



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

Financial Statements and Schedules

September 30, 2020 and 2019

(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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 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

March 25, 2021

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

Statements of Financial Position

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,145,762	620,915
Cash restricted by the City of Seward	1,612,700	1,389,199
Receivables, net	933,946	605,196
Prepaid expenses	—	101,961
Inventory	<u>77,851</u>	<u>109,518</u>
Total current assets	4,770,259	2,826,789
501 Trust employment tax reserve	64,478	39,686
Beneficial interest in assets held by Alaska Community Foundation	469,989	441,749
Unconditional promise to give, pledge for the use of land and building	27,432,847	28,237,014
Facilities and equipment, net	<u>8,496,762</u>	<u>8,872,107</u>
Total assets	<u>\$ 41,234,335</u>	<u>40,417,345</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 483,486	469,571
Accrued salaries and related taxes payable	312,534	328,779
Deferred revenue	<u>1,144,679</u>	<u>1,176,362</u>
Total current liabilities	1,940,699	1,974,712
501 Trust employment tax reserve	<u>221,305</u>	<u>196,513</u>
Total liabilities	<u>2,162,004</u>	<u>2,171,225</u>
Net assets:		
Without donor restrictions	11,426,308	10,009,106
With donor restrictions	<u>27,646,023</u>	<u>28,237,014</u>
Total net assets	39,072,331	38,246,120
Commitments and contingencies		
Total liabilities and net assets	<u>\$ 41,234,335</u>	<u>40,417,345</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years ended September 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Membership and gate entry fees, net	\$ 1,590,772	—	1,590,772	3,269,050	—	3,269,050
Retail sales, net	94,548	—	94,548	168,379	—	168,379
Education programs	88,899	—	88,899	211,482	—	211,482
Grants:						
Federal	2,566,309	—	2,566,309	1,576,418	—	1,576,418
Other	302,804	—	302,804	373,710	—	373,710
North Pacific Marine Research Institute	221,313	—	221,313	289,484	—	289,484
Contracts	117,885	—	117,885	199,886	—	199,886
Donations	3,334,524	213,176	3,547,700	1,185,564	—	1,185,564
Investment and interest income	42,053	—	42,053	15,820	—	15,820
Fiscal agent fees	564,528	—	564,528	515,135	—	515,135
Other	118,315	—	118,315	118,765	—	118,765
Net assets released from restriction	804,167	(804,167)	—	751,558	(751,558)	—
Total support and revenues	9,846,117	(590,991)	9,255,126	8,675,251	(751,558)	7,923,693
Expenses:						
Program:						
Research	851,470	—	851,470	1,240,782	—	1,240,782
Stranding	411,000	—	411,000	616,328	—	616,328
Education	815,567	—	815,567	490,387	—	490,387
North Pacific Marine Research Institute	221,313	—	221,313	289,484	—	289,484
Total program expenses	2,299,350	—	2,299,350	2,636,981	—	2,636,981
Support services:						
Front of the house	653,640	—	653,640	458,679	—	458,679
Fundraising	617,608	—	617,608	594,805	—	594,805
Facilities	3,271,834	—	3,271,834	3,394,620	—	3,394,620
Husbandry	802,439	—	802,439	1,354,157	—	1,354,157
Administrative	1,102,824	—	1,102,824	1,092,782	—	1,092,782
Total expenses	8,747,695	—	8,747,695	9,532,024	—	9,532,024
Gain on an involuntary conversion	318,780	—	318,780	—	—	—
Change in net assets	1,417,202	(590,991)	826,211	(856,773)	(751,558)	(1,608,331)
Net assets at beginning of year	10,009,106	28,237,014	38,246,120	10,865,879	28,988,572	39,854,451
Net assets at end of year	\$ 11,426,308	27,646,023	39,072,331	10,009,106	28,237,014	38,246,120

