

Federal Compliance Report



June 30, 2023

Financial Statements and Federal Reporting Contents

Bigelow Laboratory for Ocean Sciences

June 30, 2023

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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, 2023, 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, 2023, 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 opinion.

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' 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 13, 2023, 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 Powers & Company
Professional Association

**Portland, Maine
December 13, 2023**

Statement of Financial Position

Bigelow Laboratory for Ocean Sciences

As of June 30, 2023

(with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 2,808,119	\$ 2,072,808
Cash restricted for research	172,066	-
Contracts and grants receivable	1,486,046	1,167,992
Pledges receivable, current	7,316,263	722,957
Accounts receivable, net	509,770	243,252
Receivable - Employee Retention Tax Credit	-	1,457,244
Prepaid expenses	81,949	48,156
Total Current Assets	<u>12,374,213</u>	<u>5,712,409</u>
Property and Equipment , net of accumulated depreciation	35,407,509	33,471,926
Other Assets		
Pledges receivable long-term, net	620,518	622,252
Investments	9,744,870	5,246,785
Investments - strategic reserve	963,500	887,838
Investments - research	12,088,854	11,049,007
Investments - building	9,040,416	-
Investments - endowment	6,406,918	5,573,415
Swap contract	853,458	231,265
	<u>39,718,534</u>	<u>23,610,562</u>
Total Assets	<u>\$ 87,500,256</u>	<u>\$ 62,794,897</u>
Current Liabilities		
Accounts payable	\$ 727,846	\$ 485,815
Accrued payroll and other expenses	862,285	712,794
Current portion of notes payable	338,155	329,051
Deferred revenue	5,571,689	5,584,891
Total Current Liabilities	<u>7,499,975</u>	<u>7,112,551</u>
Long-Term Liabilities		
Notes payable, net of current portion	11,757,861	12,096,016
Less: unamortized debt issuance costs	(141,330)	(146,714)
	<u>11,616,531</u>	<u>11,949,302</u>
Total Liabilities	<u>19,116,506</u>	<u>19,061,853</u>
Net Assets		
Net assets without donor restrictions	28,071,656	19,439,062
Net assets with donor restrictions	40,312,094	24,293,982
Total Net Assets	<u>68,383,750</u>	<u>43,733,044</u>
Total Liabilities and Net Assets	<u>\$ 87,500,256</u>	<u>\$ 62,794,897</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, 2023

(with comparative totals for June 30, 2022)

	2023			2022
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues from Operations and Other Support				
Grants and contracts	\$ 8,800,611	\$ 886,321	\$ 9,686,932	\$ 7,700,830
Contributions	5,201,263	393,325	5,594,588	5,537,844
Course fees	530,921	66,403	597,324	614,901
Other income	2,472,132	-	2,472,132	2,219,467
Net assets released from restrictions	1,775,202	(1,775,202)	-	-
Total Revenues from Operations and Other Support	18,780,129	(429,153)	18,350,976	16,073,042
Expenses				
Research and education	16,835,964	-	16,835,964	15,044,627
Management and general	165,974	-	165,974	267,933
Development	1,587,319	-	1,587,319	1,615,579
Total Expenses	18,589,257	-	18,589,257	16,928,139
Revenues from Operations Over (Under) Expenses	190,872	(429,153)	(238,281)	(855,097)
Non-Operating Revenue, Gains, and Losses				
Employee retention tax credit	-	-	-	1,457,244
Endowment contributions	-	94,395	94,395	1,565,000
Estate contributions	4,107,837	-	4,107,837	1,095,405
Contributions of nonfinancial assets	1,400,000	-	1,400,000	-
Building fundraising (net activity)	960,336	16,174,555	17,134,891	-
Net gain (loss) on investments	1,351,356	178,315	1,529,671	(1,715,253)
Gain on interest rate swap	622,193	-	622,193	1,826,366
Total Non-Operating Revenue, Gains, and Losses	8,441,722	16,447,265	24,888,987	4,228,762
Increase in Net Assets	8,632,594	16,018,112	24,650,706	3,373,665
Net assets at beginning of year	19,439,062	24,293,982	43,733,044	40,359,379
Net Assets at End of Year	\$ 28,071,656	\$ 40,312,094	\$ 68,383,750	\$ 43,733,044

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, 2023
(with comparative totals for June 30, 2022)

