



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

Financial Statements and Schedules

September 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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 February 23, 2022 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

February 23, 2022

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

Statements of Financial Position

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 5,059,777	2,145,762
Cash restricted by the City of Seward	1,644,953	1,612,700
Receivables, net	353,361	933,946
Inventory	<u>133,664</u>	<u>77,851</u>
Total current assets	7,191,755	4,770,259
501 Trust employment tax reserve	88,759	64,478
Beneficial interest in assets held by Alaska Community Foundation	551,228	469,989
Unconditional promise to give, pledge for the use of land and building	26,572,388	27,432,847
Facilities and equipment, net	<u>7,694,940</u>	<u>8,496,762</u>
Total assets	<u>\$ 42,099,070</u>	<u>41,234,335</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 714,377	483,486
Accrued salaries and related taxes payable	320,626	312,534
Deferred revenue	<u>954,449</u>	<u>1,144,679</u>
Total current liabilities	1,989,452	1,940,699
501 Trust employment tax reserve	<u>245,586</u>	<u>221,305</u>
Total liabilities	<u>2,235,038</u>	<u>2,162,004</u>
Net assets:		
Without donor restrictions	13,076,433	11,426,308
With donor restrictions	<u>26,787,599</u>	<u>27,646,023</u>
Total net assets	39,864,032	39,072,331
Commitments and contingencies		
Total liabilities and net assets	<u>\$ 42,099,070</u>	<u>41,234,335</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years ended September 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Membership and gate entry fees, net	\$ 3,547,368	—	3,547,368	1,590,772	—	1,590,772
Retail sales, net	186,833	—	186,833	94,548	—	94,548
Education programs	12,511	—	12,511	88,899	—	88,899
Grants:						
Federal	2,519,521	—	2,519,521	2,566,309	—	2,566,309
Other	369,592	—	369,592	302,804	—	302,804
North Pacific Marine Research Institute	190,925	—	190,925	221,313	—	221,313
Contracts	95,346	—	95,346	117,885	—	117,885
Donations	2,125,585	25,672	2,151,257	3,334,524	213,176	3,547,700
Investment and interest income	99,130	—	99,130	42,053	—	42,053
Fiscal agent fees	575,484	—	575,484	564,528	—	564,528
Other	222,670	—	222,670	118,315	—	118,315
Net assets released from restriction	884,096	(884,096)	—	804,167	(804,167)	—
Total support and revenues	10,829,061	(858,424)	9,970,637	9,846,117	(590,991)	9,255,126
Expenses:						
Program:						
Research	666,700	—	666,700	851,470	—	851,470
Stranding	418,905	—	418,905	411,000	—	411,000
Education	338,776	—	338,776	251,257	—	251,257
North Pacific Marine Research Institute	190,925	—	190,925	221,313	—	221,313
Total program expenses	1,615,306	—	1,615,306	1,735,040	—	1,735,040
Support services:						
Front of the house	771,630	—	771,630	994,371	—	994,371
Fundraising	279,571	—	279,571	385,835	—	385,835
Facilities	3,952,494	—	3,952,494	3,560,841	—	3,560,841
Husbandry	1,333,602	—	1,333,602	1,110,480	—	1,110,480
Administrative	1,226,333	—	1,226,333	961,128	—	961,128
Total expenses	9,178,936	—	9,178,936	8,747,695	—	8,747,695
Gain on an involuntary conversion	—	—	—	318,780	—	318,780
Change in net assets	1,650,125	(858,424)	791,701	1,417,202	(590,991)	826,211
Net assets at beginning of year	11,426,308	27,646,023	39,072,331	10,009,106	28,237,014	38,246,120
Net assets at end of year	\$ 13,076,433	26,787,599	39,864,032	11,426,308	27,646,023	39,072,331

