



**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Financial Statements and Schedules

September 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

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Independent Auditors' Report

The Board of Directors
Seward Association for the Advancement of Marine Science:

Report on the Financial Statements

We have audited the accompanying financial statements of Seward Association for the Advancement of Marine Science (SAAMS), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAAMS as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on pages 13 and 14 are presented for purposes of additional analysis, and are 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 schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of SAAMS's 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 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 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 SAAMS's internal control over financial reporting and compliance.

KPMG LLP

June 27, 2018

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Statements of Financial Position

September 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 1,543,812	2,006,958
Cash restricted by the City of Seward (note 2)	1,443,093	1,442,405
Receivables, net (note 3)	995,823	923,156
Prepaid expenses	48,065	66,151
Inventory	53,552	108,756
Total current assets	4,084,345	4,547,426
501 Trust unemployment tax reserve	174,309	157,638
Endowment held by Alaska Community Foundation	13,155	12,037
Unconditional promise to give, pledge for the use of land and building (note 4)	29,690,961	30,347,402
Facilities and equipment, net (note 5)	10,396,343	10,925,601
Total assets	\$ 44,359,112	45,990,104
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 446,475	645,175
Accrued salaries and related taxes payable	400,783	431,640
Deferred revenue	1,550,739	1,571,302
Current portion of notes payable (note 8)	34,305	32,400
Total current liabilities	2,432,301	2,680,517
Notes payable, less current portion (note 8)	47,913	82,363
501 Trust unemployment tax reserve	174,309	157,638
Total liabilities	2,654,523	2,920,518
Net assets:		
Unrestricted	9,066,595	9,586,586
Temporarily restricted (note 6)	32,637,994	33,483,000
Total net assets	41,704,589	43,069,586
Commitments and contingencies (notes 2, 9, 10, 11, and 12)		
Total liabilities and net assets	\$ 44,359,112	45,990,104

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Statements of Activities

Years ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenues:						
Membership and gate entry fees, net	\$ 2,876,432	—	2,876,432	2,591,527	—	2,591,527
Retail sales, net	190,152	—	190,152	195,868	—	195,868
Education programs	216,469	—	216,469	247,058	—	247,058
Grants:						
Federal	2,259,103	11,394	2,270,497	2,792,513	75,745	2,868,258
State	82,801	147,363	230,164	48,167	203,567	251,734
Other	304,172	33,681	337,853	356,791	224,926	581,717
North Pacific Marine Research Institute	(653)	—	(653)	1,097	—	1,097
Contracts	69,058	—	69,058	521,454	—	521,454
Donations	823,410	—	823,410	1,092,464	—	1,092,464
Investment and interest income	2,749	—	2,749	2,713	—	2,713
Fiscal agent fees (note 13)	415,178	—	415,178	392,210	—	392,210
Other	191,452	—	191,452	211,506	—	211,506
Net assets released from restriction (note 7)	1,037,444	(1,037,444)	—	971,518	(971,518)	—
Total support and revenues	8,467,767	(845,006)	7,622,761	9,424,886	(467,280)	8,957,606
Expenses:				—		
Program:						
Research	1,610,833	—	1,610,833	2,441,169	—	2,441,169
Stranding	525,567	—	525,567	732,154	—	732,154
Education	370,289	—	370,289	336,194	—	336,194
North Pacific Marine Research Institute	—	—	—	1,328	—	1,328
Total program expenses	2,506,689	—	2,506,689	3,510,845	—	3,510,845
Support services:						
Front of the house	699,707	—	699,707	667,179	—	667,179
Fundraising	333,426	—	333,426	316,967	—	316,967
Facilities	3,398,517	—	3,398,517	3,291,637	—	3,291,637
Husbandry	1,260,800	—	1,260,800	1,201,297	—	1,201,297
Administrative	788,619	—	788,619	1,028,025	—	1,028,025
Total expenses	8,987,758	—	8,987,758	10,015,950	—	10,015,950
Change in net assets	(519,991)	(845,006)	(1,364,997)	(591,064)	(467,280)	(1,058,344)
Net assets at beginning of year	9,586,586	33,483,000	43,069,586	10,177,650	33,950,280	44,127,930
Net assets at end of year	\$ 9,066,595	32,637,994	41,704,589	9,586,586	33,483,000	43,069,586