	2023			2022	
	Research & Education	Management & General	Development	Total	Total
Personnel					
Salaries and wages	\$ 4,384,625	\$ 2,297,771	\$ 514,175	\$ 7,196,571	\$ 6,044,270
Fringe benefits	2,117,237	739,136	250,403	3,106,776	2,613,607
Total Personnel	<u>6,501,862</u>	<u>3,036,907</u>	<u>764,578</u>	<u>10,303,347</u>	<u>8,657,877</u>
Other Expenses					
Subcontracts	1,190,682	-	-	1,190,682	1,410,295
Supplies and leases	909,409	138,607	7,483	1,055,499	1,124,664
Participant support	301,991	485	-	302,476	292,903
Publications, books and periodicals	31,230	5,442	-	36,672	32,834
Dues and licenses	13,284	76,862	12,755	102,901	202,584
Travel	260,179	29,124	22,879	312,182	144,972
Shipment costs	11,835	-	-	11,835	1,050
Telephone	576	35,000	2,365	37,941	54,526
Utilities	10,870	289,465	-	300,335	333,104
Equipment - federal	15,331	-	-	15,331	13,308
Equipment - non-federal	103,274	35,457	1,250	139,981	128,174
Repairs and maintenance	45,863	297,236	-	343,099	222,151
Shipping and postage	128,539	7,214	2,616	138,369	128,780
Consulting and contracted services	465,866	408,761	30,994	905,621	746,049
Professional fees	268,212	269,841	1,000	539,053	550,593
Insurance	19,842	151,577	-	171,419	136,650
Depreciation and amortization	1,242,264	580,240	146,082	1,968,586	2,017,424
Interest	3,600	462,286	-	465,886	477,071
Technical services	447	9,296	4,953	14,696	12,163
Bad debt	1,140	-	-	1,140	4,558
Training	34,808	21,853	1,882	58,543	40,878
Other	44,797	99,434	29,432	173,663	195,531
Total Other Expenses	<u>5,104,039</u>	<u>2,918,180</u>	<u>263,691</u>	<u>8,285,910</u>	<u>8,270,262</u>
Total Expenses Before Overhead Charge	<u>11,605,901</u>	<u>5,955,087</u>	<u>1,028,269</u>	<u>18,589,257</u>	<u>16,928,139</u>
Overhead Allocation to Support					
Functional Classifications	<u>5,230,063</u>	<u>(5,789,113)</u>	<u>559,050</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,835,964</u>	<u>\$ 165,974</u>	<u>\$ 1,587,319</u>	<u>\$ 18,589,257</u>	<u>\$ 16,928,139</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, 2023
(with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Operating Activities		
Increase in net assets	\$ 24,650,706	\$ 3,373,665
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,968,586	2,017,424
Debt issuance costs	5,384	5,384
Pledges receivable restricted to endowment	500,000	750,000
Net (gain) loss on investments	(1,475,518)	1,715,253
Loss on disposal of property and equipment	3,052	-
Restricted contributions	(94,395)	(1,565,000)
Gain on interest rate swap	(622,193)	(1,826,366)
Bad debt	1,140	4,558
Change in discount on pledges receivable	13,681	23,340
(Increase) Decrease in operating assets:		
Contracts and grants receivable	(318,054)	(144,451)
Pledges receivable	(7,105,253)	(887,877)
Accounts receivable	(267,658)	(103,048)
Receivable - ERTC	1,457,244	(1,457,244)
Prepaid expenses	(33,793)	(2,339)
Increase (Decrease) in operating liabilities:		
Accounts payable	242,031	84,941
Accrued payroll and other expenses	150,325	55,483
Deferred revenue	(13,202)	66,339
Net Cash Provided by Operating Activities	<u>19,062,083</u>	<u>2,110,062</u>
Investing Activities		
Purchase of property and equipment	(3,907,221)	(1,196,754)
Proceeds from sale of investments	2,959,883	12,665,412
Purchase of investments	(17,113,786)	(15,159,286)
Net Cash Used by Investing Activities	<u>(18,061,124)</u>	<u>(3,690,628)</u>
Financing Activities		
Contribution restricted to endowments	94,395	1,565,000
Payments on notes payable	(329,885)	(319,900)
Proceeds from endowments	141,908	83,735
Net Cash Provided (Used) by Financing Activities	<u>(93,582)</u>	<u>1,328,835</u>
Increase (Decrease) in Cash	<u>907,377</u>	<u>(251,731)</u>
Cash and cash equivalents at beginning of year	<u>2,072,808</u>	<u>2,324,539</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,980,185</u>	<u>\$ 2,072,808</u>
Components of Cash		
Cash	\$ 2,808,119	\$ 2,072,808
Restricted cash	172,066	-
	<u>\$ 2,980,185</u>	<u>\$ 2,072,808</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 461,337</u>	<u>\$ 472,491</u>
Non-cash Activity:		
Contribution of property and equipment	<u>\$ 1,400,000</u>	<u>\$ -</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.