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2021

	Research	Stranding	Education	NPMRI	Front of the house	Fundraising	Facilities	Husbandry	Administrative	Total
Salaries and wages	\$ 278,454	217,894	150,561	—	396,000	126,395	504,412	723,105	769,134	3,165,955
Fringe benefits	126,789	104,759	99,545	—	111,166	53,627	240,781	354,829	287,493	1,378,989
Contributed occupancy costs	—	—	—	—	—	—	860,459	—	—	860,459
Contractual and outside services	126,599	19,538	48,976	190,925	60,865	50,430	178,021	21,386	107,531	804,271
Depreciation	—	—	—	—	—	—	803,415	—	—	803,415
Supplies, computer and copying	100,711	57,007	29,210	—	50,229	10,468	231,674	161,160	21,785	662,244
Utilities	—	—	—	—	—	—	647,381	—	—	647,381
Insurance	—	—	—	—	—	—	409,881	248	—	410,129
Bank and credit card fees	—	56	—	—	111,130	7,477	—	—	3,479	122,142
Rent	5,560	4,185	868	—	8,725	1,653	3,551	36,975	—	61,517
Phone and internet	—	448	193	—	—	—	47,772	—	67	48,480
Travel	14,062	11,602	298	—	3,750	1,988	750	2,436	7,617	42,503
Postage and freight	1,743	2,156	1,072	—	5,473	19,187	3,383	4,740	2,951	40,705
Advertising	12	687	694	—	20,813	751	192	299	11,542	34,990
Equipment rental	—	—	—	—	—	—	1,522	150	—	1,672
Miscellaneous	12,770	573	7,359	—	3,479	7,595	19,300	28,274	14,734	94,084
	<u>\$ 666,700</u>	<u>418,905</u>	<u>338,776</u>	<u>190,925</u>	<u>771,630</u>	<u>279,571</u>	<u>3,952,494</u>	<u>1,333,602</u>	<u>1,226,333</u>	<u>9,178,936</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended September 30, 2020

	Research	Stranding	Education	NPMRI	Front of the house	Fundraising	Facilities	Husbandry	Administrative	Total
Salaries and wages	\$ 483,563	203,922	142,493	—	342,084	132,096	496,050	629,663	574,833	3,004,704
Fringe benefits	218,990	97,896	62,728	—	142,307	40,707	227,808	306,754	190,056	1,287,246
Contributed occupancy costs	—	—	—	—	—	—	804,167	—	—	804,167
Contractual and outside services	75,613	37,127	21,927	221,313	279,607	122,663	75,939	13,054	120,854	968,097
Depreciation	—	—	—	—	—	—	636,925	—	—	636,925
Supplies, computer and copying	44,714	41,518	5,147	—	112,349	10,612	165,563	119,943	14,632	514,478
Utilities	160	5,000	—	—	7,851	—	697,594	210	—	710,815
Insurance	—	—	—	—	—	—	395,502	248	—	395,750
Bank and credit card fees	—	128	—	—	63,904	21,915	15	—	8,443	94,405
Rent	192	385	—	—	—	—	3,519	7,200	28,746	40,042
Phone and internet	50	461	221	—	585	33	45,052	—	849	47,251
Travel	13,409	20,938	11,353	—	3,177	33,374	1,365	2,512	4,244	90,372
Postage and freight	11,077	1,653	665	—	83	17,516	1,888	3,941	3,184	40,007
Advertising	621	1,109	363	—	37,566	593	447	2,272	1,367	44,338
Equipment rental	—	35	—	—	—	70	1,775	75	—	1,955
Miscellaneous	3,081	828	6,360	—	4,858	6,256	7,232	24,608	13,920	67,143
	<u>\$ 851,470</u>	<u>411,000</u>	<u>251,257</u>	<u>221,313</u>	<u>994,371</u>	<u>385,835</u>	<u>3,560,841</u>	<u>1,110,480</u>	<u>961,128</u>	<u>8,747,695</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 791,701	826,211
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation	803,415	636,925
Loss on disposal of fixed assets	25,970	—
Contributed occupancy costs	860,459	804,167
Donation revenues restricted to purchase of equipment	(25,672)	(140,432)
Gain on insurance recovery	—	(318,780)
Gain on endowment held by Alaska Community Foundation	(81,239)	(28,242)
Changes in assets and liabilities that provided (used) cash:		
Receivables	457,193	(205,358)
Inventory	(55,813)	31,667
Prepaid expenses	—	101,961
Accounts payable	230,891	13,915
Accrued salaries and related taxes payable	8,092	(16,245)
Deferred revenue	(190,230)	(31,683)
Net cash provided operating activities	<u>2,824,767</u>	<u>1,674,106</u>
Cash flows from investing activities:		
Insurance proceeds	123,392	195,388
Proceeds from sale of property and equipment	415,495	—
Purchase of facilities and equipment	(443,057)	(261,580)
Net cash provided by (used in) investing activities	<u>95,830</u>	<u>(66,192)</u>
Cash flows from financing activities:		
Donation revenues restricted to purchase of equipment	<u>25,672</u>	<u>140,432</u>
Net cash provided by financing activities	<u>25,672</u>	<u>140,432</u>
Net increase in cash and cash equivalents	2,946,269	1,748,346
Cash, cash equivalents, and restricted cash at beginning of year	<u>3,758,461</u>	<u>2,010,114</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 6,704,730</u>	<u>3,758,460</u>
Cash, cash equivalents, and restricted cash consist of the following:		
Cash and cash equivalents	\$ 5,059,777	2,145,762
Cash restricted by the City of Seward	<u>1,644,953</u>	<u>1,612,700</u>
	<u>\$ 6,704,730</u>	<u>3,758,462</u>
Supplemental schedule of noncash investing activity:		
Insurance proceeds receivable	\$ —	123,392

See accompanying notes to financial statements.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2021 and 2020

(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 directors of SAAMS retain control to use the funds in order to achieve SAAMS's 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
ADVANCEMENT OF MARINE SCIENCE**

Notes to Financial Statements

September 30, 2021 and 2020

(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 or otherwise believes it is probable they are 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. 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, 2021.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2021 and 2020

(k) Reclassifications

SAAMS has reclassified certain grant reimbursements within its prior period results to conform to its current period presentation. These reclassifications have not changed the Statement of Functional Expenses totals from prior periods.

