

Financial Statements



June 30, 2022

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Bigelow Laboratory for Ocean Sciences

June 30, 2022

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Independent Auditors' Report

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

Opinion

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 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bigelow Laboratory for Ocean Sciences and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bigelow Laboratory for Ocean Sciences' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bigelow Laboratory for Ocean Sciences' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bigelow Laboratory for Ocean Sciences' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Bigelow Laboratory for Ocean Sciences' 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 19, 2022, on our consideration of Bigelow Laboratory for Ocean Sciences' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Bigelow Laboratory for Ocean Sciences' 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 Powus & Company
Professional Association

**Portland, Maine
December 19, 2022**

Statement of Financial Position

Bigelow Laboratory for Ocean Sciences

As of June 30, 2022

(with comparative totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 2,072,808	\$ 2,324,539
Contracts and grants receivable	1,167,992	1,023,541
Pledges receivable, current	722,957	519,080
Accounts receivable, net	243,252	144,762
Receivable - Employee Retention Tax Credit	1,457,244	-
Prepaid expenses	48,156	45,817
Total Current Assets	<u>5,712,409</u>	<u>4,057,739</u>
Property and Equipment , net of accumulated depreciation	33,471,926	34,292,596
Other Assets		
Pledges receivable long-term, net	622,252	711,592
Investments	5,246,785	4,668,034
Investments - strategic reserve	887,838	810,993
Investments - research	11,049,007	11,095,739
Investments - endowment	5,573,415	5,487,393
Swap contract	231,265	-
Total Other Assets	<u>23,610,562</u>	<u>22,773,751</u>
Total Assets	<u>\$ 62,794,897</u>	<u>\$ 61,124,086</u>
Current Liabilities		
Accounts payable	\$ 485,815	\$ 400,874
Accrued payroll and other expenses	712,794	658,115
Current portion of notes payable	329,051	319,097
Deferred revenue	5,584,891	5,518,552
Total Current Liabilities	<u>7,112,551</u>	<u>6,896,638</u>
Long-Term Liabilities		
Notes payable, net of current portion	12,096,016	12,425,066
Less: unamortized debt issuance costs	(146,714)	(152,098)
Swap contract	-	1,595,101
Total Long-Term Liabilities	<u>11,949,302</u>	<u>13,868,069</u>
Total Liabilities	<u>19,061,853</u>	<u>20,764,707</u>
Net Assets		
Net assets without donor restrictions	19,439,062	16,888,536
Net assets with donor restrictions	24,293,982	23,470,843
Total Net Assets	<u>43,733,044</u>	<u>40,359,379</u>
Total Liabilities and Net Assets	<u>\$ 62,794,897</u>	<u>\$ 61,124,086</u>

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

Statement of Activities

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2022
(with comparative totals for June 30, 2021)

	2022			2021
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues and Other Support				
Grants and contracts	\$ 6,333,693	\$ 1,367,137	\$ 7,700,830	\$ 9,210,197
Contributions	6,245,433	1,952,816	8,198,249	6,568,840
Course fees	614,901	-	614,901	571,998
Other income	2,219,467	-	2,219,467	2,456,961
Net assets released from restrictions	2,584,574	(2,584,574)	-	-
Total Revenues and Other Support	17,998,068	735,379	18,733,447	18,807,996
Expenses				
Research and education	15,044,627	-	15,044,627	12,969,588
Management and general	267,932	-	267,932	439,091
Development	1,615,579	-	1,615,579	1,028,665
Total Expenses	16,928,139	-	16,928,139	14,437,344
Revenues Over Expenses	1,069,929	735,379	1,805,308	4,370,652
Non-Operating Revenue, Gains, and Losses				
Employee retention tax credit	1,457,244	-	1,457,244	-
Net gain (loss) on investments	(1,803,013)	87,760	(1,715,253)	1,992,189
Gain on interest rate swap	1,826,366	-	1,826,366	1,329,872
Total Non-Operating Revenue, Gains, and Losses	1,480,597	87,760	1,568,357	3,322,061
Increase in Net Assets	2,550,526	823,139	3,373,665	7,692,713
Net assets at beginning of year	16,888,536	23,470,843	40,359,379	32,666,666
Net Assets at End of Year	\$ 19,439,062	\$ 24,293,982	\$ 43,733,044	\$ 40,359,379

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, 2022
(with comparative totals for June 30, 2021)