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
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Statements of Cash Flows

Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,364,997)	(1,058,344)
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation	731,876	726,182
Contributed occupancy costs	656,440	613,495
Grant revenues restricted to purchase of equipment and facilities	(180,471)	(504,238)
Gain on endowment held by Alaska Community Foundation	(1,118)	(1,008)
Loss on disposal of equipment	—	2,626
Bad debt expense	62	19
Changes in assets and liabilities that provided (used) cash:		
Receivables	(72,728)	180,669
Inventory	55,204	(8,524)
Prepaid expenses	18,086	23,383
Accounts payable	(190,465)	67,451
Accrued salaries and related taxes payable	(30,857)	10,102
Deferred revenue	(20,563)	(208,496)
Net cash used in operating activities	<u>(399,531)</u>	<u>(156,683)</u>
Cash flows from investing activities:		
Purchase of facilities and equipment	(210,853)	(525,942)
Change in restricted cash and investments	(688)	(99,377)
Net cash used in investing activities	<u>(211,541)</u>	<u>(625,319)</u>
Cash flows from financing activities:		
Payments on notes payable	(32,545)	(31,018)
Grant revenues restricted to purchase of equipment and facilities	180,471	504,238
Net cash provided by financing activities	<u>147,926</u>	<u>473,220</u>
Net decrease in cash and cash equivalents	(463,146)	(308,782)
Cash and cash equivalents at beginning of year	<u>2,006,958</u>	<u>2,315,740</u>
Cash and cash equivalents at end of year	<u>\$ 1,543,812</u>	<u>2,006,958</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 4,663	6,159
Facilities and equipment acquired through accounts payable	—	8,235

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Notes to Financial Statements

September 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

(a) Operations

Seward Association for the Advancement of Marine Science (SAAMS) was incorporated in February 1990. The primary goal of the organization is to operate the Alaska SeaLife Center (ASLC), a world-class cold water marine research and rehabilitation facility. The ASLC's mission is dedicated to generating and sharing scientific knowledge to promote understanding and stewardship of Alaska's marine ecosystems. Construction of the facility commenced during 1995 and the ASLC opened for operations on May 12, 1998.

The primary financial resources for operations are research grants, donations, and visitor-related revenues. Resources for construction were provided by grants from the State of Alaska and various federal agencies and fundraising, as well as proceeds of revenue bonds loaned to SAAMS by the City of Seward (City).

(b) Use of Estimates and Assumptions

In order to prepare the financial statements, management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements as well as support, revenues, and expenses for the reporting period. Actual results could differ from those estimates.

(c) Basis of Presentation

The financial statements are prepared using the accrual basis of accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SAAMS and changes therein are reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations

Temporarily Restricted Net Assets – Temporarily restricted resources that are restricted by the donor, grantor, or other outside parties whose restrictions either expire by the passage of time or can be fulfilled and removed by actions of SAAMS. Revenues associated with these resources are earned when SAAMS undertakes the necessary action or other restrictions are met. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of monies in checking and savings accounts and other highly liquid investments with original maturities of 90 days or less.

(e) Inventory

Inventory is stated at the lower of weighted average cost or market.

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Notes to Financial Statements

September 30, 2017 and 2016

(f) Facilities and Equipment

Facilities and equipment are recorded at cost. Facilities and equipment are funded from grant-funded temporarily restricted resources and from unrestricted resources, including donations and bond proceeds. Depreciation of facilities and equipment is provided over the estimated useful lives of the assets, ranging from 2 to 40 years, using the straight-line method.

(g) Deferred Revenue

Deferred revenue consists of grants and conditional contributions received, but not yet earned.