Restricted cash – The Laboratory has \$172,066 of cash restricted for research purposes.

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, 2023 and 2022.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

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.

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, 2023 and 2022 was \$1,968,586 and \$2,017,424, 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.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note A - Summary of Significant Accounting Policies - Continued

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 \$21,536 and \$16,152 as of June 30, 2023 and 2022, respectively.

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

Leases

On July 1, 2022, Bigelow Laboratory for Ocean Sciences adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), and all subsequent amendments (collectively, "ASC 842" or "Topic 842"). The core principle of Topic 842 is that a lessee should recognize a right-of-use ("ROU") asset and a related lease liability on the balance sheet for most leases. The Laboratory adopted ASC 842 using the transition alternative provided by ASU 2018-11 *Leases* (Topic 842) - *Targeted Improvements*, under which an entity initially applies ASC 842 to all leases existing at the adoption date, and comparative periods are presented in the financial statements under the legacy lease guidance of ASC 840. Under the transition alternative, all relevant transition disclosures are provided as of the beginning of the period of adoption (July 1, 2022) rather than at the beginning of the earliest period presented.

The Laboratory has evaluated the applicability of ASC 842, and has determined that there are no such material lease agreements.

Comparative Data

The financial information for the year ended June 30, 2022, 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 \$1,486,046 and \$1,167,992 of contracts and grants receivable due as of June 30, 2023 and 2022, 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, 2023 and 2022, the future research conditional awards were \$7,214,839 and \$9,612,114, respectively.

Future unconditional awards are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Research awards	\$ 13,505,992	\$ 18,931,145
Education	94,318	223,042
Plant and equipment awards	4,231	7,515
Core facility	<u>244,181</u>	<u>109,418</u>
	<u>\$ 13,848,722</u>	<u>\$ 19,271,120</u>

Note C - Pledges Receivable

Pledges receivable are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
New wing	\$ 7,139,140	\$ -
BLOOM programs	500,000	760,000
Tandy Center for Ocean Forecasting	161,000	229,000
Annual fund	-	150,000
Water Health and Humans Initiative	124,957	124,957
Center for Algal Innovation	-	125,000
Marine Educator	<u>69,113</u>	<u>-</u>
	7,994,210	1,388,957
Less discount	<u>(57,429)</u>	<u>(43,748)</u>
Pledges receivable, net of discount	<u>\$ 7,936,781</u>	<u>\$ 1,345,209</u>
Amounts due in:		
Less than one year	\$ 7,316,263	\$ 722,957
One to five years	<u>677,947</u>	<u>666,000</u>
	<u>\$ 7,994,210</u>	<u>\$ 1,388,957</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note C - Pledges Receivable - Continued

For the years ended June 30, 2023 and 2022, a discount rate of 4% and 3%, respectively, was applied to pledges receivable in excess of one year.

Approximately 87% and 85% of unconditional promises to give received during the years ended June 30, 2023 and 2022, respectively were from two and five 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>2023</u>	<u>2022</u>
Land	\$ 2,800,537	\$ 2,800,537
Site work - new campus	5,285,146	5,285,146
Buildings - new campus	34,285,857	34,495,048
Buildings other	329,328	473,620
Administrative furnishings and equipment	7,686	7,686
Facilities equipment	6,146,015	5,059,679
Scientific equipment acquired through grants	4,778,604	4,652,571
Equipment - matching portion	42,097	42,097
Donated equipment and furnishings	1,499,566	99,566
Leasehold improvements	37,338	37,338
Land improvements	7,713	7,713
	<u>55,219,887</u>	<u>52,961,001</u>
Less: accumulated depreciation	<u>21,307,129</u>	<u>19,848,742</u>
	33,912,758	33,112,259
Add: construction in progress	<u>1,494,751</u>	<u>359,667</u>
	<u>\$ 35,407,509</u>	<u>\$ 33,471,926</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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 13,512,444	\$ -	\$ -	\$ 13,512,444
Equity funds	10,118	-	-	10,118
Exchange traded funds	10,343,434	-	-	10,343,434
Fixed income funds	<u>14,378,562</u>	<u>-</u>	<u>-</u>	<u>14,378,562</u>
Total investments	<u>\$ 38,244,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,244,558</u>