	2022				2021
	Research & Education	Management & General	Development	Total	Total
Personnel					
Salaries and wages	\$ 3,722,293	\$ 1,805,959	\$ 516,018	\$ 6,044,270	\$ 5,520,594
Fringe benefits	1,757,667	607,911	248,029	2,613,607	2,221,869
Total Personnel	<u>5,479,960</u>	<u>2,413,870</u>	<u>764,047</u>	<u>8,657,877</u>	<u>7,742,463</u>
Other Expenses					
Subcontracts	1,410,295	-	-	1,410,295	1,053,394
Supplies and leases	993,272	123,925	7,467	1,124,664	960,398
Participant support	285,477	4,467	2,959	292,903	206,360
Publications, books and periodicals	29,182	3,652	-	32,834	31,918
Dues and licenses	18,505	178,124	5,955	202,584	114,935
Travel	116,654	14,007	14,311	144,972	31,013
Shipment costs	1,050	-	-	1,050	65,741
Telephone	392	44,725	9,409	54,526	32,634
Utilities	19,027	314,077	-	333,104	293,431
Equipment - federal	13,308	-	-	13,308	13,316
Equipment - non-federal	91,699	36,456	19	128,174	67,002
Repairs and maintenance	108,826	113,325	-	222,151	122,482
Shipping and postage	121,522	4,316	2,942	128,780	122,143
Consulting and contracted services	302,133	395,616	48,300	746,049	496,943
Professional fees	358,255	192,259	79	550,593	311,382
Insurance	-	136,650	-	136,650	135,054
Depreciation and amortization	1,276,918	562,470	178,035	2,017,424	2,058,690
Interest	4,800	472,271	-	477,071	447,809
Technical services	783	6,433	4,947	12,163	17,888
Bad debt	-	4,558	-	4,558	16
Training	31,000	9,146	732	40,878	17,506
Other	50,236	117,411	27,884	195,531	94,826
Total Other Expenses	<u>5,233,334</u>	<u>2,733,888</u>	<u>303,039</u>	<u>8,270,262</u>	<u>6,694,881</u>
Total Expenses Before Overhead Charge	<u>10,713,294</u>	<u>5,147,758</u>	<u>1,067,086</u>	<u>16,928,139</u>	<u>14,437,344</u>
Overhead Charged to Direct Research					
Costs and Development	<u>4,331,333</u>	<u>(4,879,826)</u>	<u>548,493</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,044,627</u>	<u>\$ 267,932</u>	<u>\$ 1,615,579</u>	<u>\$ 16,928,139</u>	<u>\$ 14,437,344</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, 2022
(with comparative totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Operating Activities		
Increase in net assets	\$ 3,373,665	\$ 7,692,713
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,017,424	2,058,690
Debt issuance costs	5,384	5,384
Pledges receivable restricted to endowment	750,000	4,000
Net (gain) loss on investments	1,715,253	(1,992,189)
Loss on disposal of property and equipment	-	194,324
Restricted contributions	(1,565,000)	(50,000)
Gain on interest rate swap	(1,826,366)	(1,329,872)
Loan forgiveness	-	(1,339,900)
Bad debt	4,558	16
(Increase) Decrease in operating assets:		
Contracts and grants receivable	(144,451)	(274,616)
Pledges receivable	(864,537)	(673,828)
Accounts receivable	(103,048)	104,377
Receivable - Employee Retention Tax Credit	(1,457,244)	-
Prepaid expenses	(2,339)	360
Increase in operating liabilities:		
Accounts payable	84,941	100,307
Accrued payroll and other expenses	55,483	48,530
Deferred revenue	66,339	2,417,313
Net Cash Provided by Operating Activities	<u>2,110,062</u>	<u>6,965,609</u>
Investing Activities		
Purchase of buildings and equipment	(1,196,754)	(783,906)
Proceeds from sale of investments	12,665,412	1,507,158
Purchase of investments	(15,159,286)	(12,543,643)
Net Cash Used by Investing Activities	<u>(3,690,628)</u>	<u>(11,820,391)</u>
Financing Activities		
Contribution restricted to endowments	1,565,000	50,000
Payments on notes payable	(319,900)	(270,707)
Proceeds from endowments	83,735	112,000
Net Cash Provided (Used) by Financing Activities	<u>1,328,835</u>	<u>(108,707)</u>
Decrease in Cash	(251,731)	(4,963,489)
Cash and cash equivalents at beginning of year	<u>2,324,539</u>	<u>7,288,028</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,072,808</u>	<u>\$ 2,324,539</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 472,491</u>	<u>\$ 443,199</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.

In accordance with ASC 606, the Laboratory recognizes revenue from an exchange agreement when it satisfies a performance obligation by transferring control of a promised good or service, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

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, 2022 and 2021.

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 expensed 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, 2022 and 2021 was \$2,017,424 and \$2,058,690, 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 \$16,152 and \$10,768 as of June 30, 2022 and 2021, 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.

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, 2021, 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.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note B - Contracts and Grants Receivables

The majority of the \$1,167,992 and \$1,023,541 of contracts and grants receivable due as of June 30, 2022 and 2021, 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, 2022 and 2021, the future research conditional awards were \$9,612,114 and \$35,969,473, respectively.