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2020

	<u>Research</u>	<u>Stranding</u>	<u>Education</u>	<u>NPMRI</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	\$ 483,563	203,922	282,570	—	279,244	262,436	456,304	422,088	614,574	3,004,701
Fringe benefits	218,990	97,896	232,886	—	16,210	97,704	203,437	205,696	214,428	1,287,247
Contractual and outside services	75,613	37,127	270,724	221,313	30,810	121,915	70,137	13,054	127,396	968,089
Contributed occupancy costs	—	—	—	—	—	—	804,167	—	—	804,167
Utilities	160	5,000	—	—	155,899	—	549,546	210	—	710,815
Depreciation	—	—	—	—	—	—	636,925	—	—	636,925
Supplies, computer and copying	44,714	41,518	9,622	—	106,740	11,756	139,631	119,943	40,555	514,479
Insurance	—	—	—	—	—	—	395,509	248	—	395,757
Bank and credit card fees	—	128	—	—	63,904	21,915	15	—	8,443	94,405
Travel	13,409	20,938	11,353	—	142	36,409	761	2,512	4,848	90,372
Phone and internet	50	461	221	—	345	273	569	—	45,332	47,251
Advertising	621	1,109	363	—	69	37,497	447	2,864	1,369	44,339
Rent	192	385	—	—	—	—	3,519	7,200	28,747	40,043
Postage and freight	11,077	1,653	665	—	35	17,564	1,860	3,941	3,212	40,007
Equipment rental	—	35	—	—	—	70	1,775	75	—	1,955
Miscellaneous	3,081	828	7,163	—	242	10,069	7,232	24,608	13,920	67,143
	<u>\$ 851,470</u>	<u>411,000</u>	<u>815,567</u>	<u>221,313</u>	<u>653,640</u>	<u>617,608</u>	<u>3,271,834</u>	<u>802,439</u>	<u>1,102,824</u>	<u>8,747,695</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2019

	<u>Research</u>	<u>Stranding</u>	<u>Education</u>	<u>NPRI</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	\$ 490,661	273,573	188,801	—	205,582	251,187	506,650	719,122	671,724	3,307,300
Fringe benefits	227,166	124,389	132,530	—	80,632	81,186	241,509	369,783	225,921	1,483,116
Contractual and outside services	300,448	45,626	47,029	289,484	34,770	142,360	125,174	21,668	125,923	1,132,482
Contributed occupancy costs	—	—	—	—	—	—	751,558	—	—	751,558
Utilities	397	—	—	—	—	—	636,224	—	—	636,621
Depreciation	—	—	—	—	—	—	653,499	—	—	653,499
Supplies, computer and copying	128,808	110,457	70,479	—	35,843	13,429	140,247	171,835	14,787	685,885
Insurance	577	—	—	—	—	—	287,234	248	—	288,059
Bank and credit card fees	2	782	—	—	77,310	7,241	45	17	6,467	91,864
Travel	58,891	45,142	23,054	—	6,078	13,986	(1,819)	7,261	15,484	168,077
Phone and internet	71	348	199	—	—	320	37,687	3,900	1,555	44,080
Advertising	716	958	138	—	2,305	57,895	709	1,753	2,300	66,774
Rent	17,870	5,307	4,576	—	10,856	—	3,787	26,406	—	68,802
Postage and freight	4,673	3,833	1,452	—	1,381	10,862	3,622	4,942	15,811	46,576
Equipment rental	—	—	—	—	—	—	1,600	—	—	1,600
Miscellaneous	10,502	5,913	22,129	—	3,922	16,339	6,894	27,222	12,810	105,731
	<u>\$ 1,240,782</u>	<u>616,328</u>	<u>490,387</u>	<u>289,484</u>	<u>458,679</u>	<u>594,805</u>	<u>3,394,620</u>	<u>1,354,157</u>	<u>1,092,782</u>	<u>9,532,024</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 826,211	(1,608,331)
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation	636,925	653,499
Contributed occupancy costs	804,167	751,558
Donation revenues restricted to purchase of equipment	(140,432)	—
Gain on insurance recovery	(318,780)	—
Gain on endowment held by Alaska Community Foundation	(28,242)	(11,274)
Changes in assets and liabilities that provided (used) cash:		
Receivables	(205,358)	27,034
Inventory	31,667	(17,936)
Prepaid expenses	101,961	(13,891)
Accounts payable	13,915	(292,024)
Accrued salaries and related taxes payable	(16,245)	54,770
Deferred revenue	(31,683)	(376,389)
Unemployment tax reserve	—	156,827
Net cash provided (used in) operating activities	<u>1,674,106</u>	<u>(676,157)</u>
Cash flows from investing activities:		
Insurance proceeds	195,388	—
Purchase of facilities and equipment	<u>(261,580)</u>	<u>(72,607)</u>
Net cash used in investing activities	<u>(66,192)</u>	<u>(72,607)</u>
Cash flows from financing activities:		
Donation revenues restricted to purchase of equipment	<u>140,432</u>	<u>—</u>
Net cash provided by financing activities	<u>140,432</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	1,748,346	(748,764)
Cash, cash equivalents, and restricted cash at beginning of year	<u>2,010,114</u>	<u>2,758,878</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 3,758,460</u>	<u>2,010,114</u>
Cash, cash equivalents, and restricted cash consist of the following:		
Cash and cash equivalents	\$ 2,145,762	620,915
Cash restricted by the City of Seward	<u>1,612,700</u>	<u>1,389,199</u>
	<u>\$ 3,758,462</u>	<u>2,010,114</u>
Supplemental schedule of noncash investing activity:		
Insurance proceeds receivable	<u>\$ 123,392</u>	<u>—</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