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>

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, 2023:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u>6,406,918</u>	\$ <u>6,406,918</u>

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>

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, 2023 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 5,573,415	\$ 5,573,415
Contributions received	-	94,395	94,395
Investment return	-	881,016	881,016
Appropriation of endowment assets for expenditure	-	(141,908)	(141,908)
Transfer to board designated endowment fund	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 6,406,918</u>	<u>\$ 6,406,918</u>

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 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>

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 (8.25% and 4.75% at June 30, 2023 and 2022, respectively). The line renews annually and is unsecured. There was no outstanding balance at June 30, 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022, the market value of the interest rate swap of \$853,458 and \$231,265, respectively, has been recorded as an asset/liability on the statement of financial position.

As of June 30, 2023, LIBOR, the underlying index used for the floating rate revenue bond and the offsetting, floating rate SWAP, was discontinued. The lab worked with bond counsel, FAME, the bank and a financial advisor to amend the bond documents and the SWAP to convert the financial instruments from LIBOR to SOFR. The conversion is expected to have a minor effect on the value of the SWAP and amount of debt payment cash flows.

Note I - Notes Payable

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</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.	\$ 11,976,016	\$ 12,245,066
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>120,000</u>	<u>180,000</u>
	12,096,016	12,425,066
Less current portion	<u>338,155</u>	<u>329,051</u>
Long-term debt, net of current portion	<u>\$ 11,757,861</u>	<u>\$ 12,096,016</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note I - Notes Payable - Continued

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

2024	\$ 338,155
2025	350,073
2026	301,217
2027	312,789
2028	323,700
Thereafter	<u>10,470,082</u>
	<u>\$ 12,096,016</u>

Note J - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
<i>Subject to expenditure for specified purpose:</i>		
Grant equipment	\$ 402,330	\$ 474,380
Grant buildings	12,201,121	12,651,991
Donated equipment	1,295,000	-
Research and education support	12,069,944	4,248,988
Pledges receivable - building fundraising	7,134,139	-
Pledges receivable - endowment	500,000	750,000
Pledges receivable - research	302,642	488,957
Endowment earnings	<u>1,329,341</u>	<u>840,232</u>
	<u>35,234,517</u>	<u>19,454,548</u>
<i>Subject to the passage of time:</i>		
Pledges receivable – annual fund	<u>-</u>	<u>106,252</u>
<i>Not subject to appropriation or expenditure:</i>		
General operations support	1,348,126	1,253,731
Keller scholarship	27,234	27,234
BLOOM education programs	500,000	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>5,077,577</u>	<u>4,733,182</u>
	<u>\$ 40,312,094</u>	<u>\$ 24,293,982</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note K - 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, 2023 and 2022 and investment earnings. The balances of \$9,744,870 and \$5,246,785 at June 30, 2023 and 2022, respectively, may only be used with Board approval. No specified purpose has been identified for the future expenditure of the designated funds.

Note L - 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>2023</u>	<u>2022</u>
Financial assets, at year end	\$ 51,157,340	\$ 29,043,550
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	(620,518)	(622,252)
Restricted by donor with time or purpose restrictions	<u>(30,157,800)</u>	<u>(18,678,252)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,379,022</u>	<u>\$ 9,743,046</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 2024.

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 M - 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 \$445,618 and \$387,260 for the years ended June 30, 2023 and 2022, respectively.

Note N - Contributed Nonfinancial Assets

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities consisted of a multi-purpose research boat donated by a postsecondary institution. 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.

Note O - 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.

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.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note P - 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, 2023 and 2022, the Laboratory received approximately 48% and 39%, respectively, of its operating revenues from governmental agencies. Receivables directly from government agencies comprised approximately 51% and 58% of contracts and grants receivables as of June 30, 2023 and 2022, respectively.

