>(642,032)</u>
Financing Activities		
Contribution restricted to endowments	50,000	1,066,340
Payments on notes payable	(270,707)	(158,980)
Proceeds from Paycheck Protection Program loan	-	1,339,900
Proceeds from endowments	112,000	-
Net Cash Provided (Used) by Financing Activities	<u>(108,707)</u>	<u>2,247,260</u>
Increase (Decrease) in Cash	<u>(4,963,489)</u>	<u>4,984,336</u>
Cash and cash equivalents at beginning of year	<u>7,288,028</u>	<u>2,303,692</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,324,539</u>	<u>\$ 7,288,028</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 443,199</u>	<u>\$ 491,468</u>
Components of Cash:		
Cash and cash equivalents	\$ 2,324,539	2,954,111
Cash restricted for research	-	4,333,917
	<u>\$ 2,324,539</u>	<u>\$ 7,288,028</u>

See accompanying independent auditors' report and notes to financial statements.

Notes to Financial Statements

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies

Nature of Activities

Bigelow Laboratory for Ocean Sciences (the “Laboratory”) provides scientific research, educational services, and oceanographic goods and services to government, industry, and educational entities. The Laboratory continues to pursue research, educational, and technology transfer opportunities.

Basis of Presentation

The accompanying financial statements include a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows. The Laboratory is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions - Represents those resources that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), and can be used for any purpose designated by the Laboratory’s governing board.

Net Assets with Donor Restrictions - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is subject to donor-imposed restrictions.

Revenue and Expense Recognition

The financial statements of the Laboratory have been prepared on the accrual basis of accounting. Revenues received are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Expenses are recognized as incurred. Expense amounts are allocated among the various programs on both a direct basis and according to a cost allocation basis.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

Grants and Contracts

Grants and contracts includes revenues received from Federal and other private agencies for work performed. The Laboratory has numerous grants for which the grantor agencies' promises to give are conditioned upon incurring certain qualified expenses under the grant programs, and therefore the Laboratory recognizes revenue from grants and contracts as related costs are incurred. Payments received in advance of expenditures are recorded as deferred revenue until expended.

Donated Services and Materials

Donated marketable securities and other noncash donations are recorded as support at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenue with donor restrictions. In the absence of donor stipulations regarding how long the contributed assets must be used, the Laboratory has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets useful lives.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Laboratory considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents residing within the Laboratory's investment portfolios are reported as investments. The Laboratory maintains its deposits in bank deposit accounts, which also include a sweep account. Funds in excess of federally insured limits are collateralized by the relevant U.S. Treasuries or Agencies. The Laboratory has not experienced any losses in such accounts and believes that it is not exposed to any significant risk.

Contracts, Grants and Accounts Receivable

Contracts and grants receivable consist primarily of amounts due from federal agencies. Accounts receivable consist primarily of amounts due from various organizations for fees earned for services provided. All such receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuations allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was \$10,493 at June 30, 2021 and 2020.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable expected to be received in more than one year are discounted to present value.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. The Laboratory's capitalization policy is to capitalize any asset over \$5,000 with a useful life of one year or more. Assets are depreciated or amortized on a straight-line basis over their estimated useful lives ranging from 3 to 40 years.

Expenditures for repairs and maintenance are expended when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss is recognized accordingly. Depreciation expense for the years ended June 30, 2021 and 2020 was \$2,058,690 and \$2,142,604, respectively.

Investments

The Laboratory reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Collections

The Laboratory houses the Provasoli-Guillard National Center of Marine Algae and Microbiota. The Laboratory does not capitalize this collection of more than 2,700 strains of marine phytoplankton, bacteria, and viruses. The Laboratory holds the collection for educational and research purposes; the strains are available to the public. Proceeds from the sales of strain samples are used to maintain and preserve the collection.