September 30, 2020 and 2019

(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. The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(i) Without Donor Restrictions

Net assets without donor restrictions represent resources that are not subject to donor-restrictions and over which the board of directions of SAAMS retain control to use the funds in order to achieve SAAMS' purpose.

(ii) With Donor Restrictions

Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or over events specified by the donor. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2020 and 2019

(e) Inventory

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

(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 until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. 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. SAAMS has been awarded federal grants totaling \$2.1 million that will be recognized in the period allowable costs are 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, 2020.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2020 and 2019

(k) Recently Adopted Accounting Standards

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. ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU must be applied retrospectively to each period presented. SAAMS adopted the guidance as of October 1, 2018 and revised the Statements of Cash Flows as of September 30, 2019 and 2018 to conform to current period presentation. As a result of adopting the standard, SAAMS included \$1,567,562 of restricted cash in its statement of cash flows as of October 1, 2018 and no longer includes the changes in its restricted cash in net cash used in financing activities.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying 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. SAAMS adopted ASU No. 2018-08 for fiscal year beginning October 1, 2019 and the adoption had no impact to the 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 \$1,612,700 and \$1,389,199 at September 30, 2020 and 2019, respectively, with annual escalations of 2% resuming in 2024. Under the lease agreement, the Renewal and Replacement Fund Requirement reserves were \$671,958 and \$598,458, and the Termination Fund Requirement reserves were \$940,742 and \$790,741 at September 30, 2020 and 2019, respectively.

(3) Receivables

Receivables are principally reimbursable grant expenditures and pledges. SAAMS determined that all receivables are fully collectible.

Receivables consist of the following:

	<u>2020</u>	<u>2019</u>
Grants	\$ 639,021	391,273
Pledges	5,179	32,105
Other	<u>289,746</u>	<u>181,818</u>
	<u>\$ 933,946</u>	<u>605,196</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.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2020 and 2019

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 \$37,035,781 at both September 30, 2020 and 2019, 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, 2020 and 2019 was \$8,853,387 and \$8,049,220, respectively.

Net amortization of the contribution was as follows:

	<u>2020</u>	<u>2019</u>
Contributed use of facility	\$ 2,780,758	2,780,758
Less interest income	<u>(1,976,591)</u>	<u>(2,029,200)</u>
Net contributed occupancy cost	<u>\$ 804,167</u>	<u>751,558</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	\$ 2,780,758	1,920,299	860,459
Two to five years	11,123,033	7,035,217	4,087,816
More than five years	34,327,932	11,843,360	<u>22,484,572</u>
			<u>\$ 27,432,847</u>

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2020 and 2019

(5) Facilities and Equipment

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

2020			
Funded by resources			
	With donor restrictions	Without donor restrictions	Total
Land	\$ —	764,263	764,263
Building	3,246,048	12,392,530	15,638,578
Exhibits	1,562,954	1,434,193	2,997,147
Furniture and equipment	3,298,545	1,673,054	4,971,599
Vehicles	122,819	76,314	199,133
Construction in progress	140,432	—	140,432
	8,370,798	16,340,354	24,711,152
Less accumulated depreciation	(5,984,277)	(10,187,331)	(16,214,390)
	<u>\$ 2,386,521</u>	<u>6,153,023</u>	<u>8,496,762</u>
2019			
Funded by resources			
	With donor restrictions	Without donor restrictions	Total
Land	\$ —	764,263	764,263
Building	3,246,048	12,327,435	15,573,483
Exhibits	1,562,954	1,434,193	2,997,147
Furniture and equipment	3,298,545	1,695,368	4,993,913
Vehicles	50,073	70,693	120,766
	8,157,620	16,291,952	24,449,572
Less accumulated depreciation	(5,561,200)	(10,016,265)	(15,577,465)
	<u>\$ 2,596,420</u>	<u>6,275,687</u>	<u>8,872,107</u>