(h) Support and Revenues

Contributions restricted by the donor, grantor, or other outside parties with imposed conditions are deemed to be earned and reported as revenues when SAAMS has incurred costs in compliance with the specific conditions. Such amounts received but not earned are reported as deferred revenue. Contributions of fixed assets received without stipulation as to how long the donated assets must be used are reported as restricted support with an implied useful life. Contributions whose restrictions are met in the same reporting period as the contribution is received are reported as unrestricted.

Cost reimbursable grants and contracts are recognized as support and revenues to the extent of allowable expenses and additions to facilities and equipment in the period in which the expenses or additions to facilities and equipment were incurred. Nonreimbursable contract revenues are recognized based on specific terms of the contract.

Unconditional pledges are recognized as support and revenue in the period the pledge is made by the donor. Pledges to be received within one year or less are recognized as unrestricted support and revenue. Pledges to be received beyond one year are discounted to their present value.

(i) Fundraising

Fundraising costs, including the costs of special events and direct response campaigns, are expensed as incurred.

(j) Income Taxes

SAAMS is a nonprofit charitable organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Unrelated business income is generated mainly through rental of a property to an unrelated party, however, the amounts are not significant in relation to the financial statements.

SAAMS recognizes the effect of income tax positions only if these positions are more likely than not of being sustained. There are no unrecognized income tax positions as of September 30, 2017.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2017 and 2016

(2) Restricted Cash

Under the ASLC lease agreement with the City, SAAMS is required to maintain cash reserves in a separate fund of \$1,443,093 and \$1,442,405 at September 30, 2017 and 2016, respectively, with a pause to the annual escalations for four years and then annual escalations of 2% thereafter. Under the lease agreement, the Renewal and Replacement Fund Requirement reserves were \$501,953 and \$501,652, and the Termination Fund Requirement reserves were \$941,140 and \$940,753 at September 30, 2017 and 2016, respectively.

(3) Receivables

Receivables are principally reimbursable grant expenditures and pledges. Doubtful accounts are reserved based on specific identification when disputes arise.

Receivables consist of the following:

	<u>2017</u>	<u>2016</u>
Grants	\$ 449,902	572,416
Pledges	71,566	72,264
Front of house	200,569	175,424
Other	<u>273,786</u>	<u>103,052</u>
	995,823	923,156
Less allowance for doubtful pledges	<u>—</u>	<u>—</u>
	<u>\$ 995,823</u>	<u>923,156</u>

(4) Unconditional Promise to Give, Pledge for the Use of Land and Building

On April 28, 1996, SAAMS entered into an agreement with the City for the financing, lease, construction, operation, and maintenance of the ASLC. The City owns the ASLC and the property on which it is located. The City used State of Alaska grants for the partial construction of the ASLC. The term of the lease runs through the practical life of the project but no longer than 50 years. Annual rent payable to the City is \$1 per year.

The total contributions toward the land and building were \$36,993,601 at both September 30, 2017 and 2016, and are being amortized over the term of the lease agreement, net of a 7% discount, which was estimated to represent the fair value of the lease payments at lease inception. Accumulated amortization at September 30, 2017 and 2016 was \$7,302,640 and \$6,646,200, respectively.

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Notes to Financial Statements

September 30, 2017 and 2016

Net amortization of the contribution was as follows:

	<u>2017</u>	<u>2016</u>
Contributed use of facility	\$ 2,780,758	2,780,758
Less interest income	<u>(2,124,318)</u>	<u>(2,167,263)</u>
Net contributed occupancy cost	<u>\$ 656,440</u>	<u>613,495</u>

The related unconditional promise to give, pledge for the use of land and building, represents the City's remaining commitment to the lease. The contributed use of facility will be recognized as follows:

	<u>Contributed use of facility</u>	<u>Less interest income</u>	<u>Net contributed occupancy cost</u>
One year or less	\$ 2,780,757	2,078,367	702,390
Two to five years	11,123,032	7,786,157	3,336,875
More than five years	42,670,206	17,018,510	<u>25,651,696</u>
			<u>\$ 29,690,961</u>

(5) Facilities and Equipment

Facilities and equipment, which have been funded by both temporarily restricted and unrestricted resources, were as follows:

