



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

Financial Statements and Schedules

September 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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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, 2018 and 2017, 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, 2018 and 2017, 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 28, 2019 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 28, 2019

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

Statements of Financial Position

September 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 1,191,316	1,543,812
Cash restricted by the City of Seward (note 2)	1,567,562	1,443,093
Receivables, net (note 3)	632,230	995,823
Prepaid expenses	88,070	48,065
Inventory	91,582	53,552
Total current assets	3,570,760	4,084,345
501 Trust unemployment tax reserve	199,686	174,309
Beneficial interest in assets held by Alaska Community Foundation	430,475	13,155
Unconditional promise to give, pledge for the use of land and building (note 4)	28,988,571	29,690,961
Facilities and equipment, net (note 5)	9,453,000	10,396,343
Total assets	\$ 42,642,492	44,359,113
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 761,595	446,475
Accrued salaries and related taxes payable	274,009	400,783
Deferred revenue	1,552,751	1,550,739
Current portion of notes payable (note 6)	—	34,305
Total current liabilities	2,588,355	2,432,302
Notes payable, less current portion (note 6)	—	47,913
501 Trust unemployment tax reserve	199,686	174,309
Total liabilities	2,788,041	2,654,524
Net assets:		
Unrestricted	8,178,829	9,066,595
Temporarily restricted (note 7)	31,675,622	32,637,994
Total net assets	39,854,451	41,704,589
Commitments and contingencies (notes 2, 10, 11, 12, and 13)		
Total liabilities and net assets	\$ 42,642,492	44,359,113

See accompanying notes to financial statements.

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

Statements of Activities

Years ended September 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenues:						
Membership and gate entry fees, net	\$ 2,872,516	—	2,872,516	2,876,432	—	2,876,432
Retail sales, net	177,965	—	177,965	190,152	—	190,152
Education programs	242,253	—	242,253	216,469	—	216,469
Grants:						
Federal	1,578,873	124,019	1,702,892	2,259,103	11,394	2,270,497
State	55,949	—	55,949	82,801	147,363	230,164
Other	314,310	—	314,310	304,172	33,681	337,853
North Pacific Marine Research Institute	34,710	—	34,710	(653)	—	(653)
Contracts	121,247	—	121,247	69,058	—	69,058
Donations	1,100,559	—	1,100,559	823,410	—	823,410
Investment and interest income	15,140	—	15,140	2,749	—	2,749
Fiscal agent fees (note 14)	543,370	—	543,370	415,178	—	415,178
Other	87,634	—	87,634	191,452	—	191,452
Net assets released from restriction (note 8)	1,086,391	(1,086,391)	—	1,037,444	(1,037,444)	—
Total support and revenues	8,230,917	(962,372)	7,268,545	8,467,767	(845,006)	7,622,761
Expenses:						
Program:						
Research	1,235,148	—	1,235,148	1,610,833	—	1,610,833
Stranding	709,797	—	709,797	525,567	—	525,567
Education	389,757	—	389,757	370,289	—	370,289
North Pacific Marine Research Institute	26,710	—	26,710	—	—	—
Total program expenses	2,361,412	—	2,361,412	2,506,689	—	2,506,689
Support services:						
Front of the house	703,784	—	703,784	699,707	—	699,707
Fundraising	378,508	—	378,508	333,426	—	333,426
Facilities	3,393,444	—	3,393,444	3,398,517	—	3,398,517
Husbandry	1,296,927	—	1,296,927	1,260,800	—	1,260,800
Administrative	984,608	—	984,608	788,619	—	788,619
Total expenses	9,118,683	—	9,118,683	8,987,758	—	8,987,758
Change in net assets	(887,766)	(962,372)	(1,850,138)	(519,991)	(845,006)	(1,364,997)
Net assets at beginning of year	9,066,595	32,637,994	41,704,589	9,586,586	33,483,000	43,069,586
Net assets at end of year	\$ 8,178,829	31,675,622	39,854,451	9,066,595	32,637,994	41,704,589

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
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Statements of Cash Flows

Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,850,138)	(1,364,997)
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation	735,051	731,876
Contributed occupancy costs	702,391	656,440
Grant revenues restricted to purchase of equipment and facilities	(124,019)	(180,471)
Gain on endowment held by Alaska Community Foundation	(13,073)	(1,118)
Gain on sale of facilities	(165,388)	—
Bad debt expense	—	62
Changes in assets and liabilities that provided (used) cash:		
Receivables	363,593	(72,728)
Inventory	(38,030)	55,204
Prepaid expenses	(40,005)	18,086
Accounts payable	315,120	(190,465)
Accrued salaries and related taxes payable	(126,774)	(30,857)
Deferred revenue	2,012	(20,563)
Net cash used in operating activities	<u>(239,260)</u>	<u>(399,531)</u>
Cash flows from investing activities:		
Transfer to Alaska Community Foundation	(404,248)	—
Proceeds from sale of facilities and equipment	393,008	—
Purchase of facilities and equipment	(19,328)	(210,853)
Change in restricted cash and investments	(124,469)	(688)
Net cash used in investing activities	<u>(155,037)</u>	<u>(211,541)</u>
Cash flows from financing activities:		
Payments on notes payable	(82,218)	(32,545)
Grant revenues restricted to purchase of equipment and facilities	124,019	180,471
Net cash provided by financing activities	<u>41,801</u>	<u>147,926</u>
Net decrease in cash and cash equivalents	(352,496)	(463,146)
Cash and cash equivalents at beginning of year	<u>1,543,812</u>	<u>2,006,958</u>
Cash and cash equivalents at end of year	<u>\$ 1,191,316</u>	<u>1,543,812</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,701	4,663

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2018 and 2017

(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

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 at purchase.

(e) Inventory

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

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Notes to Financial Statements

September 30, 2018 and 2017

(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, 2018.

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Notes to Financial Statements

September 30, 2018 and 2017

(k) Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. SAAMS is required to adopt ASU 2016-14 for fiscal years beginning after December 15, 2017 and is evaluating the effects that the new standard will have on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230). ASU 2016-18 was issued to provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. SAAMS is required to adopt ASU 2016-18 for fiscal years beginning after December 15, 2018 and is evaluating the effects that the new standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to Topic 606 and (2) determining whether a contribution is conditional. The amendments in this update are to be applied on a modified prospective basis and are effective for SAAMS' fiscal year beginning October 1, 2019. Early adoption is permitted. SAAMS has evaluated the extent of the anticipated impact of the adoption of ASU No. 2018-08. The adoption of ASU No. 2018-08 will not have a significant impact on the SAAMS' financial statements.

(2) Restricted Cash

Under the ASLC lease agreement with the City, SAAMS is required to maintain cash reserves in a separate fund of \$1,567,562 and \$1,443,093 at September 30, 2018 and 2017, 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 \$626,817 and \$501,953, and the Termination Fund Requirement reserves were \$940,745 and \$941,140 at September 30, 2018 and 2017, respectively.

(3) Receivables

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

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Notes to Financial Statements

September 30, 2018 and 2017

Receivables consist of the following:

	<u>2018</u>	<u>2017</u>
Grants	\$ 416,231	449,902
Pledges	71,566	71,566
Front of house	47,373	200,569
Other	97,060	273,786
	<u>632,230</u>	<u>995,823</u>
Less allowance for doubtful pledges	<u>—</u>	<u>—</u>
	<u>\$ 632,230</u>	<u>995,823</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, 2018 and 2017, 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, 2018 and 2017 was \$8,005,029 and \$7,302,640, respectively.