Deferred Revenue

Deferred revenue represents amounts advanced under grants and contracts with governmental agencies and private organizations which have not been expended in the current period and are available for use in the subsequent fiscal year.

Compensated Absences

Vested and accumulated vacation leave is reported as an expense and a liability when the obligation becomes determinable.

Debt Issuance Costs

The Company has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 835-30, *Simplifying the Presentation of Debt Issuance Costs*. Accordingly, it is the Company's policy to record these costs as interest expense ratably over the corresponding loan period of thirty years and six months. Accumulated amortization of deferred debt issuance costs was \$10,768 and \$5,384 as of June 30, 2021 and 2020, respectively.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, such as time and effort or full time equivalents.

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 those estimates.

New Accounting Pronouncement

Revenue Recognition

On July 1, 2020, Bigelow Laboratory for Ocean Sciences adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”), which creates a single, principle-based model for recognizing contract revenue and related incremental expenses. The Laboratory adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. Under the modified retrospective transition method, a cumulative effect adjustment is recorded to the opening balance of net assets for the initial application of the new guidance as of July 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

In accordance with FASB ASC 606-10-50-14, the Laboratory has elected not to disclose certain information about its remaining performance obligations, as such obligations relate to contracts with an original expected duration of one year or less.

The notes to the financial statements contain certain disclosures that are specific to the implementation of ASC 606. Such information does not include comparative prior-year detail, as the Laboratory adopted the Standard as of July 1, 2020.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

Pending Accounting Pronouncement

Leases

In February 2016, FASB released ASU 2016-02 Leases (Topic 842). This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of organizations that lease. The standard is for a dual-model approach: a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the balance sheet of the organization for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic organizations, the new leasing standard will apply for fiscal years beginning after December 15, 2021. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Comparative Data

The financial information for the year ended June 30, 2020, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation. Certain prior year balances have been reclassified to conform with the current year presentation.

Note B - Contracts and Grants Receivables

The majority of the \$1,023,541 and \$748,925 of contracts and grants receivable due as of June 30, 2021 and 2020, respectively are due from government agencies for services performed. In addition, the Laboratory has future awards from various government agencies that are conditional upon funding availability from the specific agencies and are, therefore, not shown as assets or revenues on the financial statements. For the years ended June 30, 2021 and 2020, the future research conditional awards were \$35,969,473 and \$9,882,495, respectively.

Future unconditional awards are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Research awards	\$ 9,952,007	\$ 12,098,954
Education	406,376	529,469
Plant and equipment awards	7,515	28,075
Core facility	242,945	358,032
	<u>\$ 10,608,843</u>	<u>\$ 13,014,530</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note C - Pledges Receivable

Pledges receivable are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Annual fund	\$ 392,595	\$ 535,309
Endowment for VP of Education	4,000	36,000
Tandy Center for Ocean Forecasting	304,485	-
Water Health and Humans Initiative	250,000	-
Center for Algal Innovation	275,000	-
Fellowship	<u>25,000</u>	<u>-</u>
	1,251,080	571,309
Less discount	<u>(20,408)</u>	<u>(10,465)</u>
Pledges receivable, net of discount	<u>\$ 1,230,672</u>	<u>\$ 560,844</u>
Amounts due in:		
Less than one year	\$ 519,080	\$ 160,059
One to five years	<u>732,000</u>	<u>411,250</u>
	<u>\$ 1,251,080</u>	<u>\$ 571,309</u>

For the years ended June 30, 2021 and 2020, a discount rate of 1.6% was applied to pledges receivable in excess of one year.

Approximately 78% and 80% of unconditional promises to give received during the years ended June 30, 2021 and 2020, respectively were from four and two donors, respectively.

Note D - Property and Equipment

During 2005, approximately 64 acres of land in East Boothbay, Maine with a cost of \$2,728,008 was acquired and was partially funded by a grant from the National Oceanic and Atmospheric Administration (NOAA) in the amount of \$1,464,735. This grant restricts the sale of the land without prior approval from NOAA.