Future unconditional awards are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Research awards	\$ 18,931,145	\$ 9,952,007
Education	223,042	406,376
Plant and equipment awards	7,515	7,515
Core facility	<u>109,418</u>	<u>242,945</u>
	<u>\$ 19,271,120</u>	<u>\$ 10,608,843</u>

Note C - Pledges Receivable

Pledges receivable are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Annual fund	\$ 150,000	\$ 392,595
BLOOM programs	760,000	-
Tandy Center for Ocean Forecasting	229,000	304,485
Water Health and Humans Initiative	124,957	250,000
Center for Algal Innovation	125,000	275,000
Endowment for VP of Education	-	4,000
Fellowship	<u>-</u>	<u>25,000</u>
	1,388,957	1,251,080
Less discount	<u>(43,748)</u>	<u>(20,408)</u>
Pledges receivable, net of discount	<u>\$ 1,345,209</u>	<u>\$ 1,230,672</u>
Amounts due in:		
Less than one year	\$ 722,957	\$ 519,080
One to five years	<u>666,000</u>	<u>732,000</u>
	<u>\$ 1,388,957</u>	<u>\$ 1,251,080</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note C - Pledges Receivable - Continued

For the years ended June 30, 2022 and 2021, a discount rate of 3% and 1.6%, respectively, was applied to pledges receivable in excess of one year.

Approximately 85% and 78% of unconditional promises to give received during the years ended June 30, 2022 and 2021, respectively were from five and four 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. Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,800,537	\$ 2,800,537
Site work - new campus	5,285,146	5,285,146
Buildings - new campus	34,495,048	34,495,048
Buildings other	473,620	486,550
Administrative furnishings and equipment	7,686	155,317
Facilities equipment	5,059,679	4,452,824
Scientific equipment acquired through grants \$1,565,000	4,652,571	5,163,495
Equipment - matching portion	42,097	126,097
Donated equipment and furnishings	99,566	108,066
Leasehold improvements	37,338	37,338
Land improvements	7,713	7,713
	<u>52,961,001</u>	<u>53,118,131</u>
Less: accumulated depreciation	<u>19,848,742</u>	<u>19,043,616</u>
	33,112,259	34,074,515
Add: construction in progress	359,667	218,081
	<u>\$ 33,471,926</u>	<u>\$ 34,292,596</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note E - 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 8,234,922	\$ -	\$ -	\$ 8,234,922
Equity funds	487,792	-	-	487,792
Exchange traded funds	8,034,987	-	-	8,034,987
Fixed income funds	<u>5,999,344</u>	<u>-</u>	<u>-</u>	<u>5,999,344</u>
Total investments	<u>\$ 22,757,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,757,045</u>

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	<u>11,013,333</u>	<u>-</u>	<u>-</u>	<u>11,013,333</u>
Total investments	<u>\$ 22,062,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,062,159</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note F - 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, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u>5,573,415</u>	\$ <u>5,573,415</u>

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	\$ <u> -</u>	\$ <u>5,487,393</u>	\$ <u>5,487,393</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note F - Endowment Fund - Continued

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 5,487,393	\$ 5,487,393
Contributions received	-	1,565,000	1,565,000
Investment return (loss)	-	(1,395,243)	(1,395,243)
Appropriation of endowment assets for expenditure	-	(83,735)	(83,735)
Transfer to board designated endowment fund	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 5,573,415</u>	<u>\$ 5,573,415</u>

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

	Without Donor <u>Restrictions</u>	With Donor <u>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>

Note G - 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 (4.75% and 3.25% at June 30, 2022 and 2021, respectively). The line renews annually and is unsecured. There was no outstanding balance at June 30, 2022 and 2021.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note H - 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, 2022 and 2021, 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, 2022 and 2021, the market value of the interest rate swap of \$231,265 and (\$1,595,101), respectively, has been recorded as an asset/liability on the statement of financial position.

Note I - Notes Payable

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</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 H). The note is secured by real estate.	\$ 12,245,066	\$ 12,504,163
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>180,000</u>	<u>240,000</u>
	12,425,066	12,744,163
Less current portion	<u>329,051</u>	<u>319,097</u>
Long-term debt, net of current portion	<u>\$ 12,096,016</u>	<u>\$ 12,425,066</u>