Net amortization of the contribution was as follows:

	<u>2018</u>	<u>2017</u>
Contributed use of facility	\$ 2,780,758	2,780,758
Less interest income	<u>(2,078,367)</u>	<u>(2,124,318)</u>
Net contributed occupancy cost	<u>\$ 702,391</u>	<u>656,440</u>

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Notes to Financial Statements

September 30, 2018 and 2017

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	2,029,200	751,557
Two to five years	11,123,032	7,552,576	3,570,456
More than five years	39,889,448	15,222,890	24,666,558
			<u>\$ 28,988,571</u>

(5) Facilities and Equipment

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

	<u>2018</u>		
	<u>Funded by temporarily restricted resources</u>	<u>Funded by unrestricted resources</u>	<u>Total</u>
Land	\$ —	764,263	764,263
Building	3,246,048	12,369,615	15,615,663
Exhibits	1,547,754	1,434,193	2,981,947
Furniture and equipment	3,226,769	1,674,086	4,900,855
Vehicles	43,545	70,693	114,238
	8,064,116	16,312,850	24,376,966
Less accumulated depreciation	<u>(5,377,065)</u>	<u>(9,546,901)</u>	<u>(14,923,966)</u>
	<u>\$ 2,687,051</u>	<u>6,765,949</u>	<u>9,453,000</u>

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2018 and 2017

	2017		
	Funded by temporarily restricted resources	Funded by unrestricted resources	Total
Land	\$ —	764,263	764,263
Building	3,246,048	12,801,645	16,047,693
Exhibits	1,547,754	1,434,193	2,981,947
Furniture and equipment	3,122,108	1,651,069	4,773,177
Vehicles	43,545	70,693	114,238
Construction in progress	26,400	—	26,400
	7,985,855	16,721,863	24,707,718
Less accumulated depreciation	(5,038,822)	(9,272,553)	(14,311,375)
	<u>\$ 2,947,033</u>	<u>7,449,310</u>	<u>10,396,343</u>

(6) Notes Payable

Long-term debt was as follows:

	2018	2017
Note payable to a financial institution, with a maturity in 2020, interest rate is 3.10% over the U.S. Treasury rate (4.60% at September 30, 2017), secured by land.		
	\$ —	82,218
Less current portion	—	(34,305)
	<u>\$ —</u>	<u>47,913</u>

This note was retired with the sale of the underlying collateral on May 15, 2018.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2018	2017
Restricted facilities and equipment contributions (note 5)	\$ 2,687,051	2,947,033
City of Seward lease contribution (note 4)	28,988,571	29,690,961
	<u>\$ 31,675,622</u>	<u>32,637,994</u>

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Notes to Financial Statements

September 30, 2018 and 2017

(8) 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:

	<u>2018</u>	<u>2017</u>
Contributed occupancy costs (note 4)	\$ 702,391	656,440
Use of restricted facilities and equipment	384,000	381,004
	<u>\$ 1,086,391</u>	<u>1,037,444</u>

(9) Beneficial Interest in Assets Held by Alaska Community Foundation

In December 2014, SAAMS entered into an agreement with the Alaska Community Foundation (Foundation) to manage assets transferred from SAAMS. The Foundation established the Alaska SeaLife Center Endowment Fund of the Alaska Community Foundation. The agreement states that transfers to the Foundation are irrevocable and that the transferred assets will not be returned to SAAMS except under limited circumstances. The agreement also permits the Foundation to substitute another beneficiary in the place of SAAMS if SAAMS ceases to exist or if the board of the Foundation votes that support of SAAMS is no longer necessary or is inconsistent with the needs of the community. Investment returns can be appropriated for support of SAAMS operations.

Changes in the beneficial interest in the Foundation and related unrestricted net assets for the years ended September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beneficial interest, beginning of year	\$ 13,155	12,037
Interest and dividend income	1,532	171
Net realized and unrealized investment gains	12,528	1,086
Investment returns	14,060	1,257
Transfers	404,248	—
Administrative and management fees	(988)	(139)
Appropriation of investment returns	—	—
Beneficial interest, end of year	<u>\$ 430,475</u>	<u>13,155</u>

As of September 30, 2018, SAAMS has cumulative investment returns, net of fees, of \$14,227 available for appropriation.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2018 and 2017

(10) Operating Lease

SAAMS leases certain property and equipment under various operating leases. Rental expense was \$61,740 and \$53,262 for the years ended September 30, 2018 and 2017, respectively. Future minimum payments under noncancelable operating leases are \$36,684 for the year ending September 30, 2019.