The Laboratory received grants from the Maine Technology Institute for \$4,528,971, National Science Foundation for \$4,975,000, and National Institutes of Standards and Technology (NIST) for \$9,145,710 for construction of the new facilities. NIST restricts that the portion of the new building funded by their grants must be used for the original purposes set out by the Laboratory for 20 years. Also related to the construction, the Laboratory obtained financing from a local bank of \$13,156,911 that was disbursed for the initial three phases of the project. In addition, another \$75,000 loan was obtained for site work for the new administrative building. Construction of all buildings was completed in June 2013.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note D - Property and Equipment - Continued

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,800,537	\$ 2,800,537
Site work - new campus	5,285,146	5,289,188
Buildings – new campus	34,495,048	34,246,115
Buildings other	486,550	489,598
Administrative furnishings and equipment	155,317	164,687
Facilities equipment	4,452,824	5,357,284
Scientific equipment acquired through grants	5,163,495	8,226,740
Equipment – matching portion	126,097	246,097
Donated equipment and furnishings	108,066	239,121
Leasehold improvements	37,338	37,388
Land improvements	7,713	-
	<u>53,118,131</u>	<u>57,891,845</u>
Less: accumulated depreciation	<u>19,043,616</u>	<u>22,348,222</u>
	34,074,515	35,543,623
Add: construction in progress	218,081	218,081
	<u>\$ 34,292,596</u>	<u>\$ 35,761,704</u>

Note E - Investments

Fair value of investments consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 718,529	\$ 431,754
Equity funds	284,810	2,238,337
Exchange traded funds	10,045,487	6,475,394
Fixed income funds	11,013,333	-
	<u>\$ 22,062,159</u>	<u>\$ 9,145,485</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note F - Fair Value Measurements

The Laboratory applies a framework for measuring fair values under generally accepted accounting principles which applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

Level 1 – Quoted prices are available in active markets, such as the New York or American Stock Exchange markets, for identical investments as of the reporting date. Level 1 also includes U.S. Treasury and federal agency securities and mortgage-backed securities traded by brokers or dealers in active markets.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair values are obtained from third party pricing services that may use models or other valuation methodologies to derive market value. These may be investments traded in less active dealer or broker markets.

Level 3 – Pricing inputs are unobservable for investments and valuations are derived from other methodologies not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities. The types of investments in this category would generally include debt and equity securities issued by private entities and partnerships.

The following summarizes fair values of investment assets by levels within the fair value hierarchy at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 718,529	\$ -	\$ -	\$ 718,529
Equity funds	284,810	-	-	284,810
Exchange traded funds	10,045,487	-	-	10,045,487
Fixed income funds	11,013,333	-	-	11,013,333
Total investments	<u>\$ 22,062,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,062,159</u>

The following summarizes fair values of investment assets by levels within the fair value hierarchy at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 431,754	\$ -	\$ -	\$ 431,754
Equity funds	2,238,337	-	-	2,238,337
Exchange traded funds	6,475,394	-	-	6,475,394
Total investments	<u>\$ 9,145,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,145,485</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note G - Endowment Fund

The Laboratory has endowment funds established for a number of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The funds are recorded at fair value and the principal is recorded as net assets with donor restrictions. Earnings and losses on these funds are considered restricted or unrestricted depending on donor intentions and are recorded as such.

The State of Maine has adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). In accordance with UPMIFA the Laboratory classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) any remaining portion of the donor-restricted endowment until such amounts are appropriated for expenditure by the Laboratory in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Laboratory considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Laboratory, and (7) the Laboratory's investment policies.