Note Q - Related Party Transactions

During the years ended June 30, 2023 and 2022, the Laboratory received contributions of \$9,888,417 and \$1,621,204, respectively from Trustees, Advisory Board members, staff and Trustees Emeriti.

Note R - 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 2020 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.

Note S - 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Revenue Recognized at a Point in Time</i>		
Patent and license fees	\$ 790,850	\$ 998,375
Other fees	<u>1,023,207</u>	<u>744,489</u>
Total Contract Revenue Recognized at a Point in Time	<u>1,814,057</u>	<u>1,742,864</u>
<i>Revenue Recognized Over Time</i>		
Summer training and course fees	<u>597,324</u>	<u>614,901</u>
Total Contract Revenue Recognized Over Time	<u>597,324</u>	<u>614,901</u>
Total Revenue from Contracts with Customers	<u>\$ 2,411,381</u>	<u>\$ 2,357,765</u>

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note S - Revenue Recognition - Continued

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, 2023 and June 30, 2022, respectively.

Receivables

Bigelow Laboratory for Ocean Sciences has no accounts receivable from contracts with customers at June 30, 2023 and June 30, 2022.

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.

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.

Notes to Financial Statements - Continued

Bigelow Laboratory for Ocean Sciences

Note S - Revenue Recognition - Continued

Financing Components

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

Note T - 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 were still outstanding and pending approval and payment. The credits were thus reported on the June 30, 2022 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. As of June 30, 2023, these credits were paid in full.

Note U - Beneficiary - Settled 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 unsettled estate. During the years ended June 30, 2023 and June 30, 2022, \$4,000,000 and \$533,000 was received from the estate, respectively.

Note V - Subsequent Events

Management has made an evaluation of subsequent events to and including December 13, 2023, 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.

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, 2023, 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 13, 2023.

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 or significant deficiencies may exist that were 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 Powers & Company

Professional Association

**Portland, Maine
December 13, 2023**

**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

Opinion on Each Major Federal Program

We have audited Bigelow Laboratory for Ocean Sciences' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bigelow Laboratory for Ocean Sciences' major federal programs for the year ended June 30, 2023. Bigelow Laboratory for Ocean Sciences' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bigelow Laboratory for Ocean Sciences' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bigelow Laboratory for Ocean Sciences' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bigelow Laboratory for Ocean Sciences' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bigelow Laboratory for Ocean Sciences' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Bigelow Laboratory for Ocean Sciences' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bigelow Laboratory for Ocean Sciences' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Bigelow Laboratory for Ocean Sciences' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion in the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023, and have issued our report thereon dated December 13, 2023, 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 Pownall & Company

Professional Association

Portland, Maine
December 13, 2023

Schedule of Expenditures of Federal Awards (Page 1 of 2)