(11) 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, 2018 and 2017.

(12) 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.

(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.

(13) Concentration of Revenue

Federal grants have accounted for approximately 23% and 30% of revenue for fiscal years 2018 and 2017, respectively. SAAMS is highly dependent on grant revenues and any significant decline in this revenue could have a material adverse effect on the organization.

(14) 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 \$273,370 and \$270,000 from NPRB for the years ended September 30, 2018 and 2017, respectively. Fiscal agent fees totaled \$185,402 and \$144,460 for AOOS for the years ended September 30, 2018 and 2017, respectively.

(15) 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, 2018 through June 28, 2019, 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, 2018

	<u>Research</u>	<u>Stranding</u>	<u>Education</u>	<u>Research Institute</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	\$ 557,984	318,615	190,851	—	337,697	114,187	580,959	682,757	590,531	3,373,581
Fringe benefits	267,556	136,348	89,781	—	129,691	50,987	246,832	340,967	189,981	1,452,143
Contractual and outside services	255,500	47,247	21,728	26,710	31,435	153,803	121,153	19,708	130,501	807,785
Depreciation	—	—	—	—	—	—	735,051	—	—	735,051
Contributed occupancy costs	—	—	—	—	—	—	702,391	—	—	702,391
Utilities	—	—	—	—	—	—	651,619	—	—	651,619
Supplies, computer, and copying	89,665	114,590	13,992	—	66,911	19,198	156,679	178,277	12,044	651,356
Insurance	—	—	—	—	—	—	283,826	238	—	284,064
Travel	49,408	62,138	31,715	—	8,779	14,181	2,838	7,223	21,619	197,901
Miscellaneous	7,828	8,541	29,851	—	5,468	9,779	21,451	23,514	23,893	130,325
Bank and credit card fees	395	403	—	—	70,226	8,090	—	22	4,796	83,932
Advertising	876	3,286	5,146	—	44,634	215	2,249	6,621	4,753	67,780
Rent	4,523	12,418	4,750	—	7,934	—	9,654	25,309	—	64,588
Phone and internet	183	562	302	—	424	166	31,242	5,250	2,142	40,271
Postage and freight	980	5,649	1,391	—	585	7,902	6,868	6,928	2,423	32,726
Equipment rental	250	—	250	—	—	—	4,319	113	1,925	6,857
Interest expense	—	—	—	—	—	—	1,701	—	—	1,701
Gain on sale of facilities	—	—	—	—	—	—	(165,388)	—	—	(165,388)
	<u>\$ 1,235,148</u>	<u>709,797</u>	<u>389,757</u>	<u>26,710</u>	<u>703,784</u>	<u>378,508</u>	<u>3,393,444</u>	<u>1,296,927</u>	<u>984,608</u>	<u>9,118,683</u>

See accompanying independent auditors' report.

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

Schedule of Functional Expenses

Year ended September 30, 2017

	<u>Research</u>	<u>Stranding</u>	<u>Education</u>	<u>Research Institute</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	3,254,907
Fringe benefits	332,455	112,793	83,865	—	118,541	43,453	229,579	351,903	119,986	1,392,575
Contractual and outside services	422,028	18,368	31,251	—	66,025	135,888	179,720	16,671	89,576	959,527
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	563,422
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	100,205
Rent	6,691	6,719	5,033	—	9,606	410	35,231	29,305	1,040	94,035
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	54,774
Phone and internet	577	695	274	—	418	206	44,141	5,416	2,848	54,575
Postage and freight	4,866	3,931	1,457	—	440	4,995	4,699	3,819	2,266	26,473
Interest expense	—	—	—	—	—	—	4,663	—	—	4,663
Equipment rental	791	749	—	—	—	—	981	149	—	2,670
	<u>\$ 1,610,833</u>	<u>525,567</u>	<u>370,289</u>	<u>—</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
ADVANCEMENT OF MARINE SCIENCE**

Federal Financial Assistance Reports

Year ended September 30, 2018

(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 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, 2018, 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 28, 2019.