(2) Restricted Cash

Under the ASLC lease agreement with the City, SAAMS is required to maintain cash reserves in a separate fund of \$1,644,953 and \$1,612,700 at September 30, 2021 and 2020, respectively, with annual escalations of 2%. Under the lease agreement, the Termination Fund Requirement reserves were \$959,556 and \$940,742, and the Renewal and Replacement Fund Requirement reserves were \$685,397 and \$671,958 at September 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Grants	\$ 189,476	639,021
Pledges	5,179	5,179
Other	<u>158,706</u>	<u>289,746</u>
	<u>\$ 353,361</u>	<u>933,946</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, 2021 and 2020, 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, 2021 and 2020 was \$10,421,213 and \$9,560,754, respectively.

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2021 and 2020

Net amortization of the contribution was as follows:

	<u>2021</u>	<u>2020</u>
Contributed use of facility	\$ 2,780,758	2,780,758
Less interest income	<u>(1,920,299)</u>	<u>(1,976,591)</u>
Net contributed occupancy cost	<u>\$ 860,459</u>	<u>804,167</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	1,860,067	920,691
Two to five years	11,123,033	6,749,070	4,373,963
More than five years	31,547,177	10,269,443	<u>21,277,734</u>
			<u>\$ 26,572,388</u>

(5) Facilities and Equipment

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

	2021		
	Funded by resources		
	With donor restrictions	Without donor restrictions	Total
Land	\$ —	185,982	185,982
Building	3,246,048	12,391,929	15,637,977
Exhibits	1,703,387	1,569,193	3,272,580
Furniture and equipment	3,306,522	1,599,458	4,905,980
Vehicles	122,819	76,312	199,131
Construction in progress	—	163,053	163,053
	8,378,776	15,985,927	24,364,703
Less accumulated depreciation	(6,135,496)	(10,534,267)	(16,669,763)
	\$ 2,243,280	5,451,660	7,694,940

**SEWARD ASSOCIATION FOR THE
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Notes to Financial Statements

September 30, 2021 and 2020

	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
	<u>8,370,798</u>	<u>16,340,354</u>	<u>24,711,152</u>
Less accumulated depreciation	<u>(5,984,277)</u>	<u>(10,187,331)</u>	<u>(16,171,608)</u>
	<u><u>\$ 2,386,521</u></u>	<u><u>6,153,023</u></u>	<u><u>8,539,544</u></u>

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
City of Seward lease contribution (note 4)	\$ 26,572,388	27,432,847
Donor-restricted contributions	<u>215,211</u>	<u>213,176</u>
	<u><u>\$ 26,787,599</u></u>	<u><u>27,646,023</u></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's operations.

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

Notes to Financial Statements

September 30, 2021 and 2020

Changes in the beneficial interest in the Foundation and related unrestricted net assets for the years ended September 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Beneficial interest, beginning of year	\$ 469,989	441,749
Interest and dividend income	8,294	8,602
Net realized and unrealized investment gains	<u>77,816</u>	<u>27,037</u>
Investment returns	86,110	35,639
Transfers	—	25
Administrative and management fees	<u>(4,871)</u>	<u>(7,424)</u>
Beneficial interest, end of year	<u>\$ 551,228</u>	<u>469,989</u>

As of September 30, 2021, SAAMS has cumulative investment returns, net of fees, of \$19,078 available for appropriation and \$6,723 was available for appropriation as of September 30, 2020.

(8) Operating Lease

SAAMS leases certain property and equipment under various operating leases. Rental expense was \$61,518 and \$40,042 for the years ended September 30, 2021 and 2020, respectively. Future minimum payments under noncancelable operating leases are \$20,619 for the year beginning October 1, 2021.

(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, 2021 and 2020.

(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.

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

Notes to Financial Statements

September 30, 2021 and 2020

(11) Concentration of Revenue

Federal grants have accounted for approximately 25% and 28% of total support and revenues for fiscal years 2021 and 2020, 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 \$287,250 and \$285,000 from NPRB for the years ended September 30, 2021 and 2020, respectively. Fiscal agent fees totaled \$179,409 and \$176,052 for AOOS for the years ended September 30, 2021 and 2020, respectively.