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing 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	n/a	\$ 347,305	\$ -
Geosciences	47.050	n/a	1,686,792	-
Integrative Activities	47.083	n/a	1,190,924	512,396
Office of International Science and Engineering	47.079	n/a	277,108	65,854
Mathematical and Physical Sciences	47.049	n/a	36,994	-
Polar Programs	47.078	n/a	49,861	4,820
<u>Passed through from other organizations:</u>				
University of Southern California (C-DEBI) - Integrative Activities	47.083	OCE-0939564	76,210	-
University of Maine - Integrative Activities	47.083	OIA-1849227	7,687	-
University of Maine - Integrative Activities	47.083	OIA-1849227	603,373	-
University of Oklahoma - Geosciences	47.050	OCE-1634630	64,970	-
Columbia University - Geosciences	47.050	OCE-1450528	54,168	-
Pacific Northwest Research Institute - Geosciences	47.050	OCE-2208081	21,330	-
MSD - NSF Technology, Innovation, and Partnerships	47.084	OCE-2112253	85,299	-
Cornell University - Geosciences	47.050	OCE-2109607	81,799	-
		Total National Science Foundation	4,583,820	583,070
<u>National Aeronautics and Space Administration</u>				
<u>Research and development direct:</u>				
Science	43.001	80NSSC22K1626	59,848	20,794
Science	43.001	80NSSC21K1748	138,977	-
Science	43.001	80NSSC22K1652	149,997	-
Science	43.001	80NSSC80K0013	92,970	-
Science	43.001	80NSSC21K1733	163,072	-
Science	43.001	80NSSC22K0197	138,056	-
		Total National Aeronautics and Space Administration	742,920	20,794
<u>U.S. Department of Commerce</u>				
<u>National Oceanic and Atmospheric Administration</u>				
<u>Research and development direct:</u>				
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA17NOS4780179	44,978	-
Ocean Exploration	11.011	NA21OAR0110199	95,111	-
Congressionally Identified Awards and Projects	11.469	NA22NMF4690197	88,356	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA19NOS4780187	287,832	-
<u>Passed through from other organizations:</u>				
North Pacific Research Board - Unallied Science Program	11.472	NA19NMF4720069	91,957	-
North Pacific Research Board - Unallied Science Program	11.472	NA21NMF4720289	111,068	-
North Pacific Research Board - Unallied Science Program	11.472	NA22NMF4720078	34,828	-
University of Maine - Sea Grant Support	11.417	NA19OAR4170394	39,865	-
Mote Marine Laboratory - Sea Grant Support	11.417	NA18OAR4170085	73,593	-
Mote Marine Laboratory - Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA19NOS4780183	211,181	-
Mbio Diagnostics, Inc. - Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	NA20NOS4780181	36,348	-
Northeast Regional Assn. of Coastal Ocean Observing Systems - IOOS - Integrated Ocean Observing System	11.012	NA19NAS0120197	23,541	-
Northeast Regional Assn. of Coastal Ocean Observing Systems - IOOS - Clean Fuels	20.519	NA21NOS0120095	6,095	-
Northeast Regional Assn. of Coastal Ocean Observing Systems - IOOS - Navigation Projects	12.107	NA16NOS0120023	2,444	-
Duke University - NOAA Mission-Related Education Awards	11.008	NA20NMF0080246	47,599	-
Nearview, LLC - NOAA Small Business Innovation Research Program	11.021	NA22OAR0210489	14,422	-
University of Washington - National Oceanic and Atmospheric Cooperative Institutes	11.432	NA20OAR4320271	96,527	-
University of Maine - Sea Grant Support	11.417	NA22OAR4170121	43,856	-
University of Maine - Sea Grant Support	11.417	NA18OAR4170103	4,900	-
		Total U.S. Department of Commerce	1,354,501	-

Schedule of Expenditures of Federal Awards (Page 2 of 2)

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant/ Pass-through Number	Total Federal Expenditures	Passed Through to Subrecipients
Research and Development Cluster - continued				
<u>United States Geological Survey</u>				
<u>Passed through from other organizations:</u>				
University of Maine - Assistance to State Water Resources Research Institutes	15.805	G21AP10180-00	6,006	-
		Total Department of Defense	6,006	-
<u>National Institute of Health</u>				
<u>Passed through from other organizations:</u>				
University of California San Diego - Allergy and Infectious Diseases Research	93.855	RO1AAI168993	14,677	-
		Total National Institute of Health	14,677	-
<u>U.S. Department of Energy</u>				
<u>Research and development direct:</u>				
Advanced Research Projects Agency - Energy	81.135	DE-AR001169	106,211	797
		Total U.S. Department of Energy	106,211	797
<u>U.S. Department of Agriculture</u>				
<u>Passed through from other organizations:</u>				
Colby College - Agriculture and Food Research Initiative	10.310	2021-69012-35919	587,552	13,784
Northeast - Sustainable Agriculture Research and Education	10.215	2020-38640-31520	21,664	-
Mook Sea Farm - Sustainable Agriculture Research and Education	10.215	2021-38640-34668	11,243	-
Agricultural Research Basis and Applied Research	10.001	58-0208-1-082	388,565	229,051
University of Vermont - Organic Agriculture Research and Extension Initiative	10.307	2021-51300-35226	85,822	-
		Total U.S. Department of Agriculture	1,094,846	242,835
<u>U.S. Treasury</u>				
<u>Passed through from State of Maine Department of Marine Resources:</u>				
Coronavirus State and Local Fiscal Recovery Funds	COVID -19 -21.027	SLFRP0144	7,184	-
		Total U.S. Treasury	7,184	-
		Total Research and Development Cluster	7,910,165	847,496
		Total Federal Awards	\$ 7,910,165	\$ 847,496

Notes to Schedule of Expenditures of Federal Awards

Bigelow Laboratory for Ocean Sciences

For the Year Ended June 30, 2023

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, 2023

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 or material weaknesses 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:

Program

Federal Assistance Listing Number

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, 2023

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