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 28, 2019



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, 2018. 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, 2018.



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, 2018, and have issued our report thereon dated June 28, 2019, 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 28, 2019

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

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:				
Forging Public Connections with Marine Mammals through the Alaska SeaLife Center	11.439	NA17NMF4390094	\$ —	29,365
Comparative Measures of Health and Physiology for Ice-Dependent Seals	11.439	NA16NMF4390027	97,569	286,271
Reproduction, Survival and Depredation in Harbor Seals – Phase 1: Validation	11.439	NA15NMF4390171	—	51,839
Lactation Bioenergetics, Immune Competence, Age Determination Models, Temperature Patterns and Fetal Development in Steller Sea Lion Females and their Pups	11.439	NA16NMF4390025	—	56,393
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	—	172,492
			<u>97,569</u>	<u>596,360</u>
Congressionally Identified Awards and Projects				
Passed through National Fish and Wildlife Foundation:				
Critical Care of Stranded Endangered Cook Inlet Beluga Whale	11.469	0312.17.058998	—	54,631
Unallied Science Program:				
Passed through North Pacific Research Board:				
Developing a Habitat Use Model for Juvenile Steller Sea Lions in the Gulf of Alaska with Inclusion of Predation Risk	11.472	1512	—	52,976
Effects of Increased Salinity in Coastal Wetlands on Growth and Survival of Threatened Steller's Eider and Spectacled Eider Ducklings	11.472	1518B	—	18,581
Developing Vitalink: Autonomous Remote Satellite Tag Data Recovery Stations	11.472	1620	—	9,119
Bioenergetics, movement behavior and temperature ranges of the poorly understood Pacific sleeper sharks – part 1	11.472	1711A	—	76,017
Bioenergetics, movement behavior and temperature ranges of the poorly understood Pacific sleeper sharks – part 2	11.472	1711B	—	103,963
Bioenergetics, movement behavior and temperature ranges of the poorly understood Pacific sleeper sharks – part 3	11.472	1711C	—	47
Are changes in suitability of essential lagoon habitats driving declines of Steller's eiders in the eastern Aleutians	11.472	1814	—	486
			<u>—</u>	<u>261,189</u>
National Science Foundation:				
Sustainability of Critical Areas for Eiders and Subsistence Hunters in an Industrializing Nearshore Zone	47.050	PLR-1262825	—	24,302
IDBR Type B: Life-long Vital Rate Telemetry in Marine Homeotherms	47.074	1556495	—	215,360
Collaborative Research: At-sea experimental disturbances to characterize physiological plasticity in diving northern elephant seals	47.074	1656020	—	13,593
Passed through the University of Rhode Island				
Northwest Passage Project	47.076	0005471/101916	—	3,665
Department of the Interior:				
U.S. Fish and Wildlife Service:				
Maintenance of a Captive Flock of Alaska-Origin Steller's and Spectacled Eiders	15.657	F12AC01617	—	67,494
Maintenance and Funding Transition of the Captive Flocks at the Alaska SeaLife Center	15.657	F19AP00280	—	231,423
National Park Service:				
Teacher Professional Development Workshop	15.945	P15AC00234	—	8,789
Changing Tides – Bivalve Bioassay and Analysis Component	15.945	P15AC00797	—	25,620
Changing Tides: A Virtual Field Trip	15.945	P17AC00481	—	4,601
Alaska SeaLife Center Marine Science Interpretation Internships	15.945	P16AC00329	—	6,770
			<u>—</u>	<u>45,780</u>
Village Marine Science Outreach	15.954	P14AC01181	—	13,278
Institute of Museum and Library Services:				
AZA Disaster Preparedness Training for Zoos and Aquariums Nationwide	45.312	MG-20-16-0049-16	—	175,816
Total federal awards			\$ <u>97,569</u>	<u>1,702,891</u>

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, 2018

(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, 2018. 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**

Schedule of Findings and Questioned Costs

Year ended September 30, 2018

(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.