(13) Liquidity

At September 30, 2021, SAAMS has approximately \$5.06 million 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, has been awarded federal grants totaling \$2.3 million that will be recognized in the period allowable costs are incurred, and has applied for an additional \$1.14 million of Employee Retention Tax Credits from the US Treasury Department. Subsequent to year end, SAAMS received \$574,055 in Employee Retention Tax Credits and related interest.

At September 30, 2020, SAAMS had approximately \$2.15 million of financial assets available to meet its operating cash needs for general expenditures within one year. In addition, SAAMS had \$100,000 available to draw on its line of credit and had been awarded federal grants totaling \$2.1 million that will be recognized in the period allowable costs are incurred.

(14) Subsequent Events

In connection with the preparation of the financial statements, SAAMS evaluated subsequent events through February 23, 2022, which was the date the financial statements were available to be issued.



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

Federal Financial Assistance Reports

Year ended September 30, 2021

(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, 2021, 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 February 23, 2022.

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

February 23, 2022



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, 2021. 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, 2021.



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 a 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, 2021, and have issued our report thereon dated February 23, 2022, 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

February 23, 2022

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Federal expenditures
Research and Development:			
Department of Commerce:			
National Oceanic and Atmospheric Administration:			
National Marine Fisheries Service:			
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	\$ 215,848
Passed through the University of California Santa Cruz			
Physiological capacities and constraints of ice-dependent Alaskan seals	11.439	NA19NMF4390083	102,780
			318,628
Department of Commerce:			
Unallied Science Program:			
Passed through North Pacific Research Board:			
Sleeper Shark Supplemental Funding	11.472	2004	8,872
Are Changes in Suitability of Essential Lagoon Habitats Driving Declines of Steller's Eiders in the Eastern Aleutians?	11.472	1814	46,718
Communicating the Impact of Changing Habitats on Sea Duck Populations in AK; A Multi-media Approach for Audiences from Grade 4 to Adult	11.472	1814-90	163
			55,753
U.S. Geological Survey Research and Data Collection			
Assessing the Effects of Saxitoxin Ingestion by Common Murres	15.808	G20AC00237	124,192
National Oceanic and Atmospheric Administration:			
National Marine Fisheries Service:			
Prescott Live Marine Mammal Response in Alaska	11.439	NA19NMF4390149	4,290
Prescott Live Marine Mammal Response in Alaska	11.439	NA20NMF4390100	99,988
			104,278
National Science Foundation:			
Passed through the University of Rhode Island			
Northwest Passage Project	47.076	0005471/101916	356
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	49,951
Prescott Improving Response Capacity for Oiled Marine Mammals in Alaska through the Purchase of Needed Supplies and Equipment and Obtaining Resources	15.683	F20AP12029-00	9,282
Prescott Live Marine Mammal Response in Alaska	15.683	F20AP11227-00	99,991
Prescott Correlations between Pathogen Presence, Harmful Algal Bloom Toxins, and Prey Selection in Apparently Healthy and Stranded Northern Sea Otters	15.683	F20AP11046-00	1,344
			110,617

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal grantor/pass-through grantor program title	CFDA number	Grant number	Federal expenditures
National Park Service:			
Changing Tides – Bivalve Bioassay and Analysis Component	15.945	P15AC00797	\$ 304
Changing Tides: A Virtual Field Trip	15.945	P17AC00481	13,881
Alaska SeaLife Center Marine Science Interpretation Internships	15.945	P16AC00329	1,020
Teacher Professional Development Workshop	15.945	P19AC00160	6,353
Changing Tides – Population Changes in Poplar Clams	15.945	P19AC00407	55
SeeBird: High School Citizen Scientists Monitor Seabirds	15.945	P21AC10238	1,964
Village Marine Science Outreach	15.945	P20AC00007	527
			<u>24,104</u>
Seabird Surveys & Outreach in Resurrection Bay	15.944	P19AC00200	19,859
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	10,431
Department of Treasury:			
Passed through the Alaska Community Foundation			
COVID-19 – Coronavirus Nonprofit Relief Fund	21.019	19583	112,305
Total federal awards			<u>\$ 930,474</u>

See accompanying notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

(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, 2021. 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 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.

(5) Amounts Passed Through to Subrecipients

During the year ended September 30, 2021, SAAMS did not pass through any federal award amounts to subrecipients.

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

Schedule of Findings and Questioned Costs

Year ended September 30, 2021

(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
- Significant deficiency(ies) 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

CFDA number	Name of federal program
Various 11.439	Research and Development Cluster Marine Mammal Data Program

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.