	<u>2017</u>	
	<u>Funded by temporarily restricted resources</u>	<u>Funded by unrestricted resources</u>
		<u>Total</u>
Land	\$ —	764,263
Building	3,246,048	12,801,645
Exhibits	1,547,754	1,434,193
Furniture and equipment	3,122,108	1,651,069
Vehicles	43,545	70,693
Construction in progress	<u>26,400</u>	<u>—</u>
	7,985,855	16,721,863
	24,707,718	
Less accumulated depreciation	<u>(5,038,822)</u>	<u>(9,272,553)</u>
	<u>\$ 2,947,033</u>	<u>10,396,343</u>

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2017 and 2016

	2016		
	Funded by temporarily restricted resources	Funded by unrestricted resources	Total
Land	\$ —	764,263	764,263
Building	3,098,685	12,801,645	15,900,330
Exhibits	1,547,754	1,434,193	2,981,947
Furniture and equipment	3,089,000	1,640,891	4,729,891
Vehicles	43,545	70,693	114,238
Construction in progress	14,432	—	14,432
	<u>7,793,416</u>	<u>16,711,685</u>	<u>24,505,101</u>
Less accumulated depreciation	<u>(4,657,818)</u>	<u>(8,921,682)</u>	<u>(13,579,500)</u>
	<u><u>\$ 3,135,598</u></u>	<u><u>7,790,003</u></u>	<u><u>10,925,601</u></u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2017	2016
Restricted facilities and equipment contributions (note 5)	\$ 2,947,033	3,135,598
City of Seward lease contribution (note 4)	<u>29,690,961</u>	<u>30,347,402</u>
	<u><u>\$ 32,637,994</u></u>	<u><u>33,483,000</u></u>

(7) Net Assets Released from Restriction

Net assets were released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Net assets released from restriction were as follows:

	2017	2016
Contributed occupancy costs (note 4)	\$ 656,440	613,495
Use of restricted facilities and equipment	<u>381,004</u>	<u>358,023</u>
	<u><u>\$ 1,037,444</u></u>	<u><u>971,518</u></u>

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2017 and 2016

(8) Notes Payable

Long-term debt at September 30 was as follows:

	<u>2017</u>	<u>2016</u>
Note payable to a financial institution, with a maturity in 2020, interest rate is 3.10% over the U.S. Treasury rate (4.60% and 4.70% at September 30, 2017 and 2016, respectively), secured by land.	\$ 82,218	114,763
Less current portion	<u>(34,305)</u>	<u>(32,400)</u>
	<u>\$ 47,913</u>	<u>82,363</u>

Future minimum payments on the long-term debt are as follows:

Year ending September 30:	
2018	\$ 34,305
2019	36,303
2020	<u>11,610</u>
	<u>\$ 82,218</u>

(9) Operating Lease

SAAMS leases certain property and equipment under various operating leases. Rental expense was \$53,262 and \$40,338 for the years ended September 30, 2017 and 2016, respectively. Future minimum payments under noncancelable operating leases are \$ 48,860 for the year ending September 30, 2018.

(10) Defined Contribution Plan

SAAMS participates in a qualified defined contribution 401(k) retirement plan. There were no contributions charged to expense during the years ended September 30, 2017 and 2016.

(11) Contingencies

(a) Legal Matters

In the ordinary course of business, SAAMS may be involved in various claims and disputes. Management believes that none of these matters will have an adverse impact on the financial condition of SAAMS.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2017 and 2016

(b) Grants and Contracts

Amounts received or receivable from State of Alaska or federal agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of SAAMS. In management's opinion, the amount that might be disallowed, if any, will not have a material effect on the financial statements.

(12) Concentration of Revenue

Federal grants have accounted for approximately 30% and 32% of revenue for fiscal years 2017 and 2016, respectively. SAAMS is highly dependent on grant revenues and any significant decline in this revenue could have a material adverse effect on the organization.