Endowment net asset composition by type of fund is as follows at June 30, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,487,393	\$ 5,487,393

Endowment net asset composition by type of fund is as follows at June 30, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,329,882	\$ 4,329,882

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note G - Endowment Fund - Continued

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 4,329,882	\$ 4,329,882
Contributions received	-	50,000	50,000
Investment return (loss)	-	1,219,511	1,219,511
Appropriation of endowment assets for expenditure	-	(112,000)	(112,000)
Transfer to board designated endowment fund	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 5,487,393</u>	<u>\$ 5,487,393</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 3,152,884	\$ 3,152,884
Contributions received	-	1,066,340	1,066,340
Investment return	-	110,658	110,658
Appropriation of endowment assets for expenditure	-	-	-
Transfer to board designated endowment fund	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 4,329,882</u>	<u>\$ 4,329,882</u>

Note H - Line of Credit

The Laboratory has an operating line of credit with a local bank with a maximum amount available for borrowing of \$1,000,000 with an interest rate at the Wall Street Prime (3.25% at June 30, 2021 and 2020). The line renews annually and is unsecured. There was no outstanding balance at June 30, 2021 and 2020.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note I - Swap Contract

The Laboratory entered into an agreement with the First National Bank in April of 2019 to borrow \$12,914,000. The proceeds were used to refinance debt in the amount of \$12,756,911 and to pay for associated issuance costs. As part of the agreement the Laboratory entered into an Interest Rate Swap transaction, in which the Laboratory receives or is charged a monthly amount based upon the difference between the fixed and floating rates as detailed in the contract. The Laboratory utilized SJ Advisors LLC, an outside 3rd party, to perform a valuation of the swap as of June 30, 2021 and 2020, respectively. The market value of the interest rate swap is determined by present values of future cash flows. Cash flows based on a fixed rate equal the notional amount of \$12,914,000 times the fixed rate times the day count fraction for each period. Cash flows based on a floating rate equal the notional amount times the floating rate, as projected by the forward yield curve on the valuation date times the day count fraction for each period. Discount factors are based on the discount curve on the valuation date. As of June 30, 2021 and 2020, the market value of the interest rate swap of (\$1,595,101) and (\$2,924,973), respectively, has been recorded as a current liability on the statement of financial position.

Note J - Notes Payable

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Bond payable to a bank with monthly principal and interest payments through April 2049. The interest is fixed at 3.724% through an interest rate swap agreement (see Note I). The note is secured by real estate.	\$ 12,504,163	\$ 12,753,674
Note payable to Maine Community Foundation requiring quarterly payments of interest only at a fixed rate of 2% through December 31, 2025. All principal is due in full on December 31, 2025.	<u>240,000</u>	<u>300,000</u>
	12,744,163	13,053,674
Less current portion	<u>319,097</u>	<u>309,511</u>
Long-term debt, net of current portion	<u>\$ 12,425,066</u>	<u>\$ 12,744,163</u>

Required future annual principal payments on the notes payable are as follows:

2022	\$ 319,097
2023	329,051
2024	338,155
2025	350,073
2026	301,217
Thereafter	<u>11,106,570</u>
	<u>\$ 12,744,163</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note K - Promissory Note - Paycheck Protection Program

During the year ended June 30, 2020, the Laboratory received a loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program (PPP), established as part of the 2020 CARES Act. The \$1,339,900 promissory note was to be forgiven if the loan was used for payroll, rent, mortgage interest, or utilities incurred over the twenty four week period starting from the day the funds were received from the lender (with at least 60% of the loan being used for payroll). In addition, the Bigelow Laboratory for Ocean Sciences needed to maintain staffing and 75% of salaries as assessed individually, subject to certain exemptions. For any portion of the loan not forgiven, principal and interest payments were to begin on the seven month anniversary of execution of the note, with interest at a rate of 1% and principal in an amount so that the remaining loan balance fully amortized by the maturity date of April 10, 2022.

In November of 2020 the Laboratory received notification that the SBA has provided full forgiveness of the loan. Accordingly, the Laboratory has recognized the entire note balance of \$1,339,900 as revenue on the accompanying Statement of Activities for the year ended June 30, 2021.