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

2023	\$ 329,051
2024	338,155
2025	350,073
2026	301,217
2027	312,789
Thereafter	<u>10,793,781</u>
	<u>\$ 12,425,066</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note J - 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 had provided full forgiveness of the loan. Accordingly, the Laboratory 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 K - Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for specified purpose:</i>		
Grant equipment	\$ 474,380	\$ 644,092
Grant buildings	12,651,991	13,169,537
Donated equipment	-	-
Research and education support	4,248,988	2,939,149
Advancement	1,238,957	858,485
Endowment earnings	<u>840,232</u>	<u>1,569,211</u>
	<u>19,454,548</u>	<u>19,180,474</u>
 <i>Subject to the passage of time:</i>		
Pledges receivable	<u>106,252</u>	<u>372,187</u>
 <i>Not subject to appropriation or expenditure:</i>		
General operations support	1,253,731	688,731
Keller scholarship	27,234	27,234
BLOOM education programs	250,000	-
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>4,733,182</u>	<u>3,918,182</u>
	<u>\$ 24,293,982</u>	<u>\$ 23,470,843</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note L - 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, 2022 and 2021 and investment earnings. The balances of \$5,246,785 and \$4,668,034 at June 30, 2022 and 2021, respectively, may only be used with Board approval. No specified purpose has been identified for the future expenditure of the designated funds.

Note M - 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 Financial Position.

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

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 29,043,550	\$ 26,785,673
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	(622,252)	(711,592)
Restricted by donor with time or purpose restrictions	<u>(18,678,252)</u>	<u>(18,417,666)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,743,046</u>	<u>\$ 7,656,415</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 2023.

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 G, 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 N - 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 \$387,260 and \$329,768 for the years ended June 30, 2022 and 2021, respectively.

Note O - Leases

The Laboratory leases gas cylinders, photocopiers and a mailing machine under operating leases. Lease expense amounted to \$12,249 and \$11,231 for the years ended June 30, 2022 and 2021, 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, 2022, the future minimum lease payments for the years ending June 30 are as follows:

2023	\$	7,735
2024		7,735
2025		7,735
2026		6,898
2027		566

Note P - 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 P - 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 Q - 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, 2022 and 2021, the Laboratory received approximately 34% and 31%, respectively, of its operating revenues from governmental agencies. Receivables directly from government agencies comprised approximately 58% and 63% of contracts and grants receivables as of June 30, 2022 and 2021, respectively.

Note R - Related Party Transactions

During the years ended June 30, 2022 and 2021, the Laboratory received contributions of \$1,621,204 and \$2,178,882, respectively, from Trustees, Advisory Board members, staff and Trustees Emeriti.

Note S - 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 2019 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 T - 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 years ended June 30:

	<u>2022</u>	<u>2021</u>
<i>Revenue Recognized at a Point in Time</i>		
Patent and license fees	\$ 998,375	\$ 585,712
Other fees	744,489	531,349
Total Contract Revenue Recognized at a Point in Time	<u>1,742,864</u>	<u>1,117,061</u>
<i>Revenue Recognized Over Time</i>		
Summer training and course fees	<u>614,901</u>	<u>571,998</u>
Total Contract Revenue Recognized Over Time	<u>614,901</u>	<u>571,998</u>
Total Revenue from Contracts with Customers	<u>\$ 2,357,765</u>	<u>\$ 1,689,059</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, 2022 and 2021, respectively.

Receivables

Bigelow Laboratory for Ocean Sciences has no accounts receivable from contracts with customers at June 30, 2022 and 2021.

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.

The Laboratory has no significant shipping and handling costs.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note T - Revenue Recognition - Continued

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 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.

Note U - Employee Retention Tax Credit

During the year ended June 30, 2022, the Laboratory engaged an outside 3rd party to assist in evaluating its eligibility for the Employee Retention Tax Credit. In November of 2021 the Laboratory, with the assistance of the 3rd party, applied for refunds related to 2020 and the 1st two quarters of 2021 totaling \$1,457,244. As of June 30, 2022, these credits are still outstanding and pending approval and payment. The credits have been reported on the accompanying Statement of Financial Position as a "Receivable - Employee Retention Tax Credit" and on the Statement of Activities for the year ended June 30, 2022 as "Employee Retention Tax Credit" non-operating revenue.

Note V - Beneficiary - Unsettled Estate

During the year ended June 30, 2022 the Laboratory was notified that the organization had been named as a 1.3% beneficiary of an estate. As of June 30, 2022, \$533,000 had been received from the unsettled estate; as of the report date any future amounts to be received are unknown by management. Accordingly, no estimate of funds yet to be received has been recorded.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note W - Subsequent Events

Management has made an evaluation of subsequent events to and including December 19, 2022, 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.

On October 27, 2022 the Organization obtained ownership of a multi-purpose research boat that was donated by Middlebury College. This contributed asset was recorded as in-kind contribution revenue with a corresponding increase to donated equipment for \$1.4 million. The amount recognized was the estimated fair value, based on a valuation performed by a Marine Surveyor. There were no donor-imposed restrictions associated with the donated asset.

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, 2022, 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 19, 2022.

Report on 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 opinions 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.

Report on 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 Pownall & Company
Professional Association

**Portland, Maine
December 19, 2022**