(13) Related Parties

SAAMS provides accounting services and acts as the fiscal agent for the North Pacific Research Board (NPRB) and Alaska Ocean Observing System (AOOS). Fiscal agent fees totaled \$270,000 and \$268,863 from NPRB for the years ended September 30, 2017 and 2016, respectively. Fiscal agent fees totaled \$144,460 and \$123,347 for AOOS for the years ended September 30, 2017 and 2016, respectively.

(14) Subsequent Events

In connection with the preparation of the financial statements, SAAMS evaluated subsequent events after the statement of financial position date of September 30, 2017 through June 27, 2018, which was the date the financial statements were available to be issued.

**SEWARD ASSOCIATION FOR THE
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Schedule of Functional Expenses

Year ended September 30, 2017

	<u>Research</u>	<u>Stranding</u>	<u>Education</u>	<u>Front of the house</u>	<u>Fundraising</u>	<u>Facilities</u>	<u>Husbandry</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 712,672	263,021	183,062	327,570	100,845	491,912	648,370	527,455	3,254,908
Fringe benefits	332,455	112,793	83,865	118,541	43,453	229,579	351,903	119,986	1,392,576
Contractual and outside services	422,028	18,368	31,251	66,025	135,888	179,720	16,671	89,576	959,529
Depreciation	—	—	—	—	—	731,876	—	—	731,876
Contributed occupancy costs	—	—	—	—	—	656,440	—	—	656,440
Utilities	—	—	—	—	—	594,958	—	—	594,958
Supplies, computer, and copying	60,253	76,678	10,212	66,681	19,472	142,038	173,035	15,053	563,424
Insurance	—	—	—	—	—	282,210	476	—	282,686
Travel	56,124	36,445	30,288	2,725	12,336	(4,424)	5,685	9,942	149,121
Miscellaneous	14,120	2,923	24,468	10,710	6,396	4,122	23,500	13,966	100,206
Rent	6,691	6,719	5,033	9,606	410	35,231	29,305	1,040	94,034
Bank and credit card fees	—	378	—	52,611	6,583	—	—	5,279	64,851
Advertising	256	2,867	379	44,380	2,842	371	2,471	1,208	54,773
Phone and internet	577	695	274	418	206	44,141	5,416	2,848	54,575
Postage and freight	4,866	3,931	1,456	440	4,994	4,699	3,819	2,266	26,471
Interest expense	—	—	—	—	—	4,663	—	—	4,663
Equipment rental	788	750	—	—	—	980	150	—	2,667
	<u>\$ 1,610,833</u>	<u>525,567</u>	<u>370,289</u>	<u>699,707</u>	<u>333,426</u>	<u>3,398,517</u>	<u>1,260,800</u>	<u>788,619</u>	<u>8,987,758</u>

See accompanying independent auditors' report.

**SEWARD ASSOCIATION FOR THE
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Schedule of Functional Expenses

Year ended September 30, 2016

				North Pacific Marine Research Institute	Front of the house					
	Research	Stranding	Education			Fundraising	Facilities	Husbandry	Administrative	Total
Salaries and wages	\$ 839,005	315,436	154,166	—	303,792	105,079	523,535	623,891	531,658	3,396,562
Fringe benefits	346,564	121,130	72,346	—	97,471	45,426	227,849	311,937	374,396	1,597,119
Contractual and outside services	694,595	59,032	37,788	1,280	77,303	126,515	124,304	21,667	77,112	1,219,596
Supplies, computer, and copying	404,312	126,717	9,973	—	61,955	10,984	133,429	180,089	15,791	943,250
Depreciation	—	—	—	—	—	—	726,182	—	—	726,182
Contributed occupancy costs	—	—	—	—	—	—	613,495	—	—	613,495
Utilities	—	—	—	—	—	—	546,759	—	—	546,759
Insurance	—	—	—	—	—	—	286,226	222	—	286,448
Travel	116,576	59,716	29,448	—	5,893	10,640	(5,714)	13,195	9,112	238,866
Rent	9,525	12,645	5,533	—	10,364	—	34,930	15,987	1,442	90,426
Phone and internet	1,094	14,544	458	—	799	384	58,844	5,383	3,530	85,036
Bank and credit card fees	—	351	—	—	51,939	5,676	—	—	4,669	62,635
Advertising	415	1,405	406	—	51,643	2,112	220	1,861	181	58,243
Postage and freight	12,633	16,064	1,662	—	854	4,129	3,717	2,610	2,291	43,960
Interest expense	—	—	—	—	—	—	6,159	—	—	6,159
Equipment rental	798	332	40	—	—	—	3,452	—	600	5,222
Loss on disposal of facilities and equipment	2,626	—	—	—	—	—	—	—	—	2,626
Miscellaneous	13,026	4,782	24,374	48	5,166	6,022	8,250	24,455	7,243	93,366
	<u>\$ 2,441,169</u>	<u>732,154</u>	<u>336,194</u>	<u>1,328</u>	<u>667,179</u>	<u>316,967</u>	<u>3,291,637</u>	<u>1,201,297</u>	<u>1,028,025</u>	<u>10,015,950</u>