Note L - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2021</u>	<u>2020</u>
<i>Subject to expenditure for specified purpose:</i>		
Grant equipment	\$ 644,092	\$ 597,224
Grant buildings	13,169,537	14,269,655
Donated equipment	-	44,702
Research and education support	2,939,149	8,772
Advancement	858,485	185,309
Endowment earnings	<u>1,569,211</u>	<u>461,700</u>
	<u>19,180,474</u>	<u>15,567,362</u>
 <i>Subject to the passage of time:</i>		
Pledges receivable	<u>372,187</u>	<u>375,535</u>
 <i>Not subject to appropriation or expenditure:</i>		
General operations support	688,731	638,731
Keller scholarship	27,234	27,234
Residence endowment	1,202,217	1,202,217
Endowment for chair for research and education	<u>2,000,000</u>	<u>2,000,000</u>
	<u>3,918,182</u>	<u>3,868,182</u>
	<u>\$ 23,470,843</u>	<u>\$ 19,811,079</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note M - Board Designated Net Assets

The Laboratory has set aside funds received primarily from the proceeds from a prior insurance claim, bequests received during the years ended June 30, 2021 and 2020 and investment earnings. The balances of \$4,668,034 and \$2,336,778 at June 30, 2021 and 2020, respectively, may only be used with Board approval. No specified purpose has been identified for the future expenditure of the designated funds.

Note N - Liquidity and Availability

Financial assets consist of the Laboratory's cash and cash equivalents, contracts and grants receivable, pledges receivable, accounts receivable, and investments. The following reflects the Laboratory's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Net Position.

Financial assets available to meet cash needs for general expenditures within one year consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets, at year end	\$ 26,785,673	\$ 17,992,437
Less those unavailable for general expenditures within one year, due to:		
<i>Contractual or donor-imposed restrictions</i>		
Pledges receivable due in more than one year	(711,592)	(400,785)
Restricted by donor with time or purpose restrictions	<u>(17,606,673)</u>	<u>(9,412,726)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,467,408</u>	<u>\$ 8,178,928</u>

The Laboratory's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in 2022.

The Laboratory is substantially supported by grants and contracts. The Laboratory actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due. As more fully described in Note H, the Laboratory also has availability under the line of credit of \$1,000,000, should an unanticipated liquidity need be identified.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note O - Retirement Plan

Substantially all eligible research and administrative personnel participate in individual annuity contracts through Teachers Insurance and Annuity Association College Retirement Equities Fund. Contributions for each annuity are made both by the participant and the Laboratory. The Laboratory's contributions amounted to \$329,768 and \$420,481 for the years ended June 30, 2021 and 2020, respectively. Prior to the year ended June 30, 2020, the Laboratory became aware of compliance issues related to its 403(b) plan, and took steps to identify and take the necessary voluntary corrective measures. In January and February of 2020, the plan contributed \$92,854 of principal contributions and lost earnings related to the prior issues. See Note V – Subsequent Events for additional disclosure.

Note P - Leases

The Laboratory leases photocopiers and a mailing machine under operating leases. Lease expense amounted to \$11,231 and \$12,633 for the years ended June 30, 2021 and 2020, respectively. In July 2016, the Laboratory entered into a seven year lease agreement with ReVision Investments, LLC, whereby ReVision will be leasing solar power grids to the Laboratory for a period of seven years. At the end of the seven year period, the Laboratory will have an option to purchase the grids at fair market value. As of June 30, 2021, the future minimum lease payments for the years ending June 30 are as follows:

2022	\$	6,886
2023		6,886
2024		6,886
2025		6,886
2026		6,049

Note Q - Commitments and Contingencies

Grants

All government grants and contracts are subject to audit and acceptance of final costs by the appropriate governmental agency. Most contract terms contain a provisionally approved overhead rate that is subject to final government audit. To date, government audits have resulted in only minor settlement amounts.