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2020 and 2019

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
City of Seward lease contribution (note 4)	\$ 27,432,847	28,237,014
Donor-restricted contributions	<u>213,176</u>	<u>—</u>
	<u>\$ 27,646,023</u>	<u>28,237,014</u>

(7) 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beneficial interest, beginning of year	\$ 441,749	430,475
Interest and dividend income	8,602	8,607
Net realized and unrealized investment gains	<u>27,037</u>	<u>6,426</u>
Investment returns	35,639	15,033
Transfers	25	46
Administrative and management fees	<u>(7,424)</u>	<u>(3,805)</u>
Beneficial interest, end of year	<u>\$ 469,989</u>	<u>441,749</u>

As of September 30, 2020, SAAMS has cumulative investment returns, net of fees, of \$17,799 available for appropriation.

(8) Operating Lease

SAAMS leases certain property and equipment under various operating leases. Rental expense was \$40,042 and \$68,801 for the years ended September 30, 2020 and 2019, respectively. Future minimum payments under noncancelable operating leases are \$20,619 for the year ending September 30, 2021.

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

Notes to Financial Statements

September 30, 2020 and 2019

(9) 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, 2020 and 2019.

(10) 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.

(11) Concentration of Revenue

Federal grants have accounted for approximately 15% and 20% of revenue for fiscal years 2020 and 2019, respectively. SAAMS is highly dependent on grant revenues and any significant decline in this revenue could have a material adverse effect on the organization.

(12) 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 \$285,000 and \$279,600 from NPRB for the years ended September 30, 2020 and 2019, respectively. Fiscal agent fees totaled \$176,052 and \$235,535 for AOOS for the years ended September 30, 2020 and 2019, respectively.

(13) Liquidity

At September 30, 2020, SAAMS has approximately \$3,080,000 of financial assets available to meet its operating cash needs for general expenditures within one year. In addition, SAAMS has \$100,000 available to draw on its line of credit.

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

Notes to Financial Statements

September 30, 2020 and 2019

(14) Going Concern Considerations

U.S. generally accepted accounting principles require management assess SAAMS's ability to continue as a going concern for a period of one year after the date that the financial statements are available to be issued; therefore, through March 25, 2022. In 2020 and continuing into 2021, the spread of the novel coronavirus caused cruise ship cancellations and business disruption in Seward, the State of Alaska, the United States, and throughout the world, and impacted oil prices and fishing activities in Alaska. Membership and gate entry fees represent SAAMS's primary source of operating revenue and were approximately 50% below normal during 2020. The impact to SAAMS's cash flows and operations during 2021 is uncertain, though recent progress with vaccines available worldwide should facilitate Alaskan and international visitor activity to Seward. Management believes current cash reserves, secured and expected grants and donations, expected visitor revenues, and additional CARES Act funding and programs are sufficient to alleviate substantial doubt about SAAMS's ability to continue as a going concern through the required assessment period.

(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, 2020 through March 25, 2021, which was the date the financial statements were available to be issued.

During 2020, SAAMS received \$1,046,000 funding from the Small Business Administration (SBA)'s Paycheck Protection Program (PPP). SAAMS met the qualifications for forgiveness and recognized the PPP loan as federal grant revenue during 2020. Subsequent to year end, the SBA forgave the loan.

In January 2021, SAAMS received \$1,085,000 funding from SBA's Paycheck Protection Program 2 (PPP2). The note bears interest at 1 percent and requires monthly payments of principal and interest on the outstanding principal balance, unless otherwise forgiven in whole or part by the SBA under the CARES Act. If the note is not forgiven, payments will begin 7 months from the date of the note until the maturity date of January 30, 2023 when the entire principal balance, along with all accrued and unpaid interest, is due in full. The terms of the note are subject to change depending on final regulation or legislation enacted. SAAMS expects to qualify forgiveness on the PPP2 loan during 2021.