See accompanying independent auditors' report.



**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Federal Financial Assistance Reports

Year ended September 30, 2017

(With Independent Auditors' Reports Thereon)

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

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KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Seward Association for the Advancement of Marine Science

Report on Compliance for Each Major Federal Program

We have audited Seward Association for the Advancement of Marine Science's (SAAMS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SAAMS's major federal program for the year ended September 30, 2017. SAAMS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of SAAMS's compliance.

Opinion on Each Major Federal Program

In our opinion, SAAMS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of SAAMS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SAAMS's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major



federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SAAMS's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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 SAAMS as of and for the year ended September 30, 2017, and have issued our report thereon dated June 27, 2018, 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.

KPMG LLP

June 27, 2018



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

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*

The Board of Directors
Seward Association for the Advancement of Marine Science:

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 Seward Association for the Advancement of Marine Science (SAAMS), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAAMS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAAMS's internal control. Accordingly, we do not express an opinion on the effectiveness of SAAMS's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAAMS's 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 determination of financial statement amounts. 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 SAAMS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SAAMS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

June 27, 2018

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Subrecipient expenditures	Federal expenditures
Department of Commerce:				
National Oceanic and Atmospheric Administration:				
National Marine Fisheries Service – Marine Mammal Data Program:				
Live Marine Mammal Response in Alaska: Rehabilitation & Readiness for Unusual Events	11.439	NA15NMF4390043	\$ —	\$ 34,616
Preparing for Unusual Events Involving Live Marine Mammals in Alaska & Using Deployable Assets for Rehabilitation	11.439	NA16NMF4390143	—	99,991
Comparative Measures of Health and Physiology for Ice-Dependent Seals	11.439	NA15NMF4390166	—	59,571
Comparative Measures of Health and Physiology for Ice-Dependent Seals	11.439	NA16NMF4390027	156,862	286,597
Steller Sea Lion Survival and Reproductive Rates: Demographic Consequences of Environmental Variability, Local Fishing Effort and Individual Heterogeneity	11.439	NA15NMF4390164	31,735	36,918
Reproduction, Survival and Depredation in Harbor Seals – Phase 1: Validation	11.439	NA15NMF4390171	—	56,647
Lactation Bioenergetics, Immune Competence, Age Determination Models, Temperature Patterns and Fetal Development in Steller Sea Lion Females and their Pups	11.439	NA16NMF4390025	—	75,538
Long-Term Monitoring of Trends in Steller Sea Lion Behavior, Ecology, Vital Rates, and Demography within the Endangered, Western Distinct Population Segment	11.439	NA16NMF4390030	—	179,195
			<u>188,597</u>	<u>829,073</u>
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program:				
Passed through Sitka Sound Science Center:				
Reducing Sperm Whale Interactions with Longline Gear through a Real-Time Fishery Reporting Network & Satellite Tag Data	11.427	R0108-00	—	13,607
Unallied Science Program:				
Passed through North Pacific Research Board:				
Reproduction, Survival and Depredation of Steller Sea Lions from the Declining Western Aleutian Islands in Relation to the Stable Eastern Gulf of Alaska Region – Phase 2	11.472	1310	—	6,041