In the opinion of the Laboratory, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingency.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note Q - Commitments and Contingencies - Continued

In August 2020, the Laboratory entered into a bill credit agreement to purchase solar power from Sunrise Energy from a 3rd party array which was completed during the year ended June 30, 2021. Bigelow agreed to purchase approximately 90% of its 2019 calendar year power usage at a discounted rate of 2 cents/kWh below the CMP prevailing meter rate for entities of Bigelow's size for a period of 20 years. This agreement is providing discounts off electricity purchases to the Laboratory as of July 1, 2021.

Note R - Concentrations

The Laboratory receives a substantial portion of its operating revenues (not including contributions for building construction and endowment contributions) from governmental agencies. For the years ended June 30, 2021 and 2020, the Laboratory received approximately 31% and 47%, respectively, of its operating revenues from governmental agencies. Receivables directly from government agencies comprised approximately 63% and 75% of contracts and grants receivables as of June 30, 2021 and 2020, respectively.

Note S - Related Party Transactions

During the years ended June 30, 2021 and 2020, the Laboratory received contributions of \$2,178,882 and \$1,380,144, respectively from Trustees, Advisory Board members, staff and Trustees Emeriti.

Note T - Income Taxes

The Laboratory qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and files a Form 990 tax return. With few exceptions, the Laboratory is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2018 due to the statute of limitations. The Laboratory has adopted the provisions of FASB ASC, Income Taxes. Management of the Laboratory believes it has no material uncertain tax positions, and accordingly it will not recognize any liability for unrecognized tax benefits.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note U – Revenue Recognition

Disaggregation of Revenue

The following table shows Bigelow Laboratory for Ocean Sciences' contract revenue disaggregated according to revenue stream and the timing of transfer of goods or services during the year ended June 30, 2021:

Revenue Recognized at a Point in Time

Patent and license fees	\$ 585,712
Other fees	<u>531,349</u>
Total Contract Revenue Recognized at a Point in Time	<u><u>1,117,061</u></u>

Revenue Recognized Over Time

Summer training and course fees	<u>571,998</u>
Total Contract Revenue Recognized Over Time	<u>571,998</u>
Total Revenue from Contracts with Customers	<u><u>\$ 1,689,059</u></u>

Contract Assets and Contract Liabilities

In accordance with FASB ASC 606-10-50, the Laboratory has considered the need to record contract assets and contract liabilities from contracts with its customers. The Laboratory has no contract assets and no contract liabilities as of June 30, 2021 and July 1, 2020, respectively.

Receivables

Bigelow Laboratory for Ocean Sciences has no accounts receivable from contracts with customers at June 30, 2021 and July 1, 2020.

Performance Obligations

Bigelow Laboratory for Ocean Sciences generates revenue at a point in time from product sales and service performance. Revenue is recognized at the time the product or service is provided and used by customers.

Bigelow Laboratory for Ocean Sciences recognizes revenue over time from its contracts for summer training and courses. The Laboratory recognizes revenue as it performs the services specified in the agreements.

There are no credit terms extended to certain customers based on credit worthiness.

Management has determined that there are no significant warranties or return, refund, or discount obligations related to contracts with its customers.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note U – Revenue Recognition - Continued

The Laboratory has no significant shipping and handling costs.

Significant Judgments

Exchange Transactions - Management has determined that its grants and contracts with federal and other governmental agencies do not meet the definition of an exchange transaction as defined in ASC 606, as the agreements do not include the giving and receiving of *direct commensurate value* by both parties. Such transactions are thus excluded from the Laboratory's implementation of the new standard.

Identifying Performance Obligations - ASC 606 requires the Laboratory to determine which of the promised services with customers constitute separate performance obligations within the context of certain overall contracts. Identification generally involves management's judgment to identify distinct promises, and includes an assessment of the significance of integration and interdependence of the various services within the contract.