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

Federal Financial Assistance Reports

Year ended September 30, 2020

(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, 2020, 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 March 25, 2021.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

March 25, 2021



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 each of SAAMS's major federal programs for the year ended September 30, 2020. SAAMS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SAAMS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each 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 each of its major federal programs for the year ended September 30, 2020.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each



major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. 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, 2020, and have issued our report thereon dated March 25, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

March 25, 2021

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Subrecipient expenditures	Federal expenditures
Research and Development:				
Comparative Measures of Health and Physiology for Ice-Dependent Seals	11.439	NA16NMF4390027	\$ 3,307	48,252
Long-Term Monitoring of Trends in Steller Sea Lion Behavior, Ecology, Vital Rates, and Demography within the Endangered, Western Distinct Population Segment	11.439	NA19NMF4390082	—	181,869
Passed through the University of California Santa Cruz:				
Physiological capacities and constraints of ice-dependent Alaskan seals	11.439	NA19NMF4390083	—	108,447
			<u>3,307</u>	<u>338,568</u>
Department of Commerce:				
National Oceanic and Atmospheric Administration:				
National Marine Fisheries Service:				
Prescott Live Marine Mammal Response in Alaska	11.439	NA19NMF4390149	—	88,473
Unallied Science Program:				
Passed through North Pacific Research Board:				
Bioenergetics, movement behavior and temperature ranges of the poorly understood Pacific sleeper sharks – part 3	11.472	1711C	—	77,033
Sleeper Shark Supplemental Funding	11.472	2004	—	61,720
Are changes in suitability of essential lagoon habitats driving declines of Steller's eiders in the eastern Aleutians?	11.472	1814	—	28,337
Lagoon Habitats of Eiders	11.472	1814-90	—	3,822
Using unmanned aircraft systems (UAS) to survey seabird abundance and next productivity: a validation study	11.472	1818	—	8,055
			<u>—</u>	<u>178,967</u>
			<u>—</u>	<u>267,440</u>
National Science Foundation:				
Collaborative Research: At-sea experimental disturbances to characterize physiological plasticity in diving northern elephant seals	47.074	1656020	—	14,043
Passed through the University of Rhode Island:				
Northwest Passage Project	47.076	0005471/101916	—	85
			<u>—</u>	<u>14,128</u>
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	F19AP00927	—	164,863
U.S. Geological Survey:				
Saxitoxin Ingestion by Common Murre	15.808	G20AC00237	—	25,534

**SEWARD ASSOCIATION FOR THE
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Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Subrecipient expenditures	Federal expenditures
National Park Service:				
Teacher Professional Development Workshop	15.945	P15AC00234	\$ —	8,549
Changing Tides – Bivalve Bioassay and Analysis Component	15.945	P15AC00797	—	3,814
Changing Tides: A Virtual Field Trip	15.945	P17AC00481	—	921
Alaska SeaLife Center Marine Science Interpretation Internships	15.945	P16AC00329	—	1,998
Teacher Professional Development Workshop	15.945	P19AC00160	—	9,614
Changing Tides – Population Changes in Popular Clams	15.945	P19AC00407	—	2,347
			<u>—</u>	<u>27,243</u>
Village Marine Science Outreach	15.954	P20AC00007	—	16,150
Seabird Surveys & Outreach in Resurrection Bay	15.944	P19AC00200	—	8,076
			<u>—</u>	<u>241,866</u>
Institute of Museum and Library Services:				
AZA Disaster Preparedness Training for Zoos and Aquariums Nationwide	45.312	MG-20-16-0049-16	—	66,991
Department of Homeland Security:				
Center for Homeland Security – Arctic Domain Awareness Center:				
Passed through the University of Alaska Anchorage:				
Photoenhanced Toxicity of Dispersed and burned crude oil to Arctic mussels	97.061	17STADA000010205	—	61,950
COVID-19 – Coronavirus Relief Fund:				
Passed through the City of Seward:				
Cares Act SubGrant	21.019	NPSCA-01	—	500,000
Passed through the Alaska Community Foundation:				
Coronavirus Nonprofit Relief Fund	21.019	19583	—	29,366
			<u>—</u>	<u>529,366</u>
Total federal awards			\$ <u>3,307</u>	<u>1,520,309</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, 2020

(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, 2020. 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
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Schedule of Findings and Questioned Costs

Year ended September 30, 2020

(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>
R&D Cluster	Department of Commerce, National Oceanic and Atmospheric Administration – Marine Mammal Data Program
21.019	Covid-19 0 Cares Act SubGrant

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X 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.