Developing a Habitat Use Model for Juvenile Steller Sea Lions in the Gulf of Alaska with Inclusion of Predation Risk	11.472	1512	—	114,981
Effects of Increased Salinity in Coastal Wetlands on Growth and Survival of Threatened Steller's Eider and Spectacled Eider Ducklings	11.472	1518B	—	28,134
Developing Vitalink: Autonomous Remote Satellite Tag Data Recovery Stations	11.472	1620	—	21,968
Passed through Prince William Sound Science Center:				
LTM – Marine Conditions and Injured Resources and Services – Synthesis Component	11.472	12-81-02	—	18,402
Gulf Watch Alaska Virtual Field Trip 2	11.472	16-81-25-01	—	26,763
			<u>—</u>	<u>216,289</u>
National Science Foundation:				
Geosciences – Sustainability of Critical Areas for Eiders and Subsistence Hunters in an Industrializing Nearshore Zone	47.050	PLR-1262825	—	66,128
Biological Sciences – IDBR Type B: Life-long Vital Rate Telemetry in Marine Homeotherms	47.074	1556495	—	218,072
Passed through the University of Rhode Island				
Education and Human Resources – Northwest Passage Project	47.076	0005471/101916	—	4,459
Department of the Interior:				
U.S. Fish and Wildlife Service:				
Endangered Species Conservation Recovery Implementation Funds – Maintenance of a Captive Flock of Alaska-Origin Steller's and Spectacled Eiders	15.657	F12AC01617	—	629,559
Bureau of Ocean Energy Management:				
Passed through University of Alaska Fairbanks:				
Alaska Coastal Marine Institute – Sensitivity to HydroCarbons and Baselines of Exposure in Marine Birds on the Chukchi and Beaufort Seas	15.421	UAF 14-0011	—	9,053
National Park Service – Cooperative Research and Training Program:				
Teacher Professional Development Workshop	15.945	P15AC00234	—	12,199
International Conservation Leaders Climate Change and Protected Areas Planning Workshop	14.945	P17AC00905	—	13,421
Changing Tides – Bivalve Bioassay and Analysis Component	15.945	P15AC00797	—	61,673

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Subrecipient expenditures	Federal expenditures
Alaska SeaLife Center Marine Science Interpretation Internships	15.945	P16AC00329	\$ —	\$ 10,307
			—	97,600
Natural Resource Stewardship – Seabirds as Indicators of Coastal Ecosystem Condition and Change	15.944	P14AC00323	—	59,860
National Park Service Conservation, Protection, Outreach, and Education – Village Marine Science Outreach	15.954	P14AC01181	—	18,831
Institute of Museum and Library Services:				
National Leadership Grants – IMLS Disaster Preparedness Training AZA Nationwide	45.312	15598378	—	107,965
Total federal awards			\$ 188,597	\$ 2,270,496

See accompanying independent auditors' report.

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Seward Association for the Advancement of Marine Science (SAAMS) under programs of the federal government for the year ended September 30, 2017. 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 SAAMS, it is not intended to and does not present the financial position, changes in net position, or cash flows of SAAMS. Federal awards received directly from federal agencies as well as federal awards passed through other organizations are included on the schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in note 1 to the SAAMS's financial statements. 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) Loan Programs

SAAMS has not entered into any federal loan programs.

(4) Cost Rate

SAAMS has not elected to use the de minimis 10% indirect cost rate.

**SEWARD ASSOCIATION FOR THE
ADVANCEMENT OF MARINE SCIENCE**

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

(1) Summary of Auditors' Results

Financial Statements

Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to the financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a)?

_____ Yes X No

Identification of Major Programs

<u>CFDA number</u>	<u>Name of federal program</u>
11.439	Department of Commerce, National Oceanic and Atmospheric Administration – Marine Mammal Data Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

(2) There were no reportable findings related to the financial statements reported in accordance with *Government Auditing Standards*.

(3) There were no reportable findings and no questioned costs related to federal awards.