Bigelow Laboratory for Ocean Sciences has considered a number of factors in determining that applying ASC 606 to a portfolio of similar contracts will not result in a materially different outcome compared to individually accounting for the contracts.

Financing Components

The Laboratory's contracts with customers contain no significant financing components.

Transition

Bigelow Laboratory for Ocean Sciences applied the new Revenue from Contracts with Customers guidance to contracts not completed at July 1, 2020, the date of initial application. In (a) determining the amount that would have been recognized for each financial statement line item if legacy GAAP had continued to be applied in the period of adoption, and (b) comparing that amount to the amount recognized for the line item under the new guidance, management has determined that there were no changes to the financial statements resulting from adoption.

Note V - Subsequent Events

Subsequent to the year ended June 30, 2021, Bigelow Laboratory for Ocean Sciences received notification from the Internal Revenue Service of approval of the Laboratory's corrective action plan initiated in response to 403(b) compliance issues described in Note O to these financial statements.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note V - Subsequent Events - Continued

Management has made an evaluation of subsequent events to and including December 15, 2021, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Subsequent to June 30, 2021 the Laboratory engaged an outside 3rd party to assist with filing for Employee Retention Credits based on eligibility in the CARES Act and the Taxpayer Certainty and Disaster Tax Relief Act. These credits have been submitted to the IRS and are pending approval and payment. Due to the IRS backlog, this will not be settled until the spring of 2022.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Board of Trustees
Bigelow Laboratory for Ocean Sciences
East Boothbay, Maine**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bigelow Laboratory for Ocean Sciences (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bigelow Laboratory for Ocean Sciences' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bigelow Laboratory for Ocean Sciences' internal control. Accordingly, we do not express an opinion on the effectiveness of Bigelow Laboratory for Ocean Sciences' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bigelow Laboratory for Ocean Sciences' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purdy Powers & Company
Professional Association

**Portland, Maine
December 15, 2021**

**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control Over Compliance Required By The Uniform Guidance**

**To the Board of Trustees
Bigelow Laboratory for Ocean Sciences
East Boothbay, Maine**

Report on Compliance for Each Major Federal Program

We have audited Bigelow Laboratory for Ocean Sciences' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bigelow Laboratory for Ocean Sciences's major federal programs for the year ended June 30, 2021. Bigelow Laboratory for Ocean Sciences's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bigelow Laboratory for Ocean Sciences's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bigelow Laboratory for Ocean Sciences' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bigelow Laboratory for Ocean Sciences' compliance.

Opinion on Each Major Federal Program

In our opinion, Bigelow Laboratory for Ocean Sciences complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Bigelow Laboratory for Ocean Sciences is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bigelow Laboratory for Ocean Sciences's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bigelow Laboratory for Ocean Sciences's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Bigelow Laboratory for Ocean Sciences as of and for the year ended June 30, 2021, and have issued our report thereon dated December 15, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Purdy Powers & Company

Professional Association

**Portland, Maine
December 15, 2021**

Schedule of Expenditures of Federal Awards

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant/ Pass-through Number	Total Federal Expenditures	Passed Through to Subrecipients
Research and Development Cluster				
<u>National Science Foundation</u>				
<u>Research and development direct:</u>				
Biological Sciences	47.074		\$ 257,959	\$ -
Geosciences	47.050		2,072,275	40,433
Integrative Activities	47.083		1,369,837	340,119
Mathematical and Physical Sciences	47.049		155,105	-
Engineering	47.041		77,650	-
<u>Passed through from other organizations:</u>				
University of Southern California (C-DEBI) - Integrative Activities	47.083	OCE-0939564	100,977	-
University of Maine	47.083	OIA-1849227	562,111	-
Columbia University - Geosciences	47.050	OCE-1634630	4,073	-
	Total National Science Foundation		4,599,987	380,552
<u>National Aeronautics and Space Administration</u>				
<u>Research and development direct:</u>				
Science	43.001	80NSSC18K0081	78,496	4,296
Science	43.001	NNX17AI77G	373,064	-
Science	43.001	80NSSC80K0013	109,134	-
Science	43.001	NNX16AG59G	98,686	82,012
Science	43.001	NNX17AB90G	20,282	-
Science	43.001	80NSSC19K0043	54,410	-
Science	43.001	80NSSC19K0466	139,884	-
<u>Passed through from other organizations:</u>				
University of Maine - Education	43.008	NNX19AQ94A	26,271	-
	Total National Aeronautics and Space Administration		900,227	86,308
<u>U.S. Department of Commerce</u>				
<u>National Oceanic and Atomspheric Administration</u>				
<u>Research and development direct:</u>				
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	NA18NMF4270184	112,223	23,398
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	NA17NMF4270202	25,435	13,111
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA17NOS4780179	19,276	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA19NOS4780187	148,647	-
<u>Passed through from other organizations:</u>				
North Pacific Research Board - Unallied Science Program	11.472	NA15NMF4720105	25,153	-
University of Maine - Sea Grant Support	11.417	NA19OAR4170394	46,584	-
Mote Marine Laboratory	11.417	NA18OAR4170085	30,899	-
Mote Marine Laboratory	11.478	NA19NOS4780183	7,509	-
Mbio Diagnostics, Inc.	11.478	NA20NOS4780181	209	-
Northeast Regional Assn. of Coastal Ocean Observing Systems- IOOS	11.012	NA19NAS0120197	17,527	-
Northeast Regional Assn. of Coastal Ocean Observing Systems- IOOS	11.012	NA16NOS0122002	7,131	-
Duke University	11.008	NA20NMF0080246	57,609	-
Industrial Economics, Inc.	11.UNKNOWN	GS-10F-0061N	28,200	-
	Total U.S. Department of Commerce		526,402	36,509
<u>Department of Defense</u>				
<u>Research and development direct:</u>				
Basic and Applied Scientific Research	12.300	N00014-17-1-2641	58,804	-
	Total Department of Defense		58,804	-
<u>U.S. Department of Homeland Security</u>				
<u>Passed through from other organizations:</u>				
University of Alaska - Centers for Homeland Security	97.061	17STADA00001-02-03	116,648	-
	Total U.S. Department of Homeland Security		116,648	-
<u>U.S. Department of Energy</u>				
<u>Research and development direct:</u>				
Advanced Research Projects Agency- Energy	81.135	DE-AR001169	89,254	-
	Total U.S. Department of Energy		89,254	-
<u>Environmental Protection Agency</u>				
<u>Passed through from other organizations:</u>				
University of Maine	66.456	CE00A00319-0	111	-
	Total Environmental Protection Agency		111	-
	Total Research and Development Cluster		6,291,433	503,369
	Total Federal Awards		\$ 6,291,433	\$ 503,369

Notes to Schedule of Expenditures of Federal Awards

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Bigelow Laboratory for Ocean Sciences. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bigelow Laboratory for Ocean Sciences, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bigelow Laboratory for Ocean Sciences.

2. **Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

Bigelow Laboratory for Ocean Sciences has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Bigelow Laboratory for Ocean Sciences.
2. No significant deficiencies were disclosed during the audit of the financial statements and reported in the Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Bigelow Laboratory for Ocean Sciences were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over compliance relating to the audit of the major federal award programs are reported in the accompanying Independent Auditors' Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance in Accordance With the Uniform Guidance.
5. The auditor's report on compliance for the major federal awards programs for the Bigelow Laboratory for Ocean Sciences expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the Bigelow Laboratory for Ocean Sciences are reported in Part C of this Schedule.
7. The programs tested as major were:

<u>Program</u>	<u>CFDA #</u>
Research and Development Cluster	Various

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Bigelow Laboratory for Ocean Sciences was determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - Continued

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2021

B. FